

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE PROPOSAL OF
BREAKTHROUGH ENTERPRISES INC.

OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

FOURTH REPORT TO COURT OF PROPOSAL TRUSTEE

JUNE 10, 2022

INTRODUCTION

1. On February 1, 2022 (the “**Filing Date**”), Breakthrough Enterprises Inc. (“**BEI**”), together with eight of its subsidiaries, Breakthrough Entertainment Inc., Breakthrough Film & Television Inc., Breakthrough Merchandising Inc., Breakthrough New Media Inc., Breakthrough Post Inc., Breakthrough Publishing Inc., 2447134 Ontario Inc. (“**244**”) and Oak Room Productions Inc. (collectively “**Breakthrough Subsidiaries**” and together with BEI “**Breakthrough Filing Entitles**”) each filed with the Official Receiver Notices of Intention to Make a Proposal (collectively, the “**NOI Proceedings**”) to creditors and each named Dodick Landau Inc. (“**DLI**”) as Proposal Trustee (the “**Proposal Trustee**”). Attached as **Appendix “A”** are the Certificates of Filing of the NOIs.
2. On March 1, 2022 (the “**March Orders**”), this Court granted the following Orders, which, among other things:

Order #1: Administrative Consolidation, Extension of Time to File Proposal, Critical Suppliers, Render HSBC Unaffected and other Relief

 - a) approved the extension of time to make a Proposal to April 17, 2021;
 - b) authorized Breakthrough to pay critical pre-filing creditors, if in the opinion of the

Breakthrough and the Proposal Trustee such payments are critical to the business and ongoing operations of Breakthrough and provided such payments are specifically approved in writing by the Proposal Trustee;

- c) administratively (but not substantively) consolidated the nine Breakthrough NOI proceedings; and
- d) approved HSBC Bank Canada (“**HSBC**”), in respect of its secured facilities made available to Breakthrough, becoming an unaffected creditor in respect of any proposal made by Breakthrough and the Breakthrough Subsidiaries, and permitted HSBC to receive monthly payments in the aggregate amount of \$11,000 from cash flow as permanent reductions of the secured indebtedness owing by Breakthrough pursuant to a non-revolving demand facility.

Order #2: Approval, Vesting Order and other Relief

- e) approved a proposed sale transaction (the “**Sale Transaction**”) by Breakthrough of certain of its development assets (the “**Purchased Assets**”) contemplated by an agreement of purchase and sale between BEI and 1000041001 Ontario Ltd. on behalf of Spike & Sadie Media Limited Partnership 1000041412 (the “**Purchaser**”), dated February 21, 2022; and
- f) vested Breakthrough’s right, title and interest in and to the Purchased Assets in the Purchaser, free and clear of and from any and all claims and security interests.

Copies of the March Orders are attached as **Appendix “B”**.

- 3. On April 14, 2022 (the “**April Order**”), the Court approved a further extension of time for the Breakthrough Filing Entities to make a proposal to June 1, 2022 and on May 25, 2022 (the “**May Order**”) the stay of proceedings was further extended to July 16, 2022. A copy of the April Order and May Order are attached as **Appendices “C”** and “**D**” respectively.
- 4. All capitalized terms used in this fourth report (the “**Report**”) of the Proposal Trustee but not otherwise defined shall have the meaning ascribed to such terms in the affidavit of Michael McGuigan sworn June 8, 2022 (“**McGuigan Affidavit**”), included in the Debtor’s motion material.
- 5. The purpose of this Report is to provide the Court with information to assist it in

evaluating the relief being sought by Breakthrough to:

- a) substantively consolidate the nine filing entities collectively known as the Breakthrough Filing Entities (“**Substantive Consolidation Order**”); and
- b) approve the transfer and vesting of the Christmas Hill Titles (defined below) to Christmas Hill Productions Inc. to permit the financing of the production by HSBC. (“**Vesting Order**”).

DISCLAIMER

6. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, Breakthrough’s books and records, discussions with the management of Breakthrough (“**Management**”) and information from other third-party sources (collectively, the “**Information**”).
7. Except as described in this Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“GAAS”) pursuant to the Canadian Institute of Chartered Accountants Handbook (the “CPA Handbook”) and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
8. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed. Future oriented financial information referred to in this Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations may be material.
9. The Proposal Trustee has prepared this Report in its capacity as a Court appointed officer and has made a copy of this Report available on the Proposal Trustee’s website at www.dodick.ca for purposes of Breakthrough’s motion returnable June 13, 2022. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.

10. All references to dollars are in Canadian currency unless otherwise noted.

SUBSTANTIVE CONSOLIDATION

11. The Breakthrough Filing Entities are seeking an order to substantively consolidate the NOI proceedings of the Breakthrough Filing Entities to allow these entities to be dealt with as one estate and make a single proposal to their unsecured creditors.
12. As detailed in the McGuigan Affidavit, the Breakthrough Filing Entities operate as part of an integrated business, known as Breakthrough, with the sole purpose of developing, producing and distributing television programs and films. The business is a closely integrated enterprise.
13. The Proposal Trustee has been monitoring the business affairs and operations of Breakthrough since the commencement of the NOI Proceedings. Based on these observations the Proposal Trustee supports Breakthrough's request for substantive consolidation for the reasons detailed in the McGuigan Affidavit and agrees that the tests for substantive consolidation have been met: (i) the elements of consolidation are present; (ii) the benefit of consolidation outweigh the prejudice to any creditors; and (iii) consolidation is fair and reasonable.
14. The Proposal Trustee has completed a review of the estimated value of the Breakthrough Filing Entities' assets in the event of a liquidation. The Proposal Trustee has considered this review on both a consolidated and non-consolidated basis. The Proposal Trustee's review of the estimated liquidation value of the Breakthrough Filing Entities' assets may change for purposes of how it reports to creditors on one, or more, proposals if new information is obtained. A copy of the liquidation analysis on a consolidated and non-consolidated basis are attached as **Appendices "E"** and **"F"** respectively.
15. On a consolidated basis, the liquidation analysis indicates that after payment of the HSBC Secured Loans, a nominal recovery may be available for the unsecured creditors of the Breakthrough Filing Entities.
16. The non-consolidated analysis indicates that the majority of the assets of the Breakthrough Filing Entities are concentrated in BEI. Accordingly, should there not be a substantive consolidation, and in the event of a liquidation, the analysis indicates that after payment of

