

Court File No. 35-2212212

Estate No. 35-2212212

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(BANKRUPTCY AND INSOLVENCY)**

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**IN THE MATTER OF THE PROPOSAL OF  
ENTERTAINMENT MEDIA INC.**

**A. FARBER & PARTNERS INC.  
SECOND REPORT OF THE PROPOSAL TRUSTEE**

**February 24, 2017**

## **APPENDICES**

**APPENDIX A: CERTIFICATE OF FILING NOTICE OF INTENTION TO  
MAKE A PROPOSAL DATED JANUARY 27, 2017**

**APPENDIX B: FIRST REPORT OF THE PROPOSAL TRUSTEE**

**APPENDIX C: CREDITOR'S LIST**

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**APPENDIX D: STALKING HORSE APA AND OVERBID PROCEDURE**

**APPENDIX E: SALES PROCESS TIMETABLE**

**APPENDIX F: PROJECTED CASHFLOW TO APRIL 14, 2017**

## INTRODUCTION

1. On January 27, 2017, Intertainment Media Inc. ("**Intertainment**" or the "**Company**") filed a Notice of Intention to Make a Proposal (an "**NOI**") under Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and A. Farber & Partners Inc. ("**Farber**") was appointed as proposal trustee in the Company's NOI proceedings (in such capacity, the "**Proposal Trustee**"). A copy of the Certificate of Filing of a Notice of Intention to Make a Proposal is attached hereto as **Appendix "A"**.
2. Intertainment is a technology incubator focused on investing in technology and social media companies. The Company holds investments in certain technology companies. The Company was listed on the TSX Venture Exchange trading under the ticker "TSXV:INT" until it was delisted in November of last year.
3. A more comprehensive background summarizing: the company's history and causes of financial difficulty; the lawsuits from former executives David Lucatch and Anthony Pearlman; the Demand Letter and a Notice of Intention to Enforce Security under Section 244(1) of the Bankruptcy and Insolvency Act (Canada) from Cancor Debt Agency Inc. (the "**Collateral Agent**"); and a request for an order approving a debtor-in-possession financing agreement (the "**DIP Financing Agreement**") is found in the Proposal Trustee's "**First Report**" attached hereto as **Appendix "B"**.

## PURPOSE OF THIS REPORT

4. The purpose of this second report of the Proposal Trustee (the "**Second Report**") is to:
  - i) report on and seek Court approval for the proposed stalking horse sales and marketing process and the terms contemplated in the Stalking Horse APA (as defined below) that has been negotiated by Intertainment and the Secured Creditors (as defined below);
  - ii) seek approval for extending the stay of proceedings by 45 days; and,
  - iii) seek approval of the Proposal Trustee's activities.

## DISCLAIMER

5. The Proposal Trustee has relied upon the financial records and information provided by the Company. The Proposal Trustee has not independently audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to the information contained in this Second Report. The Proposal 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 Second Report or for any use which any person or entity makes of this Second Report, or any reliance on or a decision made based upon this Second Report, other than for the express purposes as set out in this Second Report.
6. Unless otherwise stated herein, all references to dollars are in Canadian currency.
7. Pursuant to the E-Service Protocol of the Commercial List, a copy of this Second Report and all other Court materials, Orders and Endorsements issued in these proceedings are, and will be, available on the Proposal Trustee's website at: <http://www.farberfinancial.com/insolvency-engagements/intertainment-media-inc>.

## ASSETS

8. The "Major Assets" of the Company are as follows:
  - a) 4.8 million shares of Yappn Corp. ("Yappn") a publicly traded Company on the Over the Counter Bulletin Board Exchange in the United States, which does language translation services (currently worth approximately \$500,000 based on the share price as at February 22, 2017);
  - b) 20% stake in Active ImageNation Inc., a Los Angeles based developer of a technology platform called Cap That ("Cap That") which allows the sharing of videos, images and commercial printing into the entertainment, music, sports and gaming sectors;
  - c) Tax losses of approximately \$60,000,000 (the "Tax Losses").

- d) \$1.25 million owing from a company called Mi5 Print & Digital Communications Inc. ("**Mi5**") for the outstanding purchase price from the sale of a company called Magnum Fine Commercial Printing Limited by Entertainment to Mi5 on September 2, 2014 (the "**Magnum Litigation Proceeds**"); and,
  - e) Entertainment previously owned a stake in itiBiti Ventures Inc ("**itiBiti**"), a company which creates social entertainment applications – pursuant to the terms of sale, Entertainment is entitled to a 40% stake in any sale proceeds if ItiBiti is sold on or before December 31, 2017.
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9. Other Assets include:

- a) 20% stake in an Israeli voice translation company called Lexifone Communications Systems (2010) Ltd.

**CREDITORS**

*Secured Creditors*

- 10. Attached, as **Appendix "C"** is a creditors list showing all creditors as at February 10, 2017.
- 11. The Proposal Trustee engaged its counsel, Bennett Jones LLP ("**Bennett Jones**"), to conduct a review of the security of the "**Secured Creditors**" which the Proposal Trustee understands total approximately \$1,885,535 and rank as follows:
  - a) Thornton Grout Finnigan LLP ("**TGF**"), acting as counsel to the Secured Debenture Holders (defined below) and Gowlings WLG (Canada) LLP ("**Gowlings**") as counsel to the Company;
  - b) The "**Secured Debenture Holders**" as are listed in Appendix "C"; and,
  - c) Mark Greaves, Tony Relouw and Craig Combe who advanced funds via a private placement as third ranking secured creditors.
- 12. Bennett Jones has not yet completed its security opinion at the time of this report, but expects to do so in the next few days.

***Unsecured Creditors***

13. Intertainment has informed the Proposal Trustee that it has approximately \$3,081,407 in unsecured liabilities as of the date hereof. It should be noted that the actual amount of unsecured debt would be dependent on the valuation of the litigation claims with David Lucatch and Anthony Pearlman noted in the Proposal Trustee's First Report.

**STALKING HORSE ASSET PURCHASE AGREEMENT**

14. As a result of discussions from November, 2016 to February, 2017, the Company has been successful in negotiating a form of asset purchase agreement with 2541843 Ontario Inc. ("**254 Ontario**" or the "**Stalking Horse Bidder**"), a company incorporated by the Secured Creditors. This form of asset purchase agreement is structured as a stalking horse asset purchase agreement, which is subject to Court approval. This Stalking Horse APA, as defined below, is proposed to stand as the opening bid in a Court-approved marketing and sales process (the "**Sales Process**"), to be conducted by the Proposal Trustee on behalf of and in consultation with Intertainment. Both the Stalking Horse APA and Sales Process are more fully described below.
15. By agreement dated as of February 23, 2017 (the "**Stalking Horse APA**"), 254 Ontario submitted to Intertainment an offer to purchase all of the right, title and interest in Intertainment's Major Assets, which represent substantially all assets of Intertainment. In exchange, 254 Ontario will assume all of the debt owing by Intertainment to its Secured Creditors and pay to Intertainment \$65,000 in cash. A copy of the Stalking Horse APA is attached hereto as **Appendix "D"**.
16. The Stalking Horse APA remains subject to Court approval and a better offer being received through the Sales Process, as further described in the Overbid Procedures (defined below).
17. A summary of the key terms of the transaction contemplated by the Stalking Horse APA is as follows:

- 254 Ontario will acquire, on an “as is, where is” basis, the Company’s interest in the Major Assets for the “**Purchase Price**” estimated to be \$2,130,535 as is calculated below:

i) an amount equal to the liabilities owing by the Company to the Secured Creditors under the Loan Agreement, which as at February 10, 2017, is estimated to be \$1,885,535 million, *plus*;

ii) the \$180,000 to be advanced pursuant to the DIP Financing Agreement (\$135,000 of which has already been advanced), *plus*;

iii) the cash component of \$65,000, *plus*;

iv) any amount owing to the Canada Revenue Agency in priority to the Secured creditors (“**CRA Priorities**”), which will be confirmed via a payroll audit, but is estimated to be zero.

