

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

**IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

**MOTION RECORD
(Returnable May 22, 2019)**

May 17, 2019

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Greg Azeff LSO#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L
sdecaria@millerthomson.com
Tel: 416.595.2652
Fax: 416.595.8695

Lawyers for the Licensed Insolvency Trustee,
A. Farber & Partners Inc.

TO: **CASSELS BROCK**
40 King Street West, Suite 2100
Toronto, ON M5H 3C2

Larry Ellis
Email: lellis@casselsbrock.com
Tel: 416.869.5406
Fax: 416.640.3004

Lawyers for the Bankrupt,
Sound City Music Entertainment Inc. (o/a RPM Distribution)

AND TO: **FRED TAYAR & ASSOCIATES P.C.**
65 Queen Street West, Suite 1200
Toronto, ON M5H 2M5

Fred Tayar
Email: fred@fredtayar.com
Tel: 416.363.1800
Fax: 416.363.3356

Lawyers for 2363126 Ontario Inc.

AND TO: **CANADA REVENUE AGENCY**
3400-130 King Street West
Tax Section, PO Box 36, Exchange Tower
Toronto, ON M5X 1K6

Diane H. A. Winters
Email: diane.winters@justice.gc.ca
Tel: 416.973.3172
Fax: 416-973.0810

AND TO: **MINISTRY OF FINANCE**
Legal Services Br.,
33 King Street West, 6th Floor PO Box 627, Stn. A
Oshawa, ON L1H 8H5

Kevin J. O'Hara
Email: kevin.ohara@fin.gov.on.ca
Tel: 905.433.6934
Fax: 905 436-4510

AND TO: **OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA**
25 St. Clair Avenue E, 6th Floor
Toronto, ON M4T 1M2

Patrick Tanedo
Email: patrick.tanedo@canada.ca
Tel: 416.985.3696

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SUPERIOR COURT OF JUSTICE
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I N D E X

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

**IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

**NOTICE OF MOTION
(Returnable May 22, 2019)**

A. Farber & Partners Inc., in its capacity as licensed insolvency trustee (the “**Trustee**”) of Sound City Music Entertainment Inc. (the “**Company**”) will make a motion to the court, on Wednesday, May 22, 2019 at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- ☐ in writing under subrule 37.12.1(1) because it is on consent or unopposed or made without notice;
- ☐ in writing as an opposed motion under subrule 37.12.1(4);
- ☒ orally.

THE MOTION IS FOR:

- (a) approving this First Report of the Trustee dated May 17, 2019 (the “**First Report**”) and the activities of the Trustee set out herein;
- (b) approving the form of Litigation Settlement Agreement attached as an appendix to the First Report (the “**LSA**”) and authorizing the Trustee to enter into an agreement substantially in such form;

- (c) vesting in the Labels all of the Company's and the Trustee's right title and interest in the Purchased Inventory, free and clear of all liens, claims and encumbrances;
- (d) sealing the Confidential Appendices to the First Report (collectively, the "**Confidential Appendices**") until the completion of the transaction contemplated in the LSA; and
- (e) Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

- (f) On January 24, 2019, the Company filed a voluntary assignment in bankruptcy under section 49 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and A. Farber & Partners Inc. ("**Farber**") was named as Trustee's estate (the "**Estate**");
- (g) The Company operated as a wholesaler of vinyl records and compact discs in the Canadian marketplace. The business had been in operation for over thirty years. The Company's primary suppliers of product were Sony Music Entertainment Canada Inc. ("**Sony**"), Universal Music Canada Inc. ("**Universal**"), and Warner Music Canada Co. ("**Warner**", and collectively the "**Labels**");
- (h) Upon its appointment, the Trustee took possession of all assets, including a substantial amount of inventory, owned by the Company. The inventory consists of vinyl records and compact discs (the "**Inventory**");
- (i) At the first meeting of creditors, held on February 14, 2019, the creditors appointed three (3) inspectors (the "**Inspectors**") in the Estate;
- (j) The Labels have expressed their collective intention to acquire or seek the return of that portion of the Inventory which the Company had originally purchased from the Labels (the "**Label Inventory**");

- (k) The Labels have advised the Trustee that they will oppose any attempt by the Trustee to conduct a public sale of the Label Inventory, on the basis that the Labels Inventory incorporates their intellectual property. In the event the Trustee attempts to commence a sale process, the Inspectors will resign;
- (l) Each of the Labels has offered to re-acquire its respective portion of the Labels Inventory at a value equal to 50% of original cost in accordance with the LSA;
- (m) Pursuant to the LSA, consideration will be effectively paid to the Estate by the Labels in the form of a claim reduction, the results of which will permit the other unsecured creditors to realize a larger amount than they would otherwise receive in a liquidation;
- (n) The other unsecured creditors (*i.e.*, excluding the Labels) will share in a larger proportion (*i.e.*, approximately 57% more) of residual cash realizations as a result of the Trustee entering the LSA. While the Labels are paying an effective amount in excess of liquidation values, pursuant to the LSA each of the Labels will receive its proportionate share of the excess value entirely in-kind through the distribution or return of the Labels Inventory, with the other creditors receiving their proportionate shares of enhanced value in cash;
- (o) A key condition of the LSA is that the Labels will waive any right to litigate the Estate for the protection of their respective intellectual property rights that may exist in the Labels Inventory;
- (p) A second condition of the LSA in favour of the Labels is that the Estate will fund the Labels' legal expenses to an aggregate maximum amount of \$40,000;
- (q) Another key factor in the evaluation of the merits of the LSA is that the cost of conducting a fulsome sale process is avoided, which could amount to incremental costs expected to exceed \$50,000 being borne by the Estate with no certainty of achieving a greater outcome;

