

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

THE HONOURABLE)
JUSTICE *HAINES*)

WEDNESDAY, THE 22ND

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 “**Supplying Labels**”, and each a “**Supplying Label**”); (iii) an Order vesting in each Supplying Label all of the Company’s and the Trustee’s right, title and interest in and to its respective Labels’ Supplied Inventory (as such term is 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 Shallon Garrafa sworn May 21, 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' Supplied Inventory to each respective Supplying Label.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Trustee's certificate to the each Supplying 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 the Labels' Supplied Inventory shall vest absolutely in 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**") 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' Supplied Inventory are hereby expunged and discharged as against the Labels' Supplied 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' Supplied 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' Supplied Inventory immediately prior to the Trustee's return of the Labels' Supplied Inventory to each respective Supplying Label, as if the Labels' Supplied 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' Supplied Inventory in each respective Supplying 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.

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 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.

A handwritten signature in blue ink, appearing to read "Hamley", is written over a horizontal line. The signature is fluid and cursive.

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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 “**Supplying Labels**”, and each a “**Supplying Label**”) provided for the vesting in each Supplying Label all of the Company’s and the Trustee’s right, title and interest in and to each Supplying Labels’ respective Labels’ Supplied Inventory, which vesting is to be effective with respect to the Labels’ Supplied 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 Supplying Labels for their legal fees in the maximum amount of \$40,000, collectively (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, capitalized terms have the meanings set out in the LSA and the Order.

THE 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 Supplying Labels after reduction is \$5,363,864, collectively, subject to adjustment as provided in section 2 of the LSA.

2. The Estate has reimbursed the Supplying 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, collectively.

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

NIL

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

(unaffected by the Vesting Order)

NIL

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Court File No.: 31-2467216

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

Proceeding commenced at Toronto

APPROVAL AND VESTING ORDER

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