- 254 Ontario’s bid will be satisfied by way of (i) assumption of the amounts owing to the Secured Creditors and under the DIP Financing Agreement, and (ii) a payment of cash on closing of \$65,000 to provide the Company with funding in order to make a proposal to unsecured creditors for the tax losses.

- A competing bidder would be required to offer a minimum estimated to be \$2,265,535 in cash on the Closing Date representing:

i) the Purchase Price estimated to be \$2,130,535 noted above, *plus*

ii) the “**Expense Reimbursement**” of \$75,000 payable to 254 Ontario, *plus*

iii) an “**Overbid Amount**” of \$60,000 payable to the Company.

- The transaction contemplated thereunder is subject to the approval of the Court and contemplates a Court Order vesting free and clear title to the

Stalking Horse Bidder, subject only to permitted encumbrances, as identified in the Stalking Horse APA.

18. The Proposal Trustee believes the process leading to the Stalking Horse APA was reasonable and establishes a reasonable floor value for the assets of the Company.

#### **STALKING HORSE SALES PROCESS**

19. The Proposal Trustee has reviewed the proposed Stalking Horse APA and the Overbid Procedures and believes that the Sales Process is reasonable, fair and appropriate under the circumstances. A copy of the Overbid Procedures is included as Schedule "B" to the Stalking Horse APA in Appendix "D".

20. Section 5 of the Overbid Procedures outlines the criteria for a bidder to be a "Qualified Bidder" and specifies, *inter alia*, that a qualified bid must:

- i) include a minimum purchase price, payable in cash, estimated to be \$2.3 million as is outlined above;
- ii) indicate the potential purchaser's willingness to close on the purchase of the Purchase Assets based on the terms set forth in the Stalking Horse APA; and,
- iii) include evidence of financial wherewithal.

21. The Expense Reimbursement is specified in the Stalking Horse APA as the fixed amount of \$75,000. This fee equates to approximately 3.5% of the Purchase Price. The Secured Creditors and 254 Ontario have incurred significant effort and expense in preparing the Stalking Horse APA, and liaising with the Company and Proposal Trustee to develop the Sales Process.

22. The Proposal Trustee believes that the quantum of the Overbid Amount and Expense Reimbursement are reasonable under the circumstances.

23. A timeline of events in the Sales Process is attached hereto as **Appendix "E"**.



24. The Sales Process is transparent and will be administered by the Proposal Trustee, in consultation with the Company. The Proposal Trustee believes that the proposed Sales Process is an efficient means to broadly canvass the market. The Sales Process provides a forum and deadline to permit and encourage any serious alternative bidders to come forward with improved offers.

### **CASH FLOW PROJECTION**

25. Intertainment has prepared a projected weekly cash flow statement for the period from February 18, 2017 to the week ending April 14, 2017 (the "**Cash Flow**"). A copy of the cash flow is attached as **Appendix "F"**. The Cash Flow indicates that Intertainment is projected to have sufficient liquidity through to the conclusion of the sales process to continue operating. The Cash Flow assumes that a further \$45,000 of the DIP is drawn upon, as is allowed under the DIP Financing Agreement.
26. The cash flow is predicated on certain assumptions outlined in the assumptions page of the cash flow, including that Intertainment receives Court for approval for the Sales Process.
27. The Proposal Trustee has reviewed the underlying assumptions on which the Cash Flow projection is based and believes them to be reasonable.

### **EXTENSION OF STAY OF PROCEEDINGS**

28. The initial stay of proceedings will expire on February 27, 2017. The Bid Deadline as set out in the Bidding Procedures is March 22, 2017 and then further time will be needed to close. Extending the stay of proceedings by an additional 45 days to April 13, 2017 will allow the Proposal Trustee to complete the Sales Process. It will also provide time for the Company to work on drafting a proposal to creditors before returning to Court to seek an additional extension of the stay of proceedings.
29. The Proposal Trustee is not aware of any creditors who would be materially prejudiced by the granting of the requested extension to the stay of proceedings. Moreover, it would be cost effective for the Court to grant this first extension now concurrent with

the approval of the Sales Process so that the parties do not have to incur the additional expense of coming back to court.

30. Intertainment has acted in good faith and with due diligence in these NOI proceeding to date and in its efforts to negotiate the Stalking Horse APA and Sales Process.
31. In the circumstances, the Proposal Trustee believes it is the most appropriate strategy to maximize recovery for the benefit of all stakeholders.

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### **RECOMMENDATIONS**

32. The Proposal Trustee respectfully recommends that this Honourable Court approve:

- (i) the Company entering into the Stalking Horse APA;
- (ii) the terms of the Sales Process; and,
- (iii) the requested extension to extend the time within which to file a proposal with the Official Receiver by Intertainment under section 62(1) of the BIA to April 13, 2017.

All of which is respectfully submitted this 24<sup>th</sup> day of February, 2017.

**A. FARBER & PARTNERS INC. IN ITS CAPACITY AS TRUSTEE  
IN RE THE PROPOSAL OF ENTERTAINMENT MEDIA INC.**

A. Farber & Partners Inc.

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## Appendix A



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of        Ontario  
Division No.    05 - London  
Court No.       35-2212212  
Estate No.      35-2212212

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

**Intertainment Media Inc.**  
Insolvent Person

**A. FARBER & PARTNERS INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention:                      January 27, 2017

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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: January 30, 2017, 12:42

E-File/Dépôt Electronique

Official Receiver

Federal Building - London, 451 Talbot Street, Suite 303, London, Ontario, Canada, N6A5C9, (877)376-9902

**Canada**

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## Appendix B

Court File No. 35-2212212

Estate No. 35-2212212

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

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**IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF ENTERTAINMENT MEDIA  
INC.**

**A. FARBER & PARTNERS INC.  
FIRST REPORT OF THE PROPOSAL TRUSTEE**

**February 10, 2017**

**APPENDICES**

<b>APPENDIX A:</b>	<b>CERTIFICATE OF FILING NOTICE OF INTENTION TO MAKE A PROPOSAL DATED JANUARY 27, 2017</b>
<b>APPENDIX B:</b>	<b>ACKNOWLEDGEMENT RE YAPPN SHARES</b>
<b>APPENDIX C:</b>	<b>DEMAND LETTER &amp; NOTICE OF INTENTION TO ENFORCE SECURITY</b>
<b>APPENDIX D:</b>	<b>CREDITORS' LIST</b>
<b>APPENDIX E:</b>	<b>WAYNE PARSONS CONSULTING AGREEMENT</b>
<b>APPENDIX F:</b>	<b>DIP TERM SHEET</b>
<b>APPENDIX G:</b>	<b>CASH FLOW STATEMENT AND NOTES FILED</b>
<b>APPENDIX H:</b>	<b>NOTICE TO CREDITORS OF NOI FILING</b>

## INTRODUCTION

1. On January 27, 2017, Intertainment Media Inc. ("**Intertainment**" or the "**Company**") filed a Notice of Intention to Make a Proposal (an "**NOI**") under Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and A. Farber & Partners Inc. ("**Farber**") was appointed as proposal trustee in the Company's NOI proceedings (in such capacity, the "**Proposal Trustee**"). A copy of the Certificate of Filing of a Notice of Intention to Make a Proposal is attached hereto as **Appendix "A"**.