the HSBC Secured Loans there would be no recovery for the unsecured creditors of eight Breakthrough subsidiaries and BEI would realize a nominal recovery. Whereas, in the event of a substantive consolidation, the unsecured creditors of the other eight Breakthrough subsidiaries would share in the nominal recovery. Given the manner in which the Breakthrough Filing Entities carried on business and managed their intercompany affairs, the Proposal Trustee has concerns that dealing with the assets on a company-by-company basis may prejudice creditors who happened to deal with a Breakthrough entity other than BEI. Consequently, if substantive consolidation were ordered, the Proposal Trustee's analysis indicated that there would be no material financial prejudice to the unsecured creditors of BEI, because while there would be a lower dividend to them as a result of including creditors of the other Breakthrough Filing Entities, the change would not be large comparatively speaking.

17. In addition, if not substantively consolidated, the Breakthrough Filing Entities will be required to make nine separate proposals to their creditors, which is inefficient and duplicative. The Proposal Trustee also concurs that there is a general cost savings to permitting the Breakthrough Filing Entities to file a single proposal, hold a single creditors' meeting and seek a single approval order if the proposal is accepted by the creditors.

VESTING THE CHRISTMAS HILL TITLES

18. According to the McGuigan Affidavit:
 - i. 244 holds a portion of the productions in development, including three Christmas film titles ("**Christmas Hill Titles**"); and
 - ii. subject to receipt of production financing from HSBC in the near term, the Christmas Hill Titles are earmarked to be completed in time to be released in Christmas 2022.
19. The Proposal Trustee understands that not all projects in development are produced, however, once a project has been sold to a network and will become revenue generating, financing is sought to produce the film or television show and at that stage the copyright for the production is transferred to a for purpose production entity. The purpose production entity is then directly financed and incurs all the production costs. BEI currently has numerous wholly owned for purpose production subsidiaries which are not filing entities,

and Management and legal counsel to the Breakthrough Filing Entities have advised the proposed production company in this case, Christmas Hill Productions Inc. is so owned as well. Accordingly, Christmas Hill Productions Inc., to which the Christmas Hill Titles are proposed to be transferred, is the same type of purpose production entity and will be wholly owned by BEI as in the case of the others. The Proposal Trustee understands this is normal industry practice.

20. The Proposal Trustee has been advised by legal counsel to the Breakthrough Filing Entities that a condition to Christmas Hill Productions Inc. receiving financing from HSBC is that a vesting order is obtained approving the transfer of the Christmas Hill Titles to Christmas Hill Productions Inc. The Proposal Trustee has not reviewed the related financing documents.
21. According to Management, the continuation of production of the Christmas Hill Titles, as well as other viable titles in development, are necessary for the continual viability of the Breakthrough Filing Entities. The business is dependant on a continuous flow of new productions entering the market to replace older productions no longer in distribution in order to maintain sufficient revenue to maintain the business operations and profitability.
22. The Proposal Trustee notes that Management has advised that 244 has spent funds developing the Christmas Hill Titles but that the proposed transfer and vesting will not result in any payment from Christmas Hill Productions Inc. to 244. The possible deprivation to the estate of 244 is not a material concern in the view of the Proposal Trustee given that any proceeds of the Christmas Hill Titles after repayment of the HSBC financing will still accrue to the benefit of the Breakthrough group on the whole due to the ownership of that company remaining within the group.

CONCLUSION AND RECOMMENDATION

23. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Breakthrough Filing Entities detailed in Section 5 of this Report.

All of which is respectfully submitted this 10th day of June 2022.

DODICK LANDAU INC.

In its capacity as the Proposal Trustee of
Breakthrough Enterprises Inc.
and not in its personal or corporate capacity.

Per:

A handwritten signature in black ink, appearing to read 'R. Dodick', written over a horizontal line.

Rahn Dodick, CA, CPA, CIRP, LIT
President

APPENDIX “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801374
Estate No. 31-2801374

In the Matter of the Notice of Intention to make a proposal of:

2447134 Ontario Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 08:14

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801364
Estate No. 31-2801364

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Enterprises Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:24

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Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801365
Estate No. 31-2801365

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Entertainment Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:31

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Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801367
Estate No. 31-2801367

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Films & Television Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL

Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:39

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Official Receiver

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des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801368
Estate No. 31-2801368

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Merchandising Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:44

E-File/Dépôt Electronique

Official Receiver

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des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801369
Estate No. 31-2801369

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough New Media Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:48

E-File/Dépôt Electronique

Official Receiver

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Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801370
Estate No. 31-2801370

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Post Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 07:54

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Official Receiver

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Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801371
Estate No. 31-2801371

In the Matter of the Notice of Intention to make a proposal of:

Breakthrough Publishing Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 08:00

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

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Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2801373
Estate No. 31-2801373

In the Matter of the Notice of Intention to make a proposal of:

Oak Room Productions Inc.