- (r) The Trustee has not performed a thorough analysis of the merits of any causes of action or other remedies that could be pursued by the Labels, as regardless of same, the net benefits of implementing the LSA to the other creditors in the Estate are such that such merits are not material;
- (s) The Trustee believes it is appropriate to seek Court approval for the Trustee to enter into the LSA in accordance with section 120 (1) of the BIA as the Inspectors are conflicted in approving the LSA as their respective employers are parties to the LSA, which is analogous to the situation envisioned by section 120 (1) of the BIA. Consequently the Inspectors have recused themselves from consideration of the LSA;
- (t) An Order sealing Confidential Appendices until the completion of the transactions contemplated in the LSA is appropriate in order to avoid prejudice to the Estate in the event the LSA is not completed;
- (u) Section 120(1) and Rule 11 of the BIA;
- (v) Rule 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (w) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (x) The First Report of the Trustee dated May 17, 2019; and
- (y) Such further and other evidence as counsel may advise and this Honourable Court may permit.

May 17, 2019

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Greg Azeff LSO#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L
sdecaria@millerthomson.com
Tel: 416.595.2652
Fax: 416.595.8695

Lawyers for the Licensed Insolvency Trustee,
A. Farber & Partners Inc.

TO: **CASSELS BROCK**
40 King Street West, Suite 2100
Toronto, ON M5H 3C2

Larry Ellis
Email: lellis@casselsbrock.com
Tel: 416.869.5406
Fax: 416.640.3004

Lawyers for the Bankrupt,
Sound City Music Entertainment Inc. (o/a RPM Distribution)

AND TO: **FRED TAYAR & ASSOCIATES P.C.**
65 Queen Street West, Suite 1200
Toronto, ON M5H 2M5

Fred Tayar
Email: fred@fredtayar.com
Tel: 416.363.1800
Fax: 416.363.3356

Lawyers for 2363126 Ontario Inc.

AND TO: **CANADA REVENUE AGENCY**
3400-130 King Street West
Tax Section, PO Box 36, Exchange Tower
Toronto, ON M5X 1K6

Diane H. A. Winters
Email: diane.winters@justice.gc.ca
Tel: 416.973.3172
Fax: 416-973.0810

AND TO: **MINISTRY OF FINANCE**
Legal Services Br.,
33 King Street West, 6th Floor PO Box 627, Stn. A
Oshawa, ON L1H 8H5

Kevin J. O'Hara
Email: kevin.ohara@fin.gov.on.ca
Tel: 905.433.6934
Fax: 905 436-4510

AND TO: **OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA**
25 St. Clair Avenue E, 6th Floor

Toronto, ON M4T 1M2

Patrick Tanedo

Email: patrick.tanedo@canada.ca

Tel: 416.985.3696

IN THE MATTER OF THE BANKRUPTCY OF SOUND CITY MUSIC
ENTERTAINMENT INC., A COMPANY INCORPORATED PURSUANT TO THE
LAWS OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO

Court File No.: 31-2467216

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF MOTION
(Returnable May 22, 2019)

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Greg Azeff LSO#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L
sdecaria@millerthomson.com
Tel: 416.595.2652
Fax: 416.595.8695

Lawyers for the Licensed Insolvency Trustee,
A. Farber & Partners Inc.

TAB 2

Court File No. 31-2467216

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO

A. FARBER & PARTNERS INC.
FIRST REPORT OF THE LICENSED INSOLVENCY TRUSTEE

May 17, 2019

APPENDICES

APPENDIX A: Certificate of Appointment

APPENDIX B: Litigation Settlement Agreement (Redacted)

CONFIDENTIAL APPENDICES

CONFIDENTIAL APPENDIX 1: Litigation Settlement Agreement (Unredacted)

CONFIDENTIAL APPENDIX 2: Appraisal Excerpt of Leveredge Asset Solutions Inc.

CONFIDENTIAL APPENDIX 3: Appraisal Excerpt of Infinity Asset Solutions Inc.

CONFIDENTIAL APPENDIX 4: Comparison of Appraisals to Terms of LSA

INTRODUCTION & BACKGROUND

1. On January 24, 2019, Sound City Music Entertainment Inc. (the “**Company**”) filed a voluntary assignment in bankruptcy under section 49 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and A. Farber & Partners Inc. (“**Farber**”) was named as licensed insolvency trustee (in such capacity, the “**Trustee**”) of the Company’s bankruptcy estate (the “**Estate**”). A copy of the Trustee’s Certificate of Appointment confirming the Trustee’s appointment dated January 25, 2019 is attached as **Appendix “A”**.
2. The Company operated as a wholesaler of vinyl records and compact discs in the Canadian marketplace. The business had been in operation for over thirty years. The Company’s primary suppliers of product were Sony Music Entertainment Canada Inc. (“**Sony**”), Universal Music Canada Inc. (“**Universal**”), and Warner Music Canada Co. (“**Warner**”, and collectively the “**Labels**”).
3. At the first meeting of creditors, held on February 14, 2019, the creditors appointed three (3) inspectors in the Estate:
 - i) Brian Waslenko, Senior Director of Finance at Sony;
 - ii) Mark Jones, Director of Credit at Universal; and
 - iii) Edgar Wesseling, Vice President of Finance at Warner.(Collectively the “**Inspectors**”).

