

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

SECOND REPORT TO COURT OF PROPOSAL TRUSTEE

DATED APRIL 11, 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. and Oak Room Productions Inc. (collectively “**Breakthrough Subsidiaries**” and together with BEI “**Breakthrough**” or the “**Company**”) 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 the Company to pay critical pre-filing creditors, if in the opinion of the Company and the Proposal Trustee such payments are critical to the business and ongoing operations of the Company 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.

A copy of the March Orders is attached as **Appendix “B”**.

3. All capitalized terms used in this second 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 April 10, 2022, included in the Debtor’s motion material.
4. This Report is made in connection with the motion of the Debtor to extend the time for filing a proposal and extend the stay of proceedings granted upon the filing of the NOI, for a period of 45-days to, and including, June 1, 2022.

## DISCLAIMER

5. 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**").
6. 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.
7. 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.
8. 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](http://www.dodick.ca) for purposes of Breakthrough's motion returnable April 14, 2022. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
9. All references to dollars are in Canadian currency unless otherwise noted.

## **EXTENSION OF STAY OF PROCEEDINGS**

10. The Debtor is seeking an extension of the time for the filing of the proposal to and including June 1, 2022, for a total of 45 days.
11. Since the granting of the March Orders, the Debtor has closed the Sale Transaction on March 16, 2022, and has been working with key stakeholders to develop a viable proposal. The stay extension is required to provide the Debtor with the necessary time to continue its discussions with its key stakeholders, including HSBC, and to develop a viable proposal for the benefit of its creditors.
12. The Proposal Trustee is of the view that the Debtor is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business and assets for the benefit of their stakeholders. Without the extension, the Debtor is not able to make a viable proposal to its creditors and will become bankrupt to the detriment of its stakeholders. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, the Debtor would likely be able to make a viable proposal to its creditors.

## **OVERVIEW OF THE DEBTOR'S WEEKLY CASH FLOW FORECAST**

13. The Debtor, with the assistance of the Proposal Trustee, has prepared a twelve-week cash flow forecast for the period of March 19, 2022, to June 10, 2022 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "C"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtor for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 12 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the twelve-week forecast period in Canadian dollars.
14. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by certain of the Management and employees of the Debtor. Since hypothetical assumptions need not be supported, the Proposal Trustee's

procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtor for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

15. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:
  - a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - 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 Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
  - c) the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.
16. As described in the Disclaimer above, since the Cash Flow Forecast 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, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved.
17. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

## **CONCLUSION AND RECOMMENDATION**

18. The Proposal Trustee is of the view that granting the stay extension will allow the Debtor sufficient time to restructure its business.
19. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Debtor pursuant to the BIA.

All of which is respectfully submitted this 11<sup>th</sup> day of April 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". The signature is stylized and cursive.

---

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

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Date of the Notice of Intention:

February 01, 2022

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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

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. 31-2801365  
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

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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

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. 31-2801367  
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

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Date of the Notice of Intention:

February 01, 2022

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**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

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. 31-2801368  
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

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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

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. 31-2801369  
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

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Date of the Notice of Intention:

February 01, 2022

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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

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. 31-2801370  
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

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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

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. 31-2801371  
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

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Date of the Notice of Intention:

February 01, 2022

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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

**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. 31-2801373  
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

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Date of the Notice of Intention:

February 01, 2022

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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

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

**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.

  
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**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**  
Royal Bank Plaza, South Tower  
200 Bay Street  
Suite 2305, P.O. Box 120  
Toronto, ON M5J 2J3

**Sharon Kour** LSO No. 58328D  
Email: skour@wfklaw.ca  
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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,  
WFK:00036089.1

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.