Insolvent Person

DODICK LANDAU INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

February 01, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 02, 2022, 08:06

E-File/Dépôt Electronique

Official Receiver

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Canada

APPENDIX “B”

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

THE HONOURABLE MADAM) TUESDAY, THE 1ST
)
JUSTICE CONWAY) DAY OF MARCH, 2022

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY
OF TORONTO IN THE PROVINCE OF ONTARIO**

**ORDER
(Re Administrative Consolidation and Related Relief)**

THIS MOTION made by Breakthrough Enterprises Inc. (the “**Company**”) was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Michael McGuigan, affirmed February 21, 2022, and the First Report of Dodick Landau Inc. in its capacity as proposal trustee (the “**Proposal Trustee**”), and on hearing the submissions of respective counsel for the Company, the Proposal Trustee, HSBC Bank Canada (“**HSBC**”) and such other counsel as were present as listed on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Shaun Parsons affirmed February 22, 2022, filed:

SERVICE

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

PROCEDURAL CONSOLIDATION

2. **THIS COURT ORDERS** that, without prejudice to the right of any party to seek or oppose substantive consolidation in respect of any or all of the following proceedings:

- (a) the present proceeding;
- (b) the matter of the notice of intention to make a proposal of Breakthrough Entertainment Inc., Estate and Court File No. 31-2801365;
- (c) the matter of the notice of intention to make a proposal of Breakthrough Films & Television Inc., Estate and Court File No. 31-2801367;
- (d) the matter of the notice of intention to make a proposal of Breakthrough Merchandising Inc., Estate and Court File No. 31-2801368;
- (e) the matter of the notice of intention to make a proposal of Breakthrough New Media Inc., Estate and Court File No. 31-2801369;
- (f) the matter of the notice of intention to make a proposal of Breakthrough Post Inc., Estate and Court File No. 31-2801370;

- (g) the matter of the notice of intention to make a proposal of Breakthrough Publishing Inc., Estate and Court File No. 31-2801371;
- (h) the matter of the notice of intention to make a proposal of Oak Room Productions Inc., Estate and Court File No. 31-2801373; and
- (i) the matter of the notice of intention to make a proposal of 2447134 Ontario Inc., Estate and Court File No. 31-2801374

(collectively, the “**NOI Proceedings**”)

the NOI Proceedings shall be procedurally consolidated and the Proposal Trustee shall be authorized and directed to administer the NOI Proceedings on a consolidated basis for all purposes in carrying out its administrative duties and other responsibilities as trustee under the *Bankruptcy and Insolvency Act* (the “**BIA**”), including, without limitation, the following:

- (a) sending notices to creditors of Breakthrough Enterprises Inc., Breakthrough Entertainment Inc., Breakthrough Films & Television Inc., Breakthrough Merchandising Inc., Breakthrough New Media Inc., Breakthrough Post Inc., Breakthrough Publishing Inc., Oak Room Productions Inc., and 2447134 Ontario Inc. (collectively, the “**NOI Entities**”) pursuant to one consolidated notice;
- (b) calling and conducting any meetings of creditors of the NOI Entities pursuant to one combined advertisement and one meeting;
- (c) issuing consolidated reports in respect of the estates of the NOI Entities;

- (d) preparing, filing, advertising and distributing any and all filings and/or notices relating to the administration of the estates of the NOI Entities on a consolidated basis; and
- (e) bringing motions to this Honourable Court on a consolidated basis.

3. **THIS COURT ORDERS** that the single Estate and Court File Number 31-2801364 (the “**Consolidated Court File**”) and the following title of proceeding of shall be assigned to the NOI Proceedings:

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO**

AND IN THE MATTER OF EIGHT RELATED INTENDED PROPOSALS

4. **THIS COURT ORDERS** that a copy of this Order shall be filed by the NOI Entities in the court file for each of the NOI Proceedings but that any other document required to be filed in any of the NOI Proceedings shall hereafter only be required to be filed in the Consolidated Court File.
5. **THIS COURT ORDERS** that for avoidance of doubt, any motion, application or action, including the herein motion, in respect of the NOI Entities or any of them shall be brought and filed in the Consolidated Court File and if so brought and filed it shall be deemed brought and filed in each of the NOI Proceedings, as appropriate, without prejudice to any rules of civil procedure or otherwise that are applicable.

6. **THIS COURT ORDERS** that the procedural consolidation of the NOI Proceedings shall not:

- (a) affect the separate legal status and structures of any of the NOI Entities;
- (b) cause any of the NOI Entities to be liable for any claim for which it otherwise is not liable; or
- (c) affect the Proposal Trustee's or a creditor's right to seek to disallow any claim, including on the basis that such claim is a duplicative claim.

EXTENSION OF TIME TO FILE A PROPOSAL

7. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the NOI Entities to file a proposal with the Official Receiver be and is hereby extended up to and including April 17, 2022 (the "**Stay Period**").

CONTINUATION OF SERVICES

8. **THIS COURT ORDERS** that during the Stay Period, all persons having oral or written agreements with the NOI Entities or statutory or regulatory mandates for the supply of goods and/or services 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 NOI Entities, provided in each case that the normal prices or charges for such goods or services received after the date of this Order are paid by the NOI Entities in accordance with normal payment practices of the NOI Entities or other practices as may be agreed upon by the supplier or service provider and each of the NOI Entities and the Proposal Trustee, or as may be ordered by this Court.

9. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the NOI Entities shall be entitled, but not required, to pay with the written approval of the Proposal Trustee amounts owing to any supplier (a “**Critical Supplier**”) for goods or services actually supplied to the NOI Entities prior to February 1, 2022 if, in the opinion of the NOI Entities, such payment is necessary to maintain the uninterrupted operations of the business and, without limiting the generality of the foregoing, declaring that each of the entities listed in Schedule “A” hereto is a Critical Supplier for the purposes of this paragraph 9.

HSBC BANK CANADA

10. **THIS COURT ORDERS** that HSBC, in respect of its secured facilities made available to certain of the NOI Entities, shall be and remain an unaffected creditor in the NOI Proceedings in respect of all amounts owing to it by any of the NOI Entities and that all of HSBC’s rights and remedies in respect of the NOI Entities are not subject to the stay of proceedings or any other aspects of the NOI Proceedings, nor shall HSBC be impacted by any outcome of the NOI Proceedings, and shall continue in full force and effect, unaffected.

11. **THIS COURT ORDERS** that the NOI Entities shall make monthly payments in the aggregate amount of \$11,000 from cash flow during the NOI Proceedings in permanent reduction of the secured indebtedness owing by the NOI Entities pursuant to a Segment 3 Non-Revolver Demand Facility, and that such payments shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

GENERAL

12. **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 NOI Entities, the Proposal Trustee 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 NOI Entities and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the NOI Entities and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

13. **THIS COURT ORDERS** that any interested party (including the NOI Entities and the Proposal Trustee) 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.

14. **THIS COURT ORDERS** that notwithstanding Rule 59.05, this Order is effective from 12:01 a.m. on the date that it is made and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing.



Schedule “A”
List of Critical Suppliers

Black Fawn Films Inc.

Adam Barken

The Writers Guild Of Canada

The Canadian Media Producers Association

Black Five Media Inc.

Bsc Solutions Group Ltd.

McGillivray Media Corp.

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**Court File No. 31-2801364
Estate File No. 31-2801364**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY
OF TORONTO IN THE PROVINCE OF ONTARIO**

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

Proceedings commenced at Toronto

ORDER

WEISZ FELL KOUR LLP
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Lawyers for Breakthrough Enterprises Inc.

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

THE HONOURABLE MADAM) TUESDAY, THE 1ST
)
JUSTICE CONWAY) DAY OF MARCH, 2022
)

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY
OF TORONTO IN THE PROVINCE OF ONTARIO**

**ORDER
(Approval and Vesting Order)**

THIS MOTION, made by Breakthrough Enterprises Inc. (the “**Company**”), for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Purchase Agreement**”) between the Company and 1000041001 Ontario Ltd. on behalf of Spike & Sadie Media Limited Partnership 1000041412 (in such capacity, the “**Purchaser**”) made as of February 21, 2022, pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), was heard this day by way of video conference due to the COVID-19 crisis.

ON READING the Affidavit of Michael McGuigan, affirmed February 21, 2022, the First Report of Dodick Landau Inc. in its capacity as proposal trustee (the “**Proposal Trustee**”), dated February 24, 2022, and, on hearing the submissions of counsel for the Company, the Proposal

Trustee, HSBC Bank Canada (“**HSBC**”) and such other counsel as appearing on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Shaun Parsons sworn, February 22, 2022, filed:

SERVICE

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

APPROVAL OF THE TRANSACTION

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Purchase Agreement is hereby authorized and approved, with such minor amendments as the Proposal Trustee may deem necessary. The Company is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser as described in the Purchase Agreement.

VESTING OF ASSETS

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Proposal Trustee’s certificate to the Purchaser substantially in the form attached as Schedule A hereto (the “**Proposal Trustee’s Certificate**”), all of the Company’s right, title and interest in and to the Purchased Assets (as defined and described in the Purchase Agreement) shall vest absolutely in and to the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual,

statutory, or otherwise), liens, executions, levies, charges, claims of ownership or authorship, adverse claims, licenses or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise or any encumbrance of any nature which, in substance, secures payment or performance of an obligation (all of which are collectively referred to as “**Claims**”) and, for greater certainty, this Court orders that all of the Claims affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Proposal Trustee’s Certificate, all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the consummation of the Transaction, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. **THIS COURT ORDERS AND DIRECTS** the Proposal Trustee to file with the Court a copy of the Proposal Trustee’s Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that upon the Proposal Trustee’s filing of the Proposal Trustee’s Certificate the Company is authorized to distribute to HSBC the cash proceeds of the Transaction in the amount of \$100,000, subject to the security held by HSBC, without further Order of this Court.

7. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these Proposal Proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Company and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Company;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and shall not be void or voidable by creditors of the Company, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

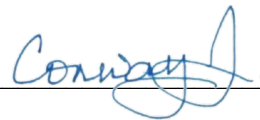
GENERAL

8. **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 Company, the Proposal Trustee 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 Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give

effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS** that each of the Company and the Proposal Trustee 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 Proposal Trustee 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.

10. **THIS COURT ORDERS** that, notwithstanding Rule 59.05, this Order is effective from the date that it is made and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing.

A handwritten signature in blue ink, appearing to read "Conway J.", is written over a horizontal line.

Schedule A – Form of Proposal Trustee’s Certificate

Court File No.

Estate No.