4. The Labels have expressed their collective intention to acquire or seek the return of that portion of the Inventory (as defined below) which the Company had originally purchased from the Labels (the “**Labels Inventory**”). The Labels have proposed that the Labels Inventory be returned to them pursuant to the Litigation Settlement Agreement (the “**LSA**”), a redacted copy of which is attached as **Appendix “B”**. An unredacted copy of the LSA is attached as **Confidential Appendix “1”**.
5. The Trustee believes it is appropriate for it to seek Court approval to enter into the LSA as the Inspectors are conflicted in approving the LSA as their respective employers are parties to the LSA, which is analogous to the situation envisioned by section 120 (1) of the BIA. Consequently, the Inspectors have recused themselves from considering the LSA in their capacity as Inspectors of the Estate.

PURPOSE OF THIS REPORT

6. The purpose of this first report of the Trustee (the “**First Report**”) is to report on the Trustee’s activities in respect of certain inventory of the Company and provide support for the Trustee’s request for an Order to be issued by this Court, *inter alia*:
 - i) approving this First Report and the activities of the Trustee set out herein;
 - ii) approving the terms of the LSA pursuant to section 120(1) of the BIA and authorizing the Trustee to enter into the transaction contemplated therein;
 - iii) vesting in the Labels all of the Company’s and the Trustee’s right title and interest in the Labels Inventory, free and clear of all liens, claims and encumbrances; and

- iv) sealing Confidential Appendices 1, 2, 3 and 4 (collectively, the “**Confidential Appendices**”) to the First Report until the completion of the transactions contemplated in the LSA.

DISCLAIMER

- 7. The Trustee has relied upon the financial records and information provided by the Company. The Trustee has not independently audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. The Trustee assumes no responsibility or liability for any loss or damage incurred by or caused to any person or entity as a result of the circulation, publication, re-production or use of or reliance upon this First Report or for any use which any person or entity makes of this First Report, or any reliance on or a decision made based upon this First Report, other than for the express purposes as set out in this First Report.
- 8. Unless otherwise stated herein, all references to dollars are in Canadian currency.
- 9. Pursuant to the E-Service Protocol of the Ontario Superior Court of Justice (Commercial List), which protocol has been adopted in these proceedings, a copy of this First Report and all other Court materials in these proceedings are, and will be, available on the Trustee’s website at:

<https://farbergroup.com/engagements/sound-city-music-entertainment-inc-o-a-rpm-distribution/>

INVENTORY

10. Upon its appointment, the Trustee took possession of all assets, including a substantial amount of inventory, owned by the Company. The inventory consists of vinyl records and compact discs (the “**Inventory**”).
11. Paul Herzog, the sole director of the Company, declared the book value of the Inventory to be \$8,618,159, as contained in the sworn Statement of Affairs filed by the Company at the time of declaring bankruptcy.
12. The Company was unable to provide the Trustee with a listing of the Inventory as the file servers containing the Company’s accounting system mysteriously disappeared on or about January 18, 2019 according to system logs found by the Trustee.
13. The Trustee engaged Totals Inventory (“**Totals**”), a third-party inventory count firm, to count all of the Inventory and report thereon (the “**Count**”). This process provided the Trustee with a piece count.
14. The Trustee obtained price lists from each of the Labels and other vendors to enable it to assign a cost value to the Inventory. The following chart is a summary of the Inventory based on the Trustee’s efforts to combine the Count with the price lists:

15.

Label/Vendor	Piece Count	Original Cost
Sony	85,882	\$1,451,000
Universal	202,646	\$3,437,000
Warner	42,692	\$790,000
Others	<u>74,549</u>	<u>\$1,055,000</u>
Total	405,769	\$6,733,000

16. Subsequent to the Count, the Trustee transferred and consolidated the Inventory from five (5) Company warehouse locations into a single third-party warehouse where the Inventory is being secured and sorted by label. This third party is also verifying the accuracy of the inventory count, which was ongoing at the time of writing this First Report.

THE LITIGATION SETTLEMENT AGREEMENT

17. Each of the Labels has offered to effectively re-acquire its respective portion of the Inventory at a value equal to 50% of original cost as per the terms of the LSA.

18. Pursuant to the LSA, consideration will be effectively paid to the Estate by the Labels in the form of a claim reduction, the results of which will permit the other unsecured creditors to realize a larger amount than they would otherwise be entitled to in a liquidation. The following schedule illustrates the impact of the LSA:

	Inventory Purchase (A) (50% of cost)	Original Claim Amount (B)	% of Total	Revised Claim (= B-A)	Revised % of Total
Sony	\$725,568	\$2,042,798 (f)	22.7%	\$1,317,230	21.4%
Universal	\$1,718,622	\$5,360,048 (f)	59.7%	\$3,641,426	59.3%
Warner	\$395,164	\$800,373 (f)	8.9%	\$405,209	6.6%
Other Creditors		<u>\$777,126</u>	8.7%	<u>\$777,126</u>	12.7%
Total	\$2,839,355	\$8,980,345	100%	\$6,140,990	100%

(f) = claim amount as filed

19. As illustrated above, the other unsecured creditors (excluding Sony, Universal and Warner) will share in a larger proportion (approximately 57% more) of residual cash realizations as a result of entering into the LSA. While the Labels are paying an effective amount that is far in excess of liquidation values, as discussed below, the Labels will receive their proportionate share of the excess value entirely in-kind through the distribution or return of the Labels Inventory that they supplied, with the other creditors receiving their proportionate share of enhanced value in cash.
20. The Labels have advised the Trustee that they will oppose any attempt by the Trustee to conduct a public sale of the Labels Inventory, on the basis that the Labels Inventory incorporates their intellectual property. Specifically, the Labels have advised that they would bring claims for: (i) copyright infringement in connection with use of the names of the Labels' copyrighted works and for the distribution of such works without the copyright holders' permission in the course of a sales process, and (ii) breach of

contract relating to the sale of copyrighted works of the Labels at prices below those agreed upon.