## PURPOSE OF THIS REPORT

2. The purpose of this first report of the Proposal Trustee (the "**First Report**") is to report on and seek Court approval of: (i) the proposed interim financing to be provided for operating expenses (including professional fees); and, (ii) the activities of the Proposal Trustee.

## DISCLAIMER

3. The Proposal Trustee has relied upon the financial records and information provided by the Company. The Proposal Trustee has not independently audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to the information contained in this First Report. The Proposal 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.
4. Unless otherwise stated herein, all references to dollars are in Canadian currency.



5. A copy of this First Report and all other Court materials, Orders and Endorsements issued in these proceedings are, and will be, available on the Proposal Trustee's website at: <http://www.farberfinancial.com/insolvency-engagements/intertainment-media-inc>

## BACKGROUND

6. Intertainment is a technology incubator focused on investing in technology and social media companies. The Company holds investments in certain technology companies described more particularly in the "Assets" section of this First Report. The Company was listed on the TSX Venture Exchange trading under the ticker "TSXV:INT" until it was delisted in November of last year.
7. Intertainment has experienced negative cash flow from operations for over a year. The last interim financial statements filed reflected a net loss of approximately \$1.3 million for the quarter ended March 31, 2016. Cash used in operating activities for the 9 months ended March 31, 2016 was negative \$2.5 million, as compared with negative \$4.2 million for the 9 months ended March 31, 2015.
8. Burdened by excessive debt, on May 9, 2016, the Company announced that it had entered into a debt settlement and forbearance agreement (the "**Debt Settlement Agreement**") with the holders of outstanding secured debentures of the Company representing an aggregate principal and interest amount of \$3,628,396.81. The agreement called for the transfer of 12,000,000 common shares of Yappn (defined below) as partial settlement of the secured debentures.
9. As at the date of the NOI filing, the Company was still holding the 12,000,000 Yappn shares since it had insufficient cash on hand to pay the transfer agent to execute the transfer. Attached as **Appendix "B"** is an acknowledgement agreement which provides that Intertainment is holding the 12,000,000 Yappn shares in trust. The Company intends to proceed with this transfer as soon as cash becomes available from the DIP Financing Agreement (defined later in this report) to pay the transfer agent.

10. Pursuant to the terms of the Debt Settlement Agreement, the management and board of the Company was reorganized such that Mr. David Lucatch, Chief Executive Officer and a director, and other directors resigned from their positions with the Company. Mr. Wayne Parsons, a former consultant to the Company and former director and audit committee chair of Yappn Corp., was appointed Chief Executive Officer and director. On June 30, 2016, Intertainment announced that Mr. Anthony Pearlman, President and COO of Intertainment, left the Company.
11. On August 15, 2016, the Company issued a press release that it had received a Statement of Claim filed by David Lucatch in the amount of approximately \$6,000,000 claimed in connection with his resignation as CEO pursuant to the terms of the negotiated Debt Settlement Agreement. The Company claimed the allegations in the statement of claim were without merit.
12. On August 26, 2016, Intertainment announced that it had received a Statement of Claim filed by Mr. Anthony Pearlman, the former President and Chief Operating Officer of Intertainment and a cousin of Mr. Lucatch. The Statement of Claim claims \$650,000 in unpaid wages and other damages in connection with Mr. Pearlman's employment with Intertainment.
13. With the passage of time and continued liquidity issues, investors were unwilling to continue to support the Company, particularly in light of litigation costs involved in connection with the above noted statements of claim. As a result of a lack of funding, on October 27, 2016, Intertainment announced that it would be unable to file its audited annual financial statements for the financial year ending June 30, 2016. As a consequence, the Company's shares were cease traded on November 3, 2016.
14. On November 30, 2016, the Company received a Demand Letter and a Notice of Intention to Enforce Security under Section 244(1) of the Bankruptcy and Insolvency Act (Canada) from Cancor Debt Agency Inc. (the "**Collateral Agent**"), on behalf of the Secured Creditors (defined below), pursuant to a Collateral Agency Agreement dated May 3, 2016. The Collateral Agent demanded repayment of the principal amount of \$1,291,839.37 (the "**Indebtedness**") due to the Secured Creditors, plus accrued and

accruing costs and interest. Attached, as **Appendix "C"**, is a copy of the Demand Letter and Notice of Intention to Enforce Security.

### ***ASSETS***

15. Intertainment presently has only one employee, Wayne Parsons, the CEO. The Company operates out of Mr. Parsons' home and the only assets of significance are the investments it holds in various technology companies described below:

- a) 4.8 million shares of Yappn Corp. ("**Yappn**") a publicly traded Company on the Over the Counter Bulletin Board Exchange in the United States, which does language translation services;
- b) 20% stake in Active ImageNation Inc., a Los Angeles based developer of a technology platform called Cap That ("**Cap That**") which allows the sharing of videos, images and commercial printing into the entertainment, music, sports and gaming sectors;
- c) \$1.25 million owing from a company called Mi5 Print & Digital Communications Inc. ("**Mi5**") for the outstanding purchase price from the sale of a company called Magnum Fine Commercial Printing Limited by Intertainment to Mi5 on September 2, 2014 (the "**Magnum Litigation Proceeds**");
- d) Tax losses of over \$60,000,000 (the "**Tax Losses**");
- e) 20% stake in an Israeli voice translation company called Lexifone Communications Systems (2010) Ltd. ("**Lexifone**"); and,
- f) Intertainment previously owned a stake in itiBiti Ventures Inc ("**itiBiti**"), a company which creates social entertainment applications – pursuant to the terms of sale, Intertainment is entitled to a 40% stake in any sale proceeds if ItiBiti is sold on or before December 31, 2017.

## ***CREDITORS***

16. Attached as **Appendix "D"** is a listing of all of its secured and unsecured creditors according to the records of the Company.

### ***Secured Creditors***

17. The Proposal Trustee understands from the Company that the "**Secured Creditors**" rank as follows:

- a) Thornton Grout Finnigan LLP ("**TGF**"), acting as counsel to the Secured Debenture Holders (defined below) and Gowlings WLG (Canada) LLP ("**Gowlings**") as counsel to the Company;
- b) The "**Secured Debenture Holders**" as listed in Appendix "D"; and,
- c) Mark Greaves, Tony Relouw and Craig Combe who advanced funds via a private placement as third ranking secured creditors.

The Proposal Trustee has asked its counsel, Bennett Jones LLP, to conduct a review of the secured creditors' security and expects to have the results of that security review in time for its next report.

### ***Unsecured Creditors***

18. Intertainment has informed the Proposal Trustee that it has approximately \$3,081,407 in unsecured liabilities as of the date hereof. It should be noted that the actual amount of unsecured debt would be dependent on the valuation of the litigation claims with David Lucatch and Anthony Pearlman noted above.

## **EMPLOYEE COMPENSATION AND KERP**

19. Wayne Parsons is presently the only employee of the Company. Since Mr. Parsons is a director, there are no expected employee related priorities. The Cash Flow (defined below) anticipates the payment of Mr. Parsons' outstanding expenses, estimated to be \$10,400, and the payment to Mr. Parsons of \$20,000 + HST for each of February and March pursuant to his consulting agreement, attached as **Appendix "E"**. The Cash

Flow also anticipates a payment to Mr. Parsons of \$25,000 as a key employee retention plan (“**KERP**”) upon closing of an eventual court approved sale transaction. The Proposal Trustee understands that the above noted payments to Mr. Parsons have been discussed with the Secured Creditors, who are supportive of them.