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

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO**

AND IN THE MATTER OF EIGHT RELATED INTENDED PROPOSALS

PROPOSAL TRUSTEE’S CERTIFICATE

RECITALS

A. On February 1, 2022, Breakthrough Enterprises Inc. (“**Breakthrough**”) and eight related entities each filed a Notice of Intention to Make a Proposal (“**NOI**”) under the *Bankruptcy and Insolvency Act*.

B. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated March 1, 2022, the Court approved the agreement of purchase and sale made as of February 21, 2022 (the “**Purchase Agreement**”) between Breakthrough and 1000041001 Ontario Ltd. on behalf of Spike & Sadie Media Limited Partnership 1000041412 (the “**Purchaser**”) and provided for the vesting in the Purchaser of Breakthrough’s right, title and interest in and to the Purchased Assets (as defined in the Purchase Agreement), which vesting is to be effective with

respect to the Purchased Assets upon the delivery by the Proposal Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Article 7 of the Purchase Agreement have been satisfied or waived by Breakthrough and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Purchase Agreement.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchaser has paid and the Proposal Trustee has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Purchase Agreement;
2. The conditions to Closing as set out in Article 7 of the Purchase Agreement have been satisfied or waived by Breakthrough and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Proposal Trustee.
4. This Certificate was delivered by the Proposal Trustee at _____ on _____.

Dodick Landau Inc., in its capacity as Proposal Trustee of Breakthrough Enterprises Inc., and not in its personal or corporate capacity

Per: _____
Name:
Title:

**IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

Court File No. 31-2801364
Estate File No. 31-2801364

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY
OF TORONTO IN THE PROVINCE OF ONTARIO**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER
(Approval and Vesting Order)

WEISZ FELL KOUR LLP
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Lawyers for Breakthrough Enterprises Inc.

COUNSEL SLIP

COURT FILE

March 1 2022

NO.: BK-22-02801364-0031

DATE: _____

NO. ON LIST 4

TITLE OF
PROCEEDING

BREAKTHROUGH ENTERPRISES INC

COUNSEL FOR:

PLAINTIFF(S)

PHONE _____

APPLICANT(S)

Sharon Kour

X

Shaun Parsons

FAX _____

PETITIONER(S)

EMAIL

skour@wfkllaw.ca
sparsons@wfkllaw.ca

COUNSEL FOR:

DEFENDANT(S)

PHONE _____

X RESPONDENT(S)

Brendan Bissel

Joel Turgeon

Rachel Nicholson

John Barrack

Samuel Mosonyi

Dominique Michaud

EMAIL

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JUDICIAL NOTES:

Conway J. Endorsement

The Breakthrough entities (“**Breakthrough**”) are in NOI proceedings. They seek various orders today including an administrative consolidation of the nine NOI proceedings; authorization to make certain critical supplier payments, extension of the stay to April 17, 2022, and approval of a sale transaction.

All of the relief sought, except for the sale transaction, is unopposed. The sale transaction is unopposed, except for NJA Enterprises and Nathaniel Abraham (collectively, “**Abraham**”). Abraham is an unsecured creditor of Breakthrough and is currently in litigation with the company. It sought a two week adjournment of today’s motion on the sale transaction, in order to file more responding materials. Breakthrough and its sole secured creditor HSBC oppose the adjournment. After hearing submissions, I told Abraham’s counsel that I would give a much shorter adjournment of three days given that the sale transaction is scheduled to close on March 7th. Mr. Michaud sought instructions from Abraham and advised that it would not pursue the adjournment if it was only going to be for three days. However, Mr. Michaud told the court that his client may seek to bring a motion in the future seeking leave to set aside the NOI altogether.

Breakthrough is a producer of films, television series, and digital content. Apart from its library of television and films, it has various projects that are in its development pipeline, typically 40 at any time (the “**Development Slate**”). The sale transaction is for a portion of those projects (10 out of the 40). The purchaser is Ira Levy (“**Levy**”), who was the principal contact for Breakthrough with possible network buyers and a former director of the company. He also holds a minority interest in the company.

The evidence before me is that the value of film and television projects arises when the project has been green-lit for production. Until then, they remain intangible concepts with little intrinsic value. Importantly, they diminish with time as they become stale. Breakthrough has been unable to bring these assets to production due to cash flow limitations and lack of personnel.

Breakthrough worked with the Proposal Trustee and HSBC in determining how to monetize its assets. They decided not to run a formal sales process as the cost of running one would eclipse any value attaching to these assets. The sale transaction was entered into with Levy. The purchase price is \$100,000 plus reimbursement of certain payments between February 1 and closing plus forgiveness of all unsecured debt owed to Levy.

Abraham wanted to adjourn the sale approval motion in order to seek a formal sales process for these assets. I declined the adjournment, for three primary reasons. First, the evidence before me is that these assets continue to decline with time and this is the opportunity to monetize the assets before the value declines further. Second, the cost of a sales process will only erode the value of the assets. Third, the Proposal Trustee does not believe that a formal sales process will generate higher proceeds and supports the transaction as being in the best interest of Breakthrough and its stakeholders.

I am prepared to approve the transaction notwithstanding that a sales process was not conducted. It is not required in circumstances where it is not feasible or reasonable to conduct one: see *Re OEL Projects Ltd.*, 2020 ABQB 365; *Re Target Canada Co.*, 2015 ONSC 2066.