21. A key condition of the LSA is that the Labels will waive any right to litigate the Estate for the protection of their respective intellectual property rights that may exist in the Labels Inventory.
22. A second condition of the LSA in favour of the Labels is that the Estate will fund the Labels' legal expenses to a maximum amount of \$40,000.
23. Another key factor in the evaluation of the merits of the LSA is that the cost of conducting a fulsome sale process is avoided, which could amount to incremental costs expected to exceed \$50,000 being borne by the Estate with no certainty of achieving a greater outcome.
24. The Trustee has been advised by the Labels that they would not be prepared to enter into purchase transactions in respect of the Labels Inventory on the same terms contemplated in the LSA, as any such purchases would have negative financial implications for them.
25. The Trustee has not performed a thorough analysis of the merits of any causes of action or other remedies that could be pursued by the Labels, as regardless of same, the net benefits of implementing the LSA to the other creditors in the Estate are such that the merits are not material.
26. The Trustee believes it is appropriate to seek Court approval for the Trustee to enter into the LSA in accordance with section 120 (1) of the BIA as the Inspectors are

conflicted in approving the LSA as their respective employers are parties to the LSA, which is analogous to the situation envisioned by section 120 (1) of the BIA.

ESTIMATED LIQUIDATION VALUE OF THE INVENTORY

27. The Trustee obtained two independent appraisals (together, the “**Appraisals**”) of the Company’s assets, including the Inventory. Copies of the excerpts of the Appraisals which address the valuation of Inventory are attached as **Confidential Appendices “2”** and “3”.

28. The Trustee has prepared an evaluation of the appraised values compared to the terms of the LSA, attached as **Confidential Appraisal “4”**. Based on this evaluation, the Trustee believes that the value offered by the Labels far exceeds the liquidation value of the Labels Inventory.

29. The Trustee believes that a sealing order is required with respect to the Confidential Appendices as these contain commercially-sensitive information, the release of which could prejudice any subsequent marketing process for the Labels Inventory which could be required if the LSA is not implemented.

RECOMMENDATIONS

30. The Trustee believes that entering into the LSA will:

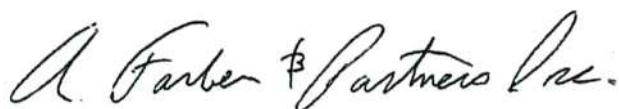
- a) result in a materially higher realization for the general body of unsecured creditors while allowing the Labels to protect their interests in the marketplace; and

- b) allow the Estate to avoid additional costs of conducting a sale process and defending potential litigation from the Labels in respect of intellectual property rights.

31. The Trustee supports, for those reasons stated herein, the requested relief summarized at paragraph 6 of this First Report.

All of which is respectfully submitted this 17th day of May, 2019.

**A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE OF THE ESTATE OF
SOUND CITY MUSIC ENTERTAINMENT INC., A BANKRUPT,
AND NOT IN ITS PERSONAL OR ANY OTHER CAPACITY**



IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
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(Returnable May .22, 2019)**

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40 King Street West, Suite 5800
P.O. Box 1011
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Greg Azeff LSO#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L
sdecaria@millerthomson.com
Tel: 416.595.2652
Fax: 416.595.8695

Lawyers for the Licensed Insolvency Trustee,
A. Farber & Partners Inc.

TAB 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.: 31-2467216
Estate No.: 31-2467216

In the Matter of the Bankruptcy of:

Sound City Music Entertainment Inc.
Debtor

A. FARBER & PARTNERS INC.
Licensed Insolvency Trustee
Ordinary Administration

Date and time of bankruptcy:	January 25, 2019, 11:32	Security:	\$0.00
Date of trustee appointment:	January 25, 2019		
Meeting of creditors:	February 14, 2019, 10:00 150 York Street, Suite 1600 TORONTO, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act: Rule 85

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: January 25, 2019, 11:34

E-File/Dépôt Electronique

Official Receiver

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

Canada

TAB B

LITIGATION SETTLEMENT AGREEMENT

THIS LITIGATION SETTLEMENT AGREEMENT is made effective as of the ● day of May, 2019 (the "**Effective Date**").

B E T W E E N:

UNIVERSAL MUSIC CANADA INC., a company incorporated under the laws of the Province of Ontario,

(hereinafter called "**Universal**")

- and -

SONY MUSIC ENTERTAINMENT CANADA INC., a company incorporated under the laws of the Province of Ontario,

(hereinafter called "**Sony**")

- and -

WARNER MUSIC CANADA CO., a company incorporated under the laws of the Province of Ontario,

(hereinafter called "**Warner**" and together with Universal and Sony "**Labels**" and each a "**Label**")

- and -

A. FARBER & PARTNERS INC., solely in its capacity as Trustee in Bankruptcy of Sound City Music Entertainment Inc. (o/a RPM Distribution) ("**Sound City**")

(hereinafter called "**Trustee**")

RECITALS

WHEREAS, Sound City carried on business as Canada's largest wholesaler of vinyl records and compact discs serving retailers across Canada;

AND WHEREAS, Sound City made an assignment for the general benefit of creditors on January 24, 2019 and the appointment of the Trustee was confirmed by the Official Receiver on January 25, 2019;