## **INTERIM FINANCING**

20. Intertainment has depleted all of its cash reserves and its bank account is in a debit position. ~~The Company requires operating funds to pay for the costs of these NOI~~ proceedings, including the professional fees of its counsel and the Proposal Trustee to conduct a sales process during the NOI proceedings. The interests in the private companies which Intertainment holds are in very specialized areas and will take time to monetize. The Company’s interest in Yappn, a thinly traded public company, would be difficult to monetize and, if sold *en bloc*, would likely result in a depressed share price, which would erode the value of the shares.
21. Accordingly, the Company entered into a debtor-in-possession term sheet (the “**DIP Financing Agreement**”) with Tony Relouw, Craig Combe, Mark Greaves and Wayne Parsons. Messrs Relouw, Combe and Greaves are secured creditors of the Company. Mr. Parsons is the sole director and officer of Intertainment and is a creditor. The DIP Financing Agreement is in the amount of \$180,000 to fund the professional fees and other operating expenses related to the proposed restructuring process. Attached as **Appendix “F”** is a copy of the DIP term sheet.
22. The lenders require a priority court ordered charge in the amount of \$180,000 against the assets of Intertainment (the “**DIP Charge**”) in order to advance funds pursuant to the DIP Financing Agreement.
23. TGF and Gowlings have both indicated their consent of the DIP Charge to the Proposal Trustee. Pursuant to the Collateral Agency Agreement, the majority of creditors in value are required for the Collateral Agent to make a decision. The Proposal Trustee is in receipt of copies of written approvals from Mark Greaves, Steve Singh, Craig Combe and Tony Relouw (the signing officer for the Relouw Family 2004 Discretionary Trust)

indicating their support for the proposed DIP financing; together, these four parties form the majority of the Secured Debenture Holders in value and thus provide the authority for the Collateral Agent to consent. Mark Greaves, Craig Combe and Tony Relouw are also the third registered secured creditors. It should be noted that the above noted consent was based upon a DIP Financing Agreement of \$150,000, rather than \$180,000. According to Mr. Parsons, he has discussed the increase of the DIP to \$180,000 with each of the above noted Secured Creditors and has advised that they have each consented to the proposed amount of the DIP Charge. This assertion is supported by the fact that three of the four parties who form the majority required by the Collateral Agent are also providing the DIP Financing Agreement, namely Messrs Relouw, Greaves and Combe.

24. Because the DIP Financing Agreement is anticipated to be used for such a short period of time (less than one year), the setup fee of \$20,000 has the effect of equating to a high per annum rate, if it was considered to be interest. However, such rates are not unusual with such a short-term loan where the majority of the financing charges stem from the setup fee.
25. Given the approval of the Secured Creditors and the difficulty in monetizing the assets, the Proposal Trustee is of the view that the DIP Charge is reasonable in the circumstances and recommends that the DIP Financing Agreement should be approved. Prior to the NOI filing, the Company had reached a verbal agreement for a DIP with a third party DIP financier. After that agreement fell through, Messrs Relouw, Combe, Greaves and Parsons agreed to step in and provide the DIP Financing Agreement. It should be noted that the DIP Financing Agreement is on very similar terms as compared with what was negotiated verbally with the third party DIP financier. Given the small loan balance and nature of the assets, the rates also appear to be reasonable and consistent with other debtor-in-possession financings the Proposal Trustee is aware of. Funds from the DIP Financing Agreement are included in the cash flow projections described below and are shown to be repaid out of cash on hand at closing.

## **CASH FLOW PROJECTION**

26. Intertainment has prepared a projected weekly cash flow statement for the period from January 27, 2017 to the week ending May 12, 2017 (the “**Cash Flow**”). On February 3, 2017, the Proposal Trustee e-filed the statutory cash flow with the Official Receiver in accordance with section 50.4(2) of the BIA. A copy of the cash flow package is attached as **Appendix “G”**. The Cash Flow indicates that Intertainment is projected to have sufficient liquidity through to the conclusion of an eventual sales process (for which approval is not being sought at this time), provided it has access to the DIP Funds.
27. The Cash Flow is predicated on certain assumptions outlined in the assumptions page of the Cash Flow, including that Intertainment will return to Court for approval of a stalking horse sales process, that there will be a 3 week sales process, and that the purchaser will advance an estimated \$235,000 in order to repay the DIP Financing Agreement and provide funding while the company drafts and tables a proposal to its creditors.
28. The Proposal Trustee has reviewed the underlying assumptions on which the Cash Flow projection is based and believes them to be reasonable.

## **OTHER ACTIVITIES OF THE PROPOSAL TRUSTEE**

29. On January 31, 2017, the Proposal Trustee mailed notice of the NOI to Intertainment’s creditors. A copy of the notice is attached as **Appendix “H”**. Note that the total creditors per the NOI mailing differs slightly from the creditor’s list in Appendix “D”, which has been updated since the mailing.
30. The Proposal Trustee has also begun work with the Company to outline a stalking horse sales process.

## **RECOMMENDATIONS**

31. The Proposal Trustee respectfully recommends that this Honourable Court:

- i) approve the activities of the Proposal Trustee as described herein; and,
- ii) approve the proposed DIP Financing Agreement and the DIP Charge.

All of which is respectfully submitted this 10<sup>th</sup> day of February, 2017.

**A. FARBER & PARTNERS INC. IN ITS CAPACITY AS PROPOSAL TRUSTEE  
OF ENTERTAINMENT MEDIA INC., AND NOT IN ITS PERSONAL OR IN ANY  
OTHER CAPACITY**