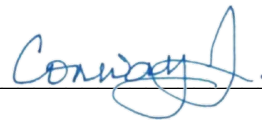
## **GENERAL**

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)**

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**Lawyers for Breakthrough Enterprises Inc.**

# COUNSEL SLIP

COURT FILE

March 1 2022

NO.: BK-22-02801364-0031

DATE: \_\_\_\_\_

4

NO. ON LIST \_\_\_\_\_

TITLE OF  
PROCEEDING

BREAKTHROUGH ENTERPRISES INC

COUNSEL FOR:

PLAINTIFF(S)

APPLICANT(S)

X

Sharon Kour

Shaun Parsons

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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 7<sup>th</sup>. 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”**

**Breakthrough Enterprises Inc.**  
**Consolidated Weekly Cash Flow Forecast**  
**For the period from March 19, 2022 to June 10, 2022**  
**in thousands \$CDN**

Week Ending	Notes	25-Mar-22 1	01-Apr-22 2	08-Apr-22 3	15-Apr-22 4	22-Apr-22 5	29-Apr-22 6	06-May-22 7	13-May-22 8	20-May-22 9	27-May-22 10	03-Jun-22 11	10-Jun-22 12	TOTAL
<b>Receipts</b>														
Sales to International Broadcasters	2	17	61	61	61	61	61	17	17	17	17	9	9	406
Royalty Receipts	3	12	10	10	10	10	10	12	12	12	12	12	12	135
Fees from Productions	4	3	2	20	2	80	2	20	3	20	3	51	22	229
<b>Total Receipts</b>		<b>32</b>	<b>73</b>	<b>90</b>	<b>73</b>	<b>150</b>	<b>73</b>	<b>49</b>	<b>32</b>	<b>49</b>	<b>32</b>	<b>73</b>	<b>44</b>	<b>769</b>
<b>Disbursements</b>														
Production Expenses	5	(6)	(4)	(4)	(4)	(4)	(4)	(6)	(6)	(6)	(6)	(5)	(5)	(59)
Payroll, Employee Benefits and Payroll Taxes	6	-	(24)	(6)	(39)	-	(24)	-	(27)	(20)	(27)	-	(27)	(194)
Development Expenses	7	(19)	(9)	(2)	(9)	(5)	(9)	(4)	(9)	(4)	(9)	(4)	(9)	(91)
Marketing and Distribution Expenses	8	(2)	(2)	(2)	(2)	(27)	(2)	(1)	(1)	(6)	(1)	(1)	(4)	(47)
Distributions to Outside Investors and Producers	9	-	-	(31)	-	-	-	(18)	-	-	-	(29)	-	(78)
Overhead Expenses	10	(8)	(6)	(6)	(6)	(6)	(6)	(8)	(8)	(8)	(8)	(8)	(8)	(84)
<b>Total Disbursements</b>		<b>(34)</b>	<b>(45)</b>	<b>(50)</b>	<b>(60)</b>	<b>(42)</b>	<b>(45)</b>	<b>(37)</b>	<b>(50)</b>	<b>(44)</b>	<b>(50)</b>	<b>(46)</b>	<b>(52)</b>	<b>(553)</b>
<b>Net Cash Flow From Operations</b>		<b>(2)</b>	<b>28</b>	<b>40</b>	<b>13</b>	<b>109</b>	<b>28</b>	<b>13</b>	<b>(18)</b>	<b>5</b>	<b>(18)</b>	<b>27</b>	<b>(8)</b>	<b>216</b>
Professional Fees & Disbursements	11	(10)	-	-	(20)	(10)	(5)	-	-	(20)	(10)	(5)	(20)	(100)
HSBC Principal Repayments	12	-	(11)	-	-	-	-	(11)	-	-	-	(11)	-	(34)
<b>Net Cash Flow</b>		<b>(12)</b>	<b>17</b>	<b>40</b>	<b>(7)</b>	<b>99</b>	<b>23</b>	<b>1</b>	<b>(18)</b>	<b>(15)</b>	<b>(28)</b>	<b>10</b>	<b>(28)</b>	<b>83</b>
<b>Cash Balance</b>														
Opening Cash Balance		658	646	662	703	696	794	817	819	801	786	759	769	658
Add: Net Cash Flow		(12)	17	40	(7)	99	23	1	(18)	(15)	(28)	10	(28)	83
<b>Closing Cash Balance</b>		<b>646</b>	<b>662</b>	<b>703</b>	<b>696</b>	<b>794</b>	<b>817</b>	<b>819</b>	<b>801</b>	<b>786</b>	<b>759</b>	<b>769</b>	<b>741</b>	<b>741</b>