AND WHEREAS, the Labels were collectively both the largest suppliers to and largest creditors of Sound City with claims in an aggregate amount of \$8,203,219 ("**Total Label Claims**") and the Labels will suffer a shortfall in recovery of their claims;

AND WHEREAS, the most significant asset of the estate of Sound City is its inventory ("**Inventory**");

AND WHEREAS, the book value of the Inventory is approximately \$6,733,000 (subject to adjustment as provided herein), the Trustee obtained multiple appraisals at fair liquidation value, the highest of which was \$[REDACTED] on the dollar as compared to book value, which, in respect of the Inventory supplied by the Labels ("**Labels' Inventory**"), would yield the estate approximately \$[REDACTED] (subject to adjustment as provided herein);

AND WHEREAS, the Labels have alleged that they have certain claims to challenge the sale of the Labels' Inventory to a liquidator, including, among other things, copyright infringement related to the distribution of and the use of the names of copyrighted works without the copyright holders' permission and breach of contract for the sale of copyrighted works at prices below those agreed upon;

AND WHEREAS, to avoid the sale of the Labels' Inventory at significantly discounted prices and to protect the Labels' intellectual property, the Labels have agreed to waive their litigation claims provided the estate covers the Labels' legal costs in connection with the administration of the estate in an amount up to \$40,000 and that the Labels' Inventory is returned to each such supplying Label in exchange for a reduction of claims in an amount \$0.50 on the dollar of the book value of the Inventory, being \$2,839,355 ("**Claim Reduction Value**"), which in aggregate would yield the estate \$2,799,355, all of which is subject to adjustment as provided for herein;

AND WHEREAS, it is apparent that the return to the estate will be maximized pursuant to this settlement such that the net benefit to the estate will be approximately \$ [REDACTED] (subject to adjustment as provided for herein), the Trustee has not thoroughly considered the merits of any potential litigation so as to avoid additional costs;

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter set forth, the Labels and Trustee hereby agree as follows:

1. Settlement

Trustee shall forthwith return to each supplying Label (each, a "**Supplying Label**") all Inventory supplied by such Label ("**Labels' Supplied Inventory**") to Sound City in consideration for:

- 1.1 A reduction in the Total Label Claims by the Claim Reduction Value, such that the aggregate net claims of the Labels after reduction is \$ [REDACTED], collectively, subject to adjustment as provided for at section 2 hereof; and
- 1.2 Sound City's estate will collectively reimburse the Labels for their legal fees in connection with matters relating to the bankruptcy and administration of the estate of Sound City up to a maximum of \$40,000 in aggregate.

2. Adjustment

It is acknowledged and agreed by the parties hereto that the Total Label Claims and Claim Reduction Value shall be adjusted to reflect the final count of the Inventory and the dollar value thereof.

3. Release

The Labels hereby release, remise, and discharge Sound City and the Trustee, from any and all claims, actions, causes of action, suits, proceedings, liabilities, debts, damages, sums of money, costs, obligations, duties, dues, accounts, interests, bonds, covenants, loss or injury, whether at law or in equity, of whatever nature or kind, that the Labels know or reasonably ought to know about as of the date of this Agreement only as it relates to the sale of the Labels' Inventory.

4. Representations and Warranties

Each of the undersigned separately represents and warrants that it, or its representative, is authorized to execute and carry out the provisions of this Agreement and that the transactions contemplated herein will not result in a violation of the terms of any agreement to which any of the undersigned may be a party.

5. Survival

The release contained in this Agreement shall survive the completion of Section 1 of this Agreement by the parties hereto and notwithstanding such completion shall continue in full force and effect for the benefit of the Trustee and Sound City, respectively.

6. Further Assurances

The parties agree to do all such other acts and things as may be necessary to give effect to the provisions hereof.

7. Applicable Law

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

8. Binding Effect

This Agreement shall enure to the benefit of and be binding upon the parties and their respective legal representatives, successors and assigns.

9. Entire Agreement

This Agreement constitutes the entire agreement among the parties with respect to the subject matter dealt with herein. This Agreement supersedes all previous agreements and discussions between the parties and there are no representations, warranties, covenants or collateral agreements, express or implied, among the parties save as contained in this Agreement.

10. Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. This Agreement may be executed by any party by electronic PDF signature with the same effect as if executed originally.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first noted above.

UNIVERSAL MUSIC CANADA INC.

By: _____
Name:
Title:

SONY MUSIC ENTERTAINMENT CANADA INC.

By: _____
Name:
Title:

WARNER MUSIC CANADA CO.

By: _____
Name:
Title:

A. FARBER & PARTNERS INC., solely in its capacity as Trustee in Bankruptcy of Sound City Music Entertainment Inc. (o/a RPM Distribution), and not in its personal capacity

By: _____
Name:
Title:

TAB 3

TAB A

TAB B

TAB C

TAB D

TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

THE HONOURABLE

)

WEDNESDAY, THE 22ND

JUSTICE

)

DAY OF MAY, 2019

)

**IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

APPROVAL AND VESTING ORDER

THIS MOTION, made by A. Farber & Partners Inc., in its capacity as licensed insolvency trustee (the “**Trustee**”) of Sound City Music Entertainment Inc. (the “**Company**”) for: (i) an order approving the form of Litigation Settlement Agreement attached as Appendix “B” (the “**LSA**”) to the First Report of the Trustee dated May 17, 2019 (the “**First Report**”) and authorizing the Trustee to execute the LSA; (ii) an order approving the settlement (the “**Settlement**”) contemplated by the LSA upon such execution of the LSA by the Trustee and Universal Music Canada Inc. (“**Universal**”), Sony Music Entertainment Canada Inc. (“**Sony**”), Warner Music Canada Co. (“**Warner**”) (collectively, the “**Labels**”); (iii) an Order vesting in each of the Labels all of the Company’s and the Trustee’s right, title and interest in and to each Supplying Labels’ respective Labels Inventory (as such terms are defined in the LSA), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report and on hearing the submissions of counsel for the Trustee, no one appearing for any other person on the service list, although properly served as appears from the affidavit of * sworn May, *, 2019, filed,

1. **THIS COURT ORDERS AND DECLARES** that the LSA is hereby approved, and the execution of the LSA by the Trustee, and the settlement contemplated thereunder, is hereby

authorized and approved, with such minor amendments as the Trustee may deem necessary. The Trustee 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 Settlement and for the conveyance of Labels Inventory to each respective Supplying Label (as such term is defined in the LSA).

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Trustee's certificate to the each Label substantially in the form attached as Schedule A hereto (the "**Trustee's Certificate**"), all of the Company's right, title and interest in and to each Labels' respective Labels Inventory as described in the LSA, shall vest absolutely in the Labels, 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, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (ii) those Claims listed on Schedule B hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule C) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Labels Inventory are hereby expunged and discharged as against the Labels Inventory.

3. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the Claim Reduction Value (as such term is defined in the LSA) shall stand in the place and stead of the Labels Inventory, and that from and after the delivery of the Trustee's Certificate all Claims and Encumbrances shall attach to the Claim Reduction Value with the same priority as they had with respect to the Labels Inventory immediately prior to the Trustee's return of the Labels Inventory to each respective Supplying Label, as if the Labels Inventory had not been returned and remained in the possession or control of the person having that possession or control immediately prior to the Settlement.

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

5. **THIS COURT ORDERS** that, notwithstanding the pendency of these proceedings, the vesting of the Labels Inventory in each respective Label pursuant to this Order shall be binding on the Trustee, 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 *Bankruptcy and Insolvency Act* (Canada) 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. **[NTD: GREG - PROB DON'T NEED THIS SINCE WE ARE ALREADY IN BANKRUPTCY AND THIS ORDER IS MADE WITHIN THE BANKRUPTCY PROCEEDING]**

6. **THIS COURT ORDERS AND DECLARES** that the Settlement is exempt from the application of the *Bulk Sales Act* (Ontario).

7. **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 Trustee and its 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 Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Trustee and its agents in carrying out the terms of this Order.

**IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

RECITALS

A. On January 24, 2019, Sound City Music Entertainment Inc. (the “**Company**”) filed a voluntary assignment in bankruptcy under section 49 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and A. Farber & Partners Inc. (“**Farber**”) was named as licensed insolvency trustee (in such capacity, the “**Trustee**”) of the Company’s bankruptcy estate (the “**Estate**”).

B. Pursuant to an Approval and Vesting Order of the Court dated May 22, 2019 (the “**Order**”), the Court approved the form and execution of the Litigation Settlement Agreement (the “**LSA**”) between the Trustee and Universal Music Canada Inc. (“**Universal**”), Sony Music Entertainment Canada Inc. (“**Sony**”), Warner Music Canada Co. (“**Warner**”) (collectively, the “**Labels**”) provided for the vesting in each of the Labels all of the Company’s and the Trustee’s right, title and interest in and to each Labels’ respective Labels Inventory, which vesting is to be effective with respect to the Labels Inventory upon the delivery by the Trustee to each of the Labels of a certificate confirming (i) a reduction in the Total Label Claims by the Claims Reduction Value (as provided for in section 1.1 of the LSA) and (ii) that the Estate has reimbursed the Labels’ for their legal fees in the maximum amount of \$40,000 to the Labels (as provided for in section 1.2 of the LSA) and (iii) the Settlement (as defined in the Order) has been completed to the satisfaction of the Trustee.

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

THE TRUSTEE CERTIFIES the following:

1. The Trustee has returned all of the Labels Inventory to each respective Supplying Label, and in exchange, the Total Label Claims have been reduced by the Claim Reduction Value, such that the aggregate net claims of the Labels after reduction is \$5,363,864, subject to adjustment as provided in section 2 of the LSA.

Purchaser has paid and the Trustee has received the Purchase Price for the Labels Inventory payable on the Closing Date pursuant to the Sale Agreement;

2. The Estate has reimbursed the Labels for their legal fees in connection with matters related to the bankruptcy and administration of the Estate, up to a maximum of \$40,000.
3. The Settlement has been completed to the satisfaction of the Trustee.
4. This Certificate was delivered by the Trustee at _____ [TIME] on _____ [DATE].