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A. Farber & Partners Inc



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## Appendix C

Interentainment Media Inc.  
Creditors List  
February 10, 2017

Name	Address	City	Province	Postal	Unsecured	Total Secured	First Secured	Secured Debenture Holders*	Third Secured
David Lucatch	115 Sanibel Cres	Thornhill	ON	L4I 8K6	744,655	-	-	-	-
Anthony Pearlman	80 Thiverton Court	Markham	ON	L3R 0G4	383,054	-	-	-	-
Craig McConnell	80 Thiverton Court	Markham	ON	L3R 0G4	262,431	-	-	-	-
UAY Investments (Paul Fox)	1186 Eglinton Avenue West, Box 509	Toronto	ON	M6C 2E6	216,750	20,000	-	-	20,000
Steven Wayne Parsons	1455 Corley Drive	London	ON	L4G 2K5	204,869	-	-	-	-
DLA PIPER	Suite 100, Livingston Place W., 250 2nd St SW	Calgary	AB	T2P 0C1	184,977	-	-	-	-
Herb Willer	4 Beaverhall Drive	Toronto	ON	M2L 2C5	172,000	-	-	-	-
MNP LLP	111 Richmond St. W., Suite 300	Toronto	ON	M5H 2G4	120,726	-	-	-	-
Glyn Cumiskey	80 Thiverton Court	Markham	ON	L3R 0G4	116,557	-	-	-	-
Girvan Patterson	545 Windermere Avenue	Ottawa	ON	K2A 2W4	76,500	-	-	-	-
Brad Parry	17 McGee Drive	Toronto	ON	M4G 1S1	62,837	-	-	-	-
Douglas Gregory Hall	3531 Mathers Avenue	West Vancouver	BC	V7V 2K8	56,250	-	-	-	-
Constance Olshchak	701 Evans Avenue, Suite 700	Toronto	ON	M5C 1A3	35,892	-	-	-	-
Mitchell Silberberz & Knuop LLP	US 12 East 49th Street, 30th Floor	New York	NY	10017	72,050	-	-	-	-
Edward Jonasson	50 Brooks Avenue	Aurora	ON	L4G 7W1	34,078	-	-	-	-
Maxim Group LLC	Chrysler Building, 405 Lexington Ave	New York	NY	10174	52,600	-	-	-	-
K&L Gates LLP	599 Lexington Avenue	New York	NY	10022-6030	38,342	-	-	-	-
DoubleClick USD	111 8th Avenue, 10th Floor	New York	NY	10011	27,615	-	-	-	-
Earl Marek	367 Bantry Avenue	Richmond Hill	ON	L4B 4G1	10,000	-	-	-	-
Innovative Managemnt Solutions	1381 Tonge Street, Suite 708	Toronto	ON	M4S 3C4	8,364	-	-	-	-
Gordon, Herlands, Randoloh, & Cox	355 Lexington Avenue	New York	NY	10017	16,377	-	-	-	-
Liberty Media Group Inc	12500 Liberty Blvd	Englewood	CO	80112	15,780	-	-	-	-
Standard & Poor's Financial Service	55 Water Street	New York	NY	10041-0016	15,754	-	-	-	-
Kevin Shea	5 Elm Avenue, Suite 411	Toronto	ON	M4W 1N1	5,000	-	-	-	-
Jeffrey Puritt	41 Edenbrook Hill	Toronto	ON	M9A 3Z8	4,587	-	-	-	-
Brookridge	4 King Street West, Suite 500	Toronto	ON	M5H 1B6	4,125	-	-	-	-
Stock Vantage	Suite 1500, 800 - 6th Avenue SW	Calgary	ON	T2P 3G3	4,074	-	-	-	-
Computershare	100 University Avenue, 11th Floor	Toronto	ON	M5J 2Y1	3,303	-	-	-	-
Physcale US	PO Box 674480	Detroit	MI	48267-4480	5,126	-	-	-	-
TSX Inc - Mailing Address	3rd Floor, 130 King Street West	Toronto	ON	M5X 1J2	2,486	-	-	-	-
Broadridge (US)	PO Box 416423	Boston	MA	02241-6423	4,100	-	-	-	-
Heather Glechorski	361 Golden Orchard Road	Maple	ON	L6A 0N5	1,703	-	-	-	-
Michael Sheridan Communications	203 - 665 Davis Drive	Toronto	ON	L3Y 2R2	1,306	-	-	-	-
CT Corporation	PO Box 4349	Carol Stream	IL	60197-4349	2,491	-	-	-	-
PGI	Lockbox# T56395C, PO Box 56395	Toronto	ON	M5W 4L1	598	-	-	-	-
Newsfile Corp	STN A	Toronto	ON	M5W 4L1	-	210,000	210,000	-	-
Mediant Communications	# 380 - 1100 Melville Street	Vancouver	ON	V6E 4A6	-	120,000	120,000	-	-
Chanox	P.O.Box 29976	New York	NY	10087-9976	339	-	-	-	-
Staples	3836 Bloor Street West	Toronto	ON	M9B 1L1	521	-	-	-	-
Paisley Manor	3175 Highway 7	Markham	ON	L3R 0J5	84	-	-	-	-
Thornton Grou Finnigan	1446 Don Mills Road, Suite 110	Toronto	ON	M3B 3N3	-	210,000	210,000	-	-
Gowlings	100 Wellington St. W., Suite 3200, PO Box 329	Toronto	ON	M5K 1K7	-	120,000	120,000	-	-
Archie Leach	100 Wellington St. W., Suite 1600	Toronto	ON	M5K 1G5	-	-	-	-	-
Craig Combe	240 Sydenham Street	London	ON	N6A 1W5	113,000	-	-	-	-
Steve Singh	510 McCreger Avenue	London	ON	N6J 2S9	-	178,509	-	\$ 73,509.03	105,000
Hagen Gocht	28 Normandale Cres.	Toronto	ON	M2P 1M8	-	196,583	-	\$ 196,582.54	-
Amanda Lissu	2230 Lake Shore Blvd. West, Suite 1201	Toronto	ON	M8Y 0B2	-	24,503	-	\$ 24,503.01	-
Relouw Family 2004 Discretionary Trust	3 Hedgewood Rd.	Toronto	ON	M2L 1L4	-	53,659	-	\$ 53,658.93	-
Tony Redaw	254 Thames Road East	Exeter	ON	N0M 1S3	-	383,679	-	\$ 383,669.50	-
Mark Greaves	110 Fitzwilliam Blvd.	Exeter	ON	N0M 1S3	-	50,000	-	\$ 50,000	50,000
John Kutevicius Professional Corporatc	102 Burnet Ave.	North York	ON	M6H 5H4	-	244,129	-	\$ 159,128.80	85,000
Eric Smith	21 Cedar Mills Cres.	North York	ON	M2N 1V3	-	19,034	-	\$ 19,034.08	-
Jerome Van-Vleet	PO Box 100, Sm. Main	Bolton	ON	L7E 0A1	-	38,068	-	\$ 38,068.15	-
Glen Cooke	801 Norwick Rd.	Uxbridge	ON	L9P 1M6	-	19,034	-	\$ 19,034.08	-
John Lynch	1002 - 2067 Lake Shore Blvd. W.	Newmarket	ON	L3X 1K7	-	26,648	-	\$ 26,647.70	-
Thomas Fairfull	6 Flazington Ct.	Ettobicoke	ON	M8Y 4B8	-	38,068	-	\$ 38,068.16	-
Jonathan Goodman	113 Starwood Road	Ajax	ON	L1S 6N5	-	3,045	-	\$ 3,045.44	-
Philip Turk	561 Avenue Road, Apt. 1104	Thornhill	ON	L4I 9C8	-	3,792	-	\$ 3,791.86	-
Fred Khoroshehahi	201 - 78 Harrison Garden Blvd.	Toronto	ON	M4Y 2J8	-	6,067	-	\$ 6,067.13	-
Gordon Stratford	1286 Cunnock Cres.	North York	ON	M2N 7E2	-	7,205	-	\$ 7,205	-
Roselyn Stratford	1286 Cunnock Cres.	Oakville	ON	L6J 2N7	-	29,512	-	\$ 29,512.22	-
		Oakville	ON	L6J 2N7	-	31,448	-	\$ 31,447.51	-

Samuel Sayson	5710 Providence Country Club Dr.	Charlotte	NC	28377-2621	USA	5,322	\$	5,321.87
Calvin B Cameron	120 Shelter Cove Lane	Mooreville	NC	28117	USA	8,225	\$	8,224.71
Channing Yang	6318 Seton House Lane	Charlotte	NC	28377	USA	29,028	\$	28,028.44
John Parr	2 Park Place Ct.	Sault Ste. Marie	ON	P6B 6K3	Canada	12,095	\$	12,095.16
Mariam Anne Stapleton Henson	3363 Codriss Drive	Atlanta	GA	30339	USA	14,514	\$	14,514.18
Ian Haisloff	15629 Probock Place	Charlotte	NC	28377	USA	24,190	\$	24,190.35
Levitt Insurance Brokers	225 Sheppard Ave. West	North York	ON	M2N 1N2	Canada	16,933	\$	16,933.25
MGP Architects	123 East Street	Sault Ste. Marie	ON	P6A 3C7	Canada	24,190	\$	24,190.35
Neal Kingstone	48 Yarden Dr.	Maple	ON	L6A 0W5	Canada	4,806	\$	4,806.30
Thomas P McDonnell III	1052 Highland Colony Pkwy, Suite 204	Ridgeland	MS	39157	USA	24,031	\$	24,031.46
P. Saad	1503 - 2020 Don Mills Rd.	Toronto	ON	M3A 3R6	Canada	7,209	\$	7,209.48
Sanford Miller	28 Broadriver Road	Ormono Beach	FL	32174	USA	12,015	\$	12,015.72
						1,885,534.22	350,000.00	1,295,534.22
						3,081,407.00		260,000.00

\*Note that amounts below were as at November 30, 2016. Interest accrues at \$424.71 per day.