I have considered the factors in *Soundair* and s. 65.13(4) of the BIA and approve the transaction considering the following factors:

- These assets are only a portion of the Development Slate;
- The Proposal Trustee and HSBC were consulted about the process.
- The evidence before me is that: these assets are intangible and their value dwindles with time; Breakthrough does not have the resources to produce and develop them to realize their value; Levy is the one whose involvement is necessary to continue the development and bring them to networks for possible production; and if any titles are passed over for production, they become worthless.
- The Proposal Trustee, as noted, does not believe that a formal sales process will generate higher proceeds and supports the transaction.
- Given the amounts involved, a sales process for this portion of the Development Slate is highly uneconomical.
- HSBC would have been able to sell these assets itself as a secured creditor under the PPSA without a formal sales process.

I therefore approve the transaction.

As noted, the other relief sought is not opposed and is acceptable to me. Paragraph 12 has now been removed from the Administrative Consolidation and Related Relief Order in light of Abraham's stated position. With respect to the stay extension, I am satisfied that Breakthrough is acting in good faith and with due diligence and that no creditor will be prejudiced by the extension.

I have signed two orders today – Administrative Consolidation and Related Relief Order and AVO. They are attached to this endorsement. The orders are effective from today's date and are enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read "Conway J.", is located at the bottom left of the page.

APPENDIX “C”

SERVICE

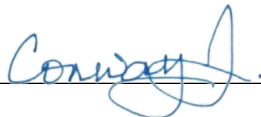
1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Applicants to file a proposal with the Official Receiver be and is hereby extended to June 1, 2022.

ORDER EFFECTIVE IMMEDIATELY

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order without any need for entry and filing.



**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC
1985, c B-3, AS AMENDED**

Court File No. 31-2801364

Estate No. 31-2801364

**AND IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO**

AND IN THE MATTER OF EIGHT RELATED INTENDED PROPOSALS

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

WEISZ FELL KOUR LLP

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Fax: 416.613.8290

Lawyers for Breakthrough Enterprises Inc.

COUNSEL SLIP

COURT FILE

NO.: BK-22-02801364-0031

DATE: April 14th 2022

NO. ON LIST 5

TITLE OF
PROCEEDING

BREAKTHROUGH ENTERPRISES INC.

COUNSEL FOR:

- PLAINTIFF(S)
 APPLICANT(S) **Shaun Parsons**

PHONE _____

FAX _____

- PETITIONER(S)

EMAIL sparsons@wfklaw.ca

Rahn Dodick rahn.dodick@dodick.ca

Joel Turgeon turgeon@gsnh.com

COUNSEL FOR:

- DEFENDANT(S)
 RESPONDENT(S)

PHONE _____

FAX _____

Rachel Nicholson rnicholson@tgf.ca

EMAIL _____

JUDICIAL NOTES:

Conway J. Endorsement

The Applicants seek an extension to June 1, 2022 to file a proposal. The motion is unopposed and is supported by the Proposal Trustee. I am satisfied that the Applicants are acting in good faith and with due diligence, and that no creditor will be materially prejudiced by the extension.

Order to go as signed by me and attached to this endorsement. This order is effective from today's date and is enforceable without the need for entry and filing.



APPENDIX “D”

Court File No. 31-2801364
Estate No. 31-2801364

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

THE HONOURABLE MADAM) WEDNESDAY, THE 25TH
)
JUSTICE CONWAY) DAY OF MAY, 2022
)



IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF
BREAKTHROUGH ENTERPRISES INC. OF THE CITY OF TORONTO IN THE PROVINCE
OF ONTARIO

AND IN THE MATTER OF EIGHT RELATED INTENDED PROPOSALS

**ORDER
(Stay Extension)**

THIS MOTION, made by the Applicants, for an Order extending the period of time for filing a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “BIA”), was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Mike McGuigan affirmed May 20, 2022, and on reading the Third Report of Dodick Landau Inc. dated May 24, 2022 in its capacity as proposal trustee of the Applicants, and on hearing the submissions of counsel for the Applicants, as well as all persons present as stated in the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Levi Rivers sworn May 24, 2022, filed:

SERVICE

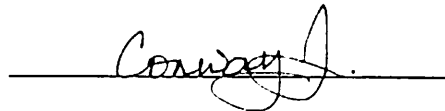
1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Applicants to file a proposal with the Official Receiver be and is hereby extended to July 16, 2022.

ORDER EFFECTIVE IMMEDIATELY

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order without any need for entry and filing.



**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC
1985, c B-3, AS AMENDED**

Court File No. 31-2801364
Estate No. 31-2801364

**AND IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A
PROPOSAL OF BREAKTHROUGH ENTERPRISES INC. OF THE CITY OF
TORONTO IN THE PROVINCE OF ONTARIO**

AND IN THE MATTER OF EIGHT RELATED INTENDED PROPOSALS

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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Lawyers for Breakthrough Enterprises Inc.

COUNSEL SLIP

COURT FILE

NO.: BK-22-02801364-0031

DATE: May 25, 2022

NO. ON LIST 1

TITLE OF
PROCEEDING

BREAKTHROUGH ENTERPRISES INC. et al

COUNSEL FOR:

DEBTOR(S) – Shaun Parsons

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COUNSEL FOR:

CREDITOR(S) – Rachel Nicholson, for HSBC Bank
Canada

EMAIL rnicholson@tgf.ca

PROPOSAL TRUSTEE, Dodock Landau Inc. – Robert
Bissell

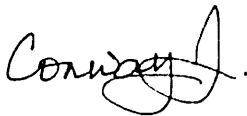
EMAIL bissell@gsnh.com

JUDICIAL NOTES:

Conway J. Endorsement

This motion to extend the time for filing a proposal to July 16, 2022 is unopposed. I am satisfied that the extension should be granted to enable the Applicants to continue their work in developing a proposal. They are acting in good faith and based on the materials before me, no creditor will be materially prejudiced if the extension is granted.