**A. Farber & Partners Inc., solely in its
capacity as licensed insolvency trustee of the
estate of Sound City Music Entertainment
Inc., and not in its personal capacity**

Per: _____

Name:

Title:

Schedule B – Claims to be deleted and expunged from title to Real Property

**Schedule C – Permitted Encumbrances, Easements and Restrictive Covenants
related to the Real Property
(unaffected by the Vesting Order)**

TAB 5

Revised: January 21, 2014

Court File No. 31-2467216

ONTARIO

**SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

THE HONOURABLE

JUSTICE

)
)
)

~~WEEKDAY, THE #~~

WEDNESDAY, THE 22ND

DAY OF ~~MONTH, 20YR~~MAY, 2019

~~BETWEEN:~~

PLAINTIFF

Plaintiff

~~—and—~~

DEFENDANT

Defendant

**IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO**

APPROVAL AND VESTING ORDER

THIS MOTION, made by ~~[RECEIVER'S NAME]~~A. Farber & Partners Inc., in its capacity as licensed insolvency trustee (the ~~Court-appointed receiver~~"Trustee") of Sound City Music Entertainment Inc. (the ~~"Receiver"~~) of the undertaking, property and assets of ~~[DEBTOR]~~ (the ~~"Debtor"~~)"Company" for: (i) an order approving the ~~sale transaction~~ (the ~~"Transaction"~~) ~~contemplated by an agreement of purchase and sale~~ (the ~~"Saleform of Litigation Settlement"~~

Agreement") ~~between the Receiver and [NAME OF PURCHASER] (the "Purchaser") dated [DATE] and appended attached as Appendix "B" (the "LSA") to the First Report of the ReceiverTrustee dated [DATE]May 17, 2019 (the "First Report"), and") and authorizing the Trustee to execute the LSA; (ii) an order approving the settlement (the "Settlement") contemplated by the LSA upon such execution of the LSA by the Trustee and Universal Music Canada Inc. ("Universal"), Sony Music Entertainment Canada Inc. ("Sony"), Warner Music Canada Co. ("Warner") (collectively, the "Labels"); (iii) an Order vesting in each Supplying Label all of the PurchaserCompany's and the Debtor'sTrustee's right, title and interest in and to the assets describedLabels' Supplied Inventory (as such terms are defined in the Sale Agreement (the "Purchased Assets"),LSA), was heard this day at 330 University Avenue, Toronto, Ontario.~~

ON READING the First Report and on hearing the submissions of counsel for the Receiver, ~~[NAMES OF OTHER PARTIES APPEARING];Trustee,~~ no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME]* sworn [DATE]May, *, 2019, filed¹;

1. THIS COURT ORDERS AND DECLARES that the ~~TransactionLSA~~ is hereby approved,² and the execution of the ~~Sale AgreementLSA~~ by the ~~Receiver³Trustee, and the settlement contemplated thereunder,~~ is hereby authorized and approved, with such minor amendments as the ~~ReeeiverTrustee~~ may deem necessary. The ~~ReeeiverTrustee~~ 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 ~~TransactionSettlement~~ and for the conveyance of ~~Labels' Supplied Inventory to each respective Supplying Label (as such terms are defined in the Purchased Assets to the Purchaser.LSA).~~

¹~~This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

²~~In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

³~~In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's Trustee's certificate to the Purchaser each Label substantially in the form attached as Schedule A hereto (the "Receiver's Trustee's Certificate"), all of the Debtor's Company's right, title and interest in and to the ~~Purchased Assets described in the Sale Agreement [and listed on Schedule B hereto]~~⁴ Labels' Supplied Inventory shall vest absolutely in the Purchaser each respective Supplying Label, 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, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims"⁵) including, without limiting the generality of the foregoing: ~~(i) any encumbrances or charges created by the Order of the Honourable Justice [NAME] dated [DATE]; (ii)~~ (i) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and ~~(iii)~~ (i) those Claims listed on Schedule ~~CB~~ hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule ~~DC~~) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets Labels' Supplied Inventory are hereby expunged and discharged as against the Purchased Assets Labels' Supplied Inventory.

3. ~~THIS COURT ORDERS that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION}] of a Transfer/Deed of Land in the form prescribed by the Land Registration Reform Act duly executed by the Receiver][Land Titles Division of {LOCATION}] of an Application for Vesting Order in the form prescribed by the Land Titles Act and/or the Land Registration Reform Act]~~⁶, the Land Registrar is hereby directed to enter the

⁴ To allow this Order to be free-standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.

⁵ The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.

⁶ Elect the language appropriate to the land registry system (Registry vs. Land Titles).

~~Purchaser as the owner of the subject real property identified in Schedule B hereto (the "Real Property") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

4.3. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the ~~net proceeds⁷ from the sale of the Purchased Assets~~Claim Reduction Value (as such term is defined in the LSA) shall stand in the place and stead of the ~~Purchased Assets~~Labels' Supplied Inventory, and that from and after the delivery of the ~~Receiver's~~Trustee's Certificate all Claims and Encumbrances shall attach to the ~~net proceeds from the sale of the Purchased Assets~~Claim Reduction Value with the same priority as they had with respect to the ~~Purchased Assets~~Labels' Supplied Inventory immediately prior to the ~~sale⁸~~Trustee's return of the Labels' Supplied Inventory to each respective Supplying Label, as if the ~~Purchased Assets~~Labels' Supplied Inventory had not been ~~sold~~returned and remained in the possession or control of the person having that possession or control immediately prior to the ~~sale~~Settlement.

5.4. **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Trustee to file with the Court a copy of the ~~Receiver's~~Trustee's Certificate, forthwith after delivery thereof.

~~6. — THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada Personal Information Protection and Electronic Documents Act, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed on Schedule "●" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.~~

~~7. — THIS COURT ORDERS that, notwithstanding:~~

⁷ ~~The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at "net proceeds".~~

⁸ ~~This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

- (a) ~~the pendency of these proceedings;~~
- (b) ~~any applications for a bankruptcy order now or hereafter issued pursuant to the Bankruptcy and Insolvency Act (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and~~
- (c) ~~any assignment in bankruptcy made in respect of the Debtor;~~

5. ~~the, the~~ vesting of the ~~Purchased Assets in the Purchaser~~Labels' Supplied Inventory in each respective Supplying Label pursuant to this Order shall be binding on ~~any trustee in bankruptcy that may be appointed in respect of the Debtor and the Trustee,~~ shall not be void or voidable by creditors of the ~~Debtor~~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 *Bankruptcy and Insolvency Act* (Canada) 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.