**BREAKTHROUGH ENTERPRISES INC.**  
**MAJOR ASSUMPTIONS**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD MARCH 19, 2022 TO JUNE 10, 2022 (THE “PERIOD”)**

1. Breakthrough Enterprises Inc. and certain of its affiliates and subsidiaries (detailed below and collectively defined as “**Breakthrough**”) operate as a television and film production company that produces and distributes television and film programming worldwide. Nine separate Notices of Intention to File Proposals (“**NOIs**”) were filed in respect of the Breakthrough companies on February 1, 2022 (“**NOI Filings**”). Breakthrough’s cash flow projections have been prepared by management of Breakthrough (“**Management**”) on a consolidated basis and include the following related legal entities, each of which filed NOIs:
  - a. Breakthrough Enterprises Inc.;
  - b. Breakthrough Films & Television Inc.;
  - c. Breakthrough Entertainment Inc.;
  - d. Breakthrough New Media Inc.;
  - e. Breakthrough Publishing Inc.;
  - f. Breakthrough Post Inc.;
  - g. 1706184 Ontario Inc.;
  - h. 2447134 Ontario Inc.; and
  - i. Oak Room Productions Inc.

The cash flow projection is based on the hypotheses that:

- a. Breakthrough will complete a successful proposal;
  - b. Breakthrough will continue operations in the normal course; and
  - c. Breakthrough’s secured creditor HSBC will continue to be supportive of its planned restructuring.
2. **Customer Collections**  
Collection of receipts in respect of the sale of completed productions (television shows or movies) from the Company’s catalogues of productions to international broadcasters. Receipts are forecast based on the collection terms in existing sale contracts.
  3. **Royalty Receipts**  
Collection of receipts in respect of the sale of completed productions (television shows or movies) from the Company’s catalogues of productions to various streaming services. These sales are from a share of the revenues realized by the streaming services. Receipts are estimated based on the average receipts collected by Breakthrough over the past nine months.
  4. **Fees from Productions**  
Fees realized from the production of new content as executive producers of either a television show or film.

## **5. Production Expenses**

Advances made to active productions to fund production costs not covered by external production financing. The forecast is based on existing active productions.

## **6. Payroll, Employee Benefits and Payroll Taxes**

Breakthrough has eight employees and has forecast to hire a new employee for a total of nine employees for the duration of the Period. The payroll costs reflect expected costs over the period including salaries, source deduction remittances and employee benefit payments. Payroll is paid bi-weekly one week in arrears and is processed in house. Source deduction remittances are current. Payroll also includes two contractors, shareholder, Michael McGuigan and VP Distribution, Craig McGillivray.

## **7. Development Expenses**

These costs are payable in connection with the creation of new content and include payments to writers or producers.

## **8. Marketing and Distribution Expenses**

Relates primarily to costs associated with attending tradeshows. Also included are costs associated with earning revenue on the sale of the completed catalogue.

## **9. Distributions to Third-Party Investors and Producers**

From funds received by Breakthrough for the sale of its distribution catalogue/library (to either international broadcasters or streaming services) on average approximately 30-40% is earned by Breakthrough in its capacity as the sales agent. The remaining receipts collected by Breakthrough are payable to third-party investors and producers. These distributions are forecast based on historical average collections.

## **10. Overhead Expenses**

Included in overhead expenses are expenses related to storage, insurance, vehicles and advertising and promotion.

## **11. Professional Fees**

Over the Period, professional fees of Breakthrough's legal counsel, the Proposal Trustee and legal counsel to the Proposal Trustee are estimated to total approximately \$100,000.

## **12. HSBC**

Breakthrough is indebted to HSBC pursuant to secured revolving and non-revolving demand loan facilities. Currently, these secured loan facilities total approximately \$380,000. In addition, certain Breakthrough subsidiary production companies are also indebted to HSBC on account of secured production financing facilities. These productions are solvent and did not file NOIs.

The cash flow includes loan payments of \$11,000 per month to be funded by Breakthrough to reduce the HSBC secured line of credit. Over the Period, payments to HSBC are expected to total approximately \$34,000.