Order to go as signed by me and attached to this endorsement. This order is effective from today's date and is enforceable without the need for entry and filing.



APPENDIX “E”

Breakthrough Entertainment Inc. (the "Company")
Liquidation Analysis
\$Cdn

Nature of Asset	Description	Net Book Value ("NBV")		Liquidation Values		% of NBV		Notes
			NBV Date	Low	High	Low	High	
Cash	Cash on hand	706,000	February 25, 2022	674,854	674,854	96%	96%	(1)
Accounts Receivable	Sales to Broadcasters	1,136,420	February 25, 2022	353,053	428,707	31%	38%	(2)
Accounts Receivable	Receipts from Streaming Revenue		February 25, 2022	163,000	163,000			(6)
Investment in Film Rights	Library of leased and owned titles and Distribution Rights	2,503,501	October 31, 2020	541,500	570,000	22%	23%	(3)
Other Assets:	Equipment	139,436	October 31, 2020	20,915	27,887	15%	20%	(4)
	Programs in Development	<u>1,368,124</u>	October 31, 2020	<u>3,750</u>	<u>7,500</u>	0%	1%	(5)
Proceeds available from the Assets		<u>5,853,481</u>		1,757,072	1,871,948			
Less: Operations and costs of realizations				(580,000)	(530,000)			(6)
Less: Costs to complete certain active productions				<u>(583,000)</u>	<u>(583,000)</u>			(7)
				594,072	758,948			
Less: Secured Creditors				<u>(701,124)</u>	<u>(701,124)</u>			(8)
Net Remaining for Unsecured Creditors				- 107,052	57,824			
Estimated Unsecured Debt				<u>4,500,000</u>	<u>3,500,000</u>			(9)
Estimated recovery for Unsecured Creditors in a Liquidation				<u>-2%</u>	<u>2%</u>			

Notes:

1. Cash on hand as at February 25, 2022.
2. Accounts receivable ("AR") is based on the balance of the AR subledger as at February 25, 2022, net of overdue accounts not considered collectible by Management. The AR is based on existing invoices that are being paid pursuant to long term payment plans and no collection concerns were identified by Management. However, following a bankruptcy filing it is common for a bankruptcy trustee to experience challenges collecting AR. Accordingly at the high level a discount of 15% was applied. Furthermore, following in bankruptcy, the bankruptcy trustee may elect to also offer a discount to certain customers to incentivise customers to pay their balances off earlier, the discount applied to the 'low' was 30%. Approximately 50% of what is collected by Breakthrough will be remitted by the bankruptcy trustee to investors/producers etc. pursuant to the relevant contract for the sale of the title in question.
3. Represents the estimated value of Breakthrough's library of titles (includes tv episodes and films) and distribution rights of approximately (book value of \$314K) which represent amounts paid to acquire distribution rights to new content ("Library"). The title in the Library were either developed by Breakthrough in house or Breakthrough has purchased the rights to distribute them from third parties. The analysis consists of a discounted cash flow which assumes a stream of income being generated by the Library over a 10 year period, net of certain carrying costs for the Library identified by Management. The analysis applies a 50% discount to the portion of the Library for which the content is copyrighted by someone other than the Company as the owners of those copyrights can withdraw their titles from a liquidation sale. It is assumed that 50% will opt to exercise that right, reducing the number of titles that can be sold by the bankruptcy trustee.
4. It is assumed that the liquidation value of Breakthrough's fixed assets which includes office furniture, computers, servers and other ancillary equipment to be 15% (low) to 20% (high) of its fiscal 2020 book value. This value is net of costs to liquidate.
5. Represents capitalized costs invested in new programming being developed and pitched to broadcasters for future production. The October 2020 balance included scripts and trailers but was primarily costs paid to those staff who focus on new product development, which were capitalized for reporting purposes. On March 16, 2022 Breakthrough completed a sale of a portion of its development slate. Based on discussions with Management the development costs as of Oct 2020, if saleable, would either already been sold since the October 2020 or would have been included in the development slate sold on March 16th. Accordingly to Management there almost no net realizable value to the remaining unamortized costs. As the majority of these costs relates to capitalized salaries Management's view that there is no remaining value appears reasonable. The only exception was \$7,500 that was identified by Management that relates to an option that the Company paid for and may be recoverable, which was included at full value in the 'high' and at 50% in the 'low'.
6. During the marketing period, a tax credit is expected to be received in connection with a completed production. As well, streaming revenue will continue to be earned and is assumed to be \$40K per month based on historic average streaming royalties. These sales are not invoiced by Breakthrough as they are collectable only once actual consumption is reported by the applicable streaming service. Certain costs will continue to be incurred by a bankruptcy trustee which will reduce the revenue and are detailed below. The analysis assumes a marketing period by the bankruptcy trustee, through to closure of a transaction, of 3 months. The 'high' and 'low' scenarios assume a range for certain overheads and payroll costs as its possible that after a bankruptcy filing certain employees will not stay through to the closure of the transaction and will find alternative employment and that the related overhead would decrease as well.