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## Appendix D

**ASSET PURCHASE AGREEMENT**

**BETWEEN**

**INTERENTAINMENT MEDIA INC.**

**AND**

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**2541843 ONTARIO INC.**

**MADE AS OF**

**23 FEBRUARY 2017**

## **ASSET PURCHASE AGREEMENT**

**THIS AGREEMENT** is made as of 23 February, 2017

**B E T W E E N:**

**INTERENTAINMENT MEDIA INC.**

(the "Vendor")

- and -

**2541843 ONTARIO INC.**

(the "Purchaser")

### **RECITALS:**

- A. On 27 January 2017, the Vendor commenced the BIA Proceeding by filing a Notice of Intention to Make a Proposal naming the Trustee as proposal trustee with a view to developing a proposal to be presented to the Vendor's unsecured creditors.
- B. The Vendor wishes to sell certain of its assets to provide for the claims of its secured creditors and to satisfy the claim of its secured creditors and to facilitate the making of a proposal to its unsecured creditors.
- C. The Purchaser has agreed to purchase the Purchased Assets subject to the overbid procedures established by the Overbid Procedures Order.

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained, the parties agree as follows:

## **ARTICLE 1 - INTERPRETATION**

### **1.01      Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

**"Agreement"** means this agreement, including its recitals and schedules, as amended from time to time.

**"Applicable Law"** means: (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

**"Approval and Vesting Order"** means an order of the Court providing for the vesting of the right, title and interest of the Vendor in and to the Purchased Assets in and to the Purchaser, or other successful purchaser of the Purchased Assets, free and clear of all encumbrances except Permitted Encumbrances substantially in the form attached as **Schedule "A"**.

**"Assumed Liabilities"** means:

- (i) the obligations owing by the Vendor to the Security Creditors as at the Closing Date, which is estimated to be no less than **\$1,885,535**;
- (ii) the obligations, if any, owing by the Vendor to the Canada Revenue Agency that rank in priority to the claims of the Secured Creditors or that are required to be paid by the Vendor in the Proposal Proceedings; and
- (iii) **\$180,000** owing by the Vendor to Wayne Parsons, Tony Relouw, Craig Combe and Mark Greaves pursuant to the term sheet dated 9 February 2017 approved by the Court on 14 February 2017.

**"BIA Proceeding"** means the proceeding pursuant to *Bankruptcy and Insolvency Act* (Canada) commenced by the Vendor on 27 January 2017.

**"Business Day"** means a day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario.

**"Claims"** means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), interest, penalties, costs, claims, complaints and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

**"Closing Date"** means Business Day following the day on which all of the conditions set forth in **Article 5** are satisfied, or such other date as may be agreed to in writing between the Vendor and the Purchaser.

**"Court"** means the Ontario Superior Court of Justice, Commercial List.

**"Governmental Authority"** means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

**"Overbid Procedures Order"** means an order of the Court: (i) approving the sale of the Purchased Assets to the Purchaser pursuant to the terms of this Agreement; and (ii) providing for the procedure by which alternate purchaser(s) may submit competing offers to purchase the Purchased Assets substantially in the form attached as **Schedule "B"**.

**"Permitted Encumbrances"** means:

- (i) encumbrances relating to Assumed Liabilities; and
- (ii) the encumbrances described in **Schedule "C"**.

**"Purchased Assets"** has the meaning set out in **Section 2.01**.

**"Purchase Price"** has the meaning set out in **Section 2.02**.

**"Secured Debenture Holders"** means the persons identified on the attached **Schedule "D"**.

**"Secured Creditors"** means Mark Greaves, Tony Relouw, Craig Combe, Thornton Grout Finnigan LLP, Gowling WLG (Canada) LLP and the Secured Debenture Holders.

**"Tax Act"** means the *Income Tax Act* (Canada);

**"Time of Closing"** means noon (Eastern Standard Time) on the Closing Date.

**"Transfer Taxes"** has the meaning set out in **Section 2.04**.

**"Trustee"** means A. Farber & Partners Inc.

#### 1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

#### 1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing".

#### 1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

#### 1.05 **Currency**

All references to currency herein are to lawful money of Canada.



1.06      **Schedules**

The following are the Schedules to this Agreement:

<b>Schedule A</b>	-	Approval and Vesting Order
<b>Schedule B</b>	-	Overbid Procedures Order
<b>Schedule C</b>	-	Permitted Encumbrances
<b>Schedule D</b>	-	Secured Debenture Holders
<b>Schedule E</b>	-	Purchased Assets

**ARTICLE 2 - SALE AND PURCHASE**

2.01      **Assets to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell and assign to the Purchaser and the Purchaser will purchase from the Vendor, as of and with effect from the Time of Closing, all of the right, title, benefit and interest of the Vendor in and to the assets and property identified on **Schedule "E"** (collectively, the "**Purchased Assets**").

2.02      **Purchase Price**

The purchase price payable to the Vendor for the Purchased (the "**Purchase Price**") will be \$65,000 in cash plus the amount of the Assumed Liabilities, which shall be no less than \$2,065, 535.

2.03      **Allocation of Purchase Price**

The Purchase Price will be allocated among the Purchased Assets as agreed by the Vendor and the Purchaser in writing at the Time of Closing.

2.04      **Payment of Taxes**

The Purchaser will, in addition to the Purchase Price, be liable for and will pay, or cause to be paid, any applicable federal and provincial sales taxes, goods and services taxes, excise taxes, all transfer, land transfer, value added, *ad valorem*, use, consumption, harmonized sales, retail sales, social services, or other similar taxes or duties (other than income taxes of the Vendor or the Vendor) payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement (collectively, "**Transfer Taxes**"). At the Time of Closing, the Purchaser will pay the Transfer Taxes to the Vendor. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Vendor, the Purchaser will reimburse to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. The Purchaser will indemnify and hold the Vendor harmless in respect of any Transfer Taxes, penalties, interest and other amounts that may be assessed against the Vendor under any Applicable Law as a result of the sale of the Purchased Assets.

2.05 **Assumption of Obligations and Liabilities**

The Purchaser will assume, fulfil and perform the Assumed Liabilities from and after the Time of Closing. The Purchaser will indemnify and save harmless the Vendor and its directors, officers, employees, agents and advisors (collectively, the "Indemnified Parties") from and against the Assumed Liabilities

2.06 **Obligations and Liabilities Not Assumed**

Except as provided in this Agreement or by Applicable Law, the Purchaser does not assume and will not be liable for any obligations or liabilities of the Vendor or the Vendor.

2.07 **Payment of Purchase Price**

The Purchase Price will be paid by the Purchaser as follows:

- (a) The cash component of the Purchase Price will be payable by the Purchaser by wire transfer of certified cheque on closing; and
- (b) The Purchaser will assume the Assumed Liabilities as at the Time of Closing.

**ARTICLE 3 - REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS**

3.01 **Vendor's Representations and Warranties**

The Vendor represents and warrants to the Purchaser that:

- (a) the Vendor has the right to enter into this Agreement and to complete the transactions contemplated herein, subject to the granting of the Approval and Vesting Order;
- (b) except for this Agreement, to the best of the Vendor's knowledge, there are no outstanding options, agreements or rights capable of becoming an agreement obligating the Vendor to sell the Purchased Assets or any of them to any person other than the Purchaser;
- (c) the Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 85413 5092 RT0001; and
- (d) the Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.