8. ~~THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the Bulk Sales Act (Ontario).~~

9.6. **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 ~~Receiver~~Trustee and its 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 ~~Receiver~~Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the ~~Receiver~~Trustee and its agents in carrying out the terms of this Order.

~~Schedule~~ IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,

~~A —Form of Receiver's Certificate~~

Court File No. _____

COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

BETWEEN:

PLAINTIFF

Plaintiff

—and—

DEFENDANT

Defendant

RECEIVER'S CERTIFICATE

WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO

RECITALS

A. — Pursuant to an Order of the Honourable [NAME OF JUDGE] of the Ontario Superior Court of Justice (the "Court") dated [DATE OF ORDER], [NAME OF RECEIVER] was appointed as the receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor").

B. — Pursuant to an A. On January 24, 2019, Sound City Music Entertainment Inc. (the "Company") filed a voluntary assignment in bankruptcy under section 49 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), and A. Farber & Partners Inc. ("Farber") was named as licensed insolvency trustee (in such capacity, the "Trustee") of the Company's bankruptcy estate (the "Estate").

B. Pursuant to an Approval and Vesting Order of the Court dated May 22, 2019 (the "**Order of the Court** dated [DATE];"), the Court approved the ~~agreement of purchase and sale made as of [DATE OF AGREEMENT]~~ (the "**Sale**" and execution of the Litigation Settlement Agreement (the "**LSA**") between the ~~Receiver [Debtor] and [NAME OF PURCHASER]~~ (the "**Purchaser**") and ~~Trustee and Universal Music Canada Inc. ("Universal"), Sony Music Entertainment Canada Inc. ("Sony"), Warner Music Canada Co. ("Warner")~~ (collectively, the "**Labels**") provided for the vesting in ~~the Purchaser~~ each of the ~~Debtor's~~ Labels all of the Company's and the Trustee's right, title and interest in and to ~~the Purchased Assets~~ each ~~Supplying Labels' respective Labels' Supplied Inventory~~, which vesting is to be effective with respect to the ~~Purchased Assets~~ Labels' ~~Supplied Inventory~~ upon the delivery by the ~~Receiver~~ Trustee to ~~each of the Purchaser~~ Labels of a certificate confirming (i) ~~the payment~~ a reduction in the Total Label Claims by the ~~Purchaser of the Purchase Price~~ Claims Reduction Value (as provided for in section 1.1 of the ~~Purchased Assets~~ LSA) and (ii) that the ~~conditions to Closing as set out in section 1 of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser~~; Estate has reimbursed the Labels' for their legal fees in the maximum amount of \$40,000 to the Labels (as provided for in section 1.2 of the LSA) and (iii) the ~~Transaction Settlement (as defined in the Order)~~ has been completed to the satisfaction of the ~~Receiver~~ Trustee.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the ~~Sale Agreement~~ LSA and the Order.

THE ~~RECEIVER~~ TRUSTEE CERTIFIES the following:

1. The ~~Trustee~~ has returned all of the Labels' ~~Supplied Inventory~~ to each respective ~~Supplying Label~~, and in exchange, the Total Label Claims have been reduced by the ~~Claim Reduction Value~~, such that the aggregate net claims of the Labels after reduction is \$5,363,864, subject to adjustment as provided in section 2 of the LSA.

~~Purchaser~~ has paid and the ~~Receiver~~ Trustee has received the Purchase Price for the ~~Purchased Assets~~ Labels' ~~Supplied Inventory~~ payable on the Closing Date pursuant to the Sale Agreement;

2. The ~~conditions~~ Estate has reimbursed the Labels for their legal fees in connection with ~~matters related~~ to ~~Closing as set out in section 1 of the Sale Agreement have been satisfied or~~

~~waived by the Receiver~~bankruptcy and ~~the Purchaser;~~ and administration of the Estate, up to a maximum of \$40,000.

3. The ~~Transaction~~Settlement has been completed to the satisfaction of the ~~Receiver~~Trustee.

4. This Certificate was delivered by the ~~Receiver~~Trustee at _____ [TIME] on _____ [DATE].

~~[NAME OF RECEIVER],~~A. Farber & Partners Inc., solely in its capacity as Receiverlicensed insolvency trustee of the undertaking, property and assetsestate of [DEBTOR], Sound City Music Entertainment Inc., and not in its personal capacity

Per: _____

Name: _____

Title: _____

Schedule B – ~~Purchased Assets~~

~~Schedule C~~ — Claims to be deleted and expunged from title to Real Property

NIL

**Schedule DC – Permitted Encumbrances, Easements and Restrictive Covenants
related to the Real Property**

(unaffected by the Vesting Order)

NIL

IN THE MATTER OF THE BANKRUPTCY OF
SOUND CITY MUSIC ENTERTAINMENT INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN,
IN THE PROVINCE OF ONTARIO

Court File No.: 31-2467216

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**MOTION RECORD
(Returnable May .22, 2019)**

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Greg Azeff LSO#: 45324C
gazeff@millerthomson.com
Tel: 416.595.2660
Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L
sdecaria@millerthomson.com
Tel: 416.595.2652
Fax: 416.595.8695

Lawyers for the Licensed Insolvency Trustee,
A. Farber & Partners Inc.