	<u>LOW</u>	<u>HIGH</u>
Cash Receipts from Streaming Revenue	163,000	163,000
Costs to wind down certain active operations and liquidate the Library:		
Payroll	(183,000)	(146,400)
overheads	(63,000)	(50,400)
Tradeshaw reimbursements	(37,000)	(37,000)
BEI Distribution Expenses	(6,000)	(6,000)
Development	(12,000)	(12,000)
Professional Fees	(275,590)	(275,590)
Total	<u>(576,590)</u>	<u>(527,390)</u>

7. In addition to the sale of the Library, the analysis assumes that concurrently the bankruptcy trustee will oversee the completion of 8 active film productions through to the receipt of each production's tax credit, which is estimated to take approximately 24 months from the date of bankruptcy. There is approximately \$4.7M of secured debt owed to HSBC in connection with these 8 productions and their completion is an obligation of BEI, as a guarantor under each of these loans. Should these productions not be completed, HSBC's secured debt would increase from the \$679K contemplated in the analysis above by \$4.4M and there would be no monies remaining for unsecured creditors. The costs to complete include payment of certain hard costs, the salaries of 4 employees and certain overheads required to complete each of the productions as well as professional fees to oversee the completion.
8. The Company has approximately \$679,000 of secured debt that would be repaid in full prior to any funds being available for the Company's unsecured creditors.

CRA	nil
HSBC LOC	249,662
HSBC COVID Loan	214,000
HSBC costs	45,000
Principal repayment following sale to Ira Levy	(100,000)
Production Loan - for production that will not completed	<u>292,462</u>
Total	<u>701,124</u>

9. The value of the unsecured debt of \$3.5 million is based on the estimated amount provided by the Company to the Proposal Trustee in the Proposal proceeding. In a bankruptcy proceeding, the amount of debt may increase due to the termination of contracts in a bankruptcy resulting in damage claims being asserted in the bankruptcy proceeding. An additional \$1.0 million in debt was added to the "Low" scenario as an estimate of the additional claims which may arise in a bankruptcy.

APPENDIX “F”

Breakthrough Entertainment Inc. (the "Company")
Unconsolidated Liquidation Analysis by Legal Filing Entity
(unaudited; \$Cdn)

Note: The unconsolidated liquidation analysis calculation assumes the Court does not approve a substantive consolidation of the debtor companies resulting in the debtor companies filing individual proposals.

		Breakthrough Enterprises Inc.	Breakthrough Films & Television Inc.	Breakthrough Entertainment Inc.	Breakthrough Post Inc.	Breakthrough New Media Inc.	2447134 Ontario Inc.	1706184 Ontario Inc. (Breakthrough Merch)	Breakthrough Publishing Inc.	Oak Room Productions Inc.	Total
Assets	1										
Cash		-	85,314	578,066	1,999	627	63	-	5,718	3,068	674,854
Accounts Receivable		-	43,000	548,707	-	-	-	-	-	-	548,707
Property and Equipment		-	2,331	549	24,949	58	-	-	-	-	27,887
Programs in Development		-	3,750	-	-	-	3,750	-	-	-	7,500
Investment in Film Rights/Library	2	285,000	-	285,000	-	-	-	-	-	-	570,000
Total Asset Gross Liquidation Values		285,000	134,395	1,412,322	26,947	685	3,813	-	5,718	3,068	1,871,948
% of total assets gross liquidation values	3	15.2%	7.2%	75.4%	1.4%	0.0%	0.2%	0.0%	0.3%	0.2%	100.0%
Less: Costs of Operations and Realizations	3	(80,294)	(37,864)	(397,898)	(7,592)	(193)	(1,074)	-	(1,611)	(864)	(527,390)
Less: Costs to Complete Certain Active Productions	3	(88,760)	(41,856)	(439,854)	(8,393)	(213)	(1,187)	-	(1,781)	(956)	(583,000)
Total Asset Net Liquidation Values		115,946	54,676	574,570	10,963	279	1,551	-	2,326	1,248	761,558
Liabilities											
Less: Repayment of HSBC Secured Loans	4	(115,946)	(54,676)	(514,136)	(10,963)	(279)	(1,551)	-	(2,326)	(1,248)	(701,124)
Estimated Shortfall on HSBC Secured Loans	4	-	-	60,434	-	-	-	-	-	-	60,434
Estimated Unsecured Liabilities		-	1,119,406	2,218,374	81,899	-	60,000	-	-	40,000	3,519,680
Estimated Recovery for Unsecured Creditors	5	NIL	NIL	3%	NIL	NIL	NIL	NIL	NIL	NIL	

Notes:

1) The notes to the consolidated liquidation analysis apply as well to the unconsolidated liquidation analysis by filing entity. In addition, the notes below help further explain the unconsolidated liquidation analysis.

2) The film rights/library are directly and indirectly owned by Breakthrough Enterprises Inc. and Breakthrough Entertainment Inc. As it relates to many titles and would require a significant amount of time to divide the realizable values correctly among both entities, for purposes of this calculation the net realizable value was split equally between both entities. In the case of Breakthrough Entertainment Inc., the film copyrights reside in numerous for purpose wholly owned subsidiaries of Breakthrough Entertainment Inc.

3) The costs associated with operations, realizations and to complete certain active productions, have been allocated by legal filing entity based on each entities proportion of total asset gross liquidation value. These costs represent primarily overhead and liquidation expenses associated with all the filing legal entities.

4) According to the Proposal Trustee's legal counsel's review of the HSBC security, all the filing entities cross guarantee the HSBC secured loans. Therefore, in a liquidation scenario, HSBC will be permitted to receive repayment of its loans from the net realizable values of any legal filing entity. It is estimated that there would be insufficient realizations to repay HSBC's secured loans at the holdco level in full.

5) As there are insufficient funds in a non-consolidated liquidation scenario to repay HSBC's secured loan in full, it is estimated that there will be no net realizable value remaining to pay any of the unsecured creditors' debts.