3.02 **Purchaser's Representations and Warranties**

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario and has all the necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder;

- (b) the Purchaser has good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Purchaser contemplated hereunder;
- (c) this Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms;
- (d) neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
  - (i) any of the provisions of the constating documents or by-laws of the Purchaser;
  - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
  - (iii) any Applicable Law.
- (e) no authorizations, consents or approvals of, or filing with or notice to, any Governmental Authority is required in connection with the execution, delivery or performance of this Agreement; and
- (f) the Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number \_\_\_\_\_.

3.03

**"As Is, Where Is"**

Notwithstanding any other provision of this Agreement, the Purchaser acknowledges that it is purchasing the Purchased Assets on an "as is, where is" basis and on the basis that the Purchaser has inspected the Purchased Assets and will accept the same at the Time of Closing in their then current state, condition and location and subject to all Permitted Encumbrances. Except as otherwise expressly provided in this Agreement, no representation, warranty or condition whether statutory (including under the *Sale of Goods Act* (Ontario), the *International Sale of Goods Contracts Convention Act* (Canada) and the *International Sale of Goods Act* (Ontario) or any international equivalent act which may be applicable to the subject matter pursuant to the provisions of this Agreement, including the *United Nations Convention on Contracts for the International Sale of Goods*), expressed or implied, oral or written, legal, equitable, conventional, collateral or otherwise will be given by the Vendor as to title, outstanding liens or encumbrances, description, fitness for purpose, merchantability, quantity, condition, quality, suitability, durability, assignability, or marketability thereof or any other matter or thing whatsoever, and all of the same are expressly excluded. The Purchaser acknowledges and agrees that it has inspected the Purchased Assets and has relied on its own investigations as to the matters set out above and in determining to purchase the Purchased Assets pursuant to this Agreement. The description of the Purchased Assets contained herein (including the Schedules hereto) is for the purpose of identification only and no condition, warranty or representation has been or will be given by the Vendor concerning the accuracy, completeness or any other matter with respect to such descriptions.

#### **ARTICLE 4 - COVENANTS**

##### **4.01 Covenants of the Vendor**

(1) The Vendor will ensure that the representations and warranties of the Vendor set out in **Section 3.01** are true and correct at the Time of Closing and that the conditions of closing set out in **Sections 5.01(1) and 5.02(1)** over which the Vendor has reasonable control have been performed or complied with by the Time of Closing.

##### **4.02 Covenants of the Purchaser**

(1) The Purchaser will ensure that the representations and warranties of the Purchaser set out in **Section 3.02** are true and correct at the Time of Closing and that the conditions of closing set out in **Section 5.01(1) and 5.02(1)** over which the Purchaser has reasonable control have been performed or complied with by the Time of Closing.

##### **4.03 Cooperation on Tax Matters**

The Vendor and the Purchaser will furnish or cause to be furnished to each other, at the expense of the requesting party, as promptly as practicable, such information and assistance, and provide additional information and explanations of any material provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

#### **ARTICLE 5 - CONDITIONS**

##### **5.01 Conditions for the Benefit of the Purchaser**

(1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:

- (a) the representations and warranties of the Vendor set forth in **Section 3.01** will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
- (b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
- (c) the Vendor will have delivered or caused to be delivered to the Purchaser each of the items listed in **Section 7.04**;
- (d) no action or proceeding will be pending to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets; and

- (e) the Approval and Vesting Order will have been granted by the Court and such order will not have been stayed, varied or set aside and no motion seeking any relief from the Approval and Vesting Order will have been served or be pending;

(2) In case any material term or covenant of the Vendor or material condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser, without limiting any other right that the Purchaser has, may at its sole option either acting reasonably:

- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or
- (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to **Section 5.01(2)(a)**, the Vendor will also be released from all obligations hereunder.

**5.02            Conditions for the Benefit of the Vendor**

(1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:

- (a) the representations and warranties of the Purchaser set forth in **Section 3.02** will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
- (b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;
- (c) the Purchaser will have delivered or caused to be delivered to the Vendor each of the items listed in **Section 7.05**;
- (d) no action or proceeding will be pending to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets; and
- (e) the Approval and Vesting Order will have been granted by the Court and such order will not have been stayed, varied or set aside and no motion seeking any relief from the Approval and Vesting Order will have been served or be pending;

(2) In case any material term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor, without limiting any other right that the Vendor has, may at its sole option either acting reasonably:

- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder, or
- (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part,

and, if the Vendor rescinds this Agreement pursuant to **Section 5.02(2)(a)**, the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted, pursuant to **Section 4.02(1)**, to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach.

## **ARTICLE 6 - OVERBID PROCEDURES**

### **6.01      Bidding Procedures**

Not later than fifteen (15) Business Days following the execution of this Agreement, the Vendor shall file a Motion with the Court requesting the entry of the Overbid Procedures Order.

### **6.02      Expense Reimbursement**

Subject to the issuance of the Overbid Procedures Order, upon the termination of this Agreement by the and the transfer of substantially all of the Purchased Assets to a third party other than the Purchaser (an "**Alternative Transaction**"), the Vendor shall (a) reimburse the Purchaser for its documented reasonable out-of-pocket costs and expenses (including reasonable legal, accounting, engineering and other consultant fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby in an amount of **\$75,000** (the "**Expense Reimbursement**"). Payment of the Expense Reimbursement shall be made by wire transfer of immediately available funds promptly upon consummation of the Alternative Transaction from the proceeds from the Alternative Transaction, and the Purchaser shall have a first ranking and priority lien and charge against all proceeds of the Alternative Transaction as security for the Expense Reimbursement.

## **ARTICLE 7 - CLOSING ARRANGEMENTS**

### **7.01      Closing**

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of counsel for the Vendor, Gowling WLG (Canada) LLP, Suite 1600, First Canadian Place, 100 King Street West, Toronto ON M5X 1G5.

7.02      **Examination of Records and Purchased Assets**

(1)      The Vendor will make reasonable efforts to make available to the Purchaser and its authorized representatives all data recorded or stored by means of any device, including in electronic form, in its possession or under its control relating to any of the Purchased Assets.

(2)      Both prior to the Closing Date and, if the sale and purchase of the Purchased Assets hereunder fails to occur for whatever reason, thereafter, the Purchaser will not disclose to anyone or use for its own or for any purpose other than the purpose contemplated by this Agreement any confidential information concerning the Vendor or the Purchased Assets obtained by the Purchaser pursuant hereto, will hold all such information in the strictest confidence and, if the sale and purchase of the Purchased Assets hereunder fails to occur for whatever reason, will return all documents, records and all other information or data relating to the Vendor or the Purchased Assets which the Purchaser obtained pursuant to this Agreement.

(3)      From and after the Closing Date, except as required by order of the Court or other court of competent jurisdiction or by applicable law, the Vendor will not disclose to anyone or use for any purpose any confidential information concerning the Purchased Assets purchased by the Purchaser pursuant to this Agreement and will hold all such information in the strictest confidence.

7.03      **Title**

All of the right, title, benefit and interest of the Vendor, if any, in and to the Purchased Assets will pass from the Vendor to the Purchaser at the Time of Closing. At the Time of Closing, the Purchaser will take possession of the Purchased Assets where situated.

7.04      **Vendor's Closing Deliveries**

On or before the Time of Closing, the Vendor will deliver or cause to be delivered to the Purchaser the following:

- (a)      a certificate executed by a senior officer of the Vendor confirming that the representations and warranties of the Vendor in **Section 3.01** are true and correct as of the Time of Closing and that the obligations of the Vendor to be performed prior to the Time of Closing have been performed;
- (b)      a copy of the issued and entered Approval and Vesting Order; and
- (c)      such deeds, documents of title, conveyances, transfers, assignments, indentures and instruments necessary or desirable in the opinion of the parties hereto and their respective counsel, acting reasonably, to effect the assignment, transfer and sale of the Purchased Assets to the Purchaser and such other documents or instruments as contemplated or required to be delivered by the Vendor pursuant to this Agreement.

7.05 **Purchaser's Closing Deliveries**

On or before the Time of Closing, the Purchaser will deliver or cause to be delivered to the Vendor the following:

- (a) the payment of the Purchase Price as contemplated by **Section 2.07**;
- (b) a certificate executed by a senior officer of the Purchaser confirming that the representations and warranties of the Purchaser in **Section 3.02** are true and correct as of the Time of Closing and that the obligations of the Purchaser to be performed prior to the Time of Closing have been performed;
- (c) evidence, satisfactory to the Vendor, of the payment of Transfer Taxes as contemplated by **Section 2.04**; and
- (d) such other deeds, documents of title, conveyances, transfers, assignments, indentures and instruments necessary or desirable in the opinion of the parties hereto and their respective counsel, acting reasonably, to effect the assignment, transfer and sale of the Purchased Assets to the Purchaser and such other documents, instruments or indemnities as contemplated or required to be delivered by the Purchaser pursuant to this Agreement.

**ARTICLE 8 - GENERAL**

8.01 **Further Assurances**

Each of the Vendor and the Purchaser will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after the Closing Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.02 **Time of the Essence**

Time is of the essence of this Agreement.



8.03      **Fees and Commissions**

Each of the Vendor and the Purchaser will pay its respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and will indemnify and save harmless the other from and against any Claim for any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions under this Agreement.

8.04      **Public Announcements and Confidentiality**

Except as required by law or by the Vendor in connection with the BIA Proceeding or a Court order, no public announcement or press release concerning the sale and purchase of the Purchased Assets may be made by the Vendor or the Purchaser without the prior consent and joint approval of the Vendor and the Purchaser, which consent and approval shall not be unreasonably withheld.

8.05      **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

8.06      **Entire Agreement**

This Agreement and the Confidentiality Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and such agreements cancel and supersede any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement or in the Confidentiality Agreement.

8.07      **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

8.08      **Assignment**

This Agreement may not be assigned by either party without the prior written consent of the other, except that the Purchaser shall, at any time up to the Business Day prior to the making of the Approval and Vesting Order, have the right to direct in writing that the Purchased Assets be vested in a related or affiliated company.

8.09

**Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

**INTERENTAINMENT MEDIA LTD.**  
Unit 11 – 1673 Richmond St  
London ON M6G 2N3

Attention: Wayne Parsons  
Email: wparsons@intertainmentmedia.com

With copies to:

**GOWLING WLG (CANADA) LLP**  
Suite 1600, 100 King St W  
Toronto ON M5X 1G5

Fax: 416-862-7661  
Attention: E. Patrick Shea, LSM, CS  
Email: Patrick.shea@gowlingwlg.com

and

**A. FARBER & PARTNERS INC.**  
Suite 1600, 150 York St  
Toronto ON M5H 3S5

Attention: Rob Stelzer, CPA, CA, CIRP  
Email: rstelzer@farberfinancial.com

and

**BENNETT JONES LLP**  
3400, 100 King St W  
Toronto ON M5X 1A4

Attention: Sean Zweig  
Email: ZweigS@bennettjones.com

To the Purchaser:

Fax :

Attention:

Email:

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

8.10 **Remedies Cumulative**

The right and remedies of the parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

8.11 **No Third Party Beneficiaries**

This Agreement is solely for the benefit of

- (a) the Vendor, and its successors and permitted assigns, with respect to the obligations of the Purchaser under this Agreement; and
- (b) the Purchaser, and its successors and permitted assigns, with respect to the obligations of the Vendor under this Agreement,

and this Agreement will not be deemed to confer upon or give to any other person any remedy, claim, liability, reimbursement, cause of action or other right.

8.12 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.13 **Attornment**

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the Court will have jurisdiction to entertain any action

arising under this Agreement. The Vendor and the Purchaser each attorns to the jurisdiction of the Court.

8.14      **Severability**

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision will not affect the validity or enforceability of any other provision of this Agreement, all of which will be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction will not affect such provision validity or enforceability in any other jurisdiction.

8.15      **Capacity of the Vendor**

The Purchaser acknowledges that the Vendor is entering into this Agreement solely in its capacity as interim receiver and receiver and manager of all the assets, undertakings and properties of the Vendor and not in its personal capacity.

8.16      **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

8.17      **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK**

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

INTERENTAINMENT MEDIA INC.

Per:

  
Authorized Signing Officer

Per:

Authorized Signing Officer

2541843 ONTARIO INC.

Per:

  
Authorized Signing Officer

Per:

Authorized Signing Officer

**SCHEDULE A**  
**APPROVAL AND VESTING ORDER**

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

THE HONOURABLE

)

DAY, THE [DATE]

JUSTICE

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DAY OF , 2017

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF ENTERTAINMENT MEDIA INC.**

**APPROVAL AND VESTING ORDER**

**THIS MOTION**, made by Entertainment Media Inc. (the "**Debtor**") for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between the Debtor and [NAME OF PURCHASER] (the "**Purchaser**") dated [DATE] and appended to the Report of A. Farber & Partners Inc. (the "**Proposal Trustee**") in its capacity as trustee under the Debtor's proposal (the "**Report**"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Report and on hearing the submissions of counsel for the Debtor, the Proposal Trustee, [NAMES OF OTHER PARTIES APPEARING], no one appearing for any other person on the service list, although properly served as appears from the Affidavit of [NAME] sworn [DATE] filed:

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Debtor is hereby authorized and approved, with such minor amendments as the Debtor, with the approval of the Proposal Trustee, may deem necessary. The Debtor 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.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a certificate to the Purchaser substantially in the form attached as **Schedule A** hereto (the "**Certificate**"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement and listed on **Schedule B** hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, 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**") save an except those claims and the related security interests or deemed trusts listed on the attached **Schedule C**, which claims shall continue to attach to the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale.

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

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

- (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;

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 Debtor and shall not be void or voidable by creditors of the Debtor, 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.

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

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 Debtor 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 Debtor or the Purchaser as may be necessary or desirable to give effect to this Order or to assist the Debtor or the Purchaser in carrying out the terms of this Order.

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**Schedule A –Certificate**

Court File No.: 35-2212212

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

BETWEEN:

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF ENTERTAINMENT MEDIA INC.**

**CERTIFICATE**

**RECITALS**

A. Pursuant to an Order of the Court dated [DATE], the Court approved the agreement of purchase and sale made as of [DATE OF AGREEMENT] (the "Sale Agreement") between Entertainment Media Inc. and [NAME OF PURCHASER] (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the A. Farber & Partners Inc. (the "Proposal Trustee") in its capacity as trustee under the Debtor's proposal 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 Sale Agreement have been satisfied or waived by the Debtor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Debtor.

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

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

1. The Purchaser has paid the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Debtor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Debtor.
4. This Certificate was delivered by the Proposal Trustee at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

**A. FARBER & PARTNERS INC., in its capacity as trustee under the proposal of Entertainment Media Inc.**

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**Schedule B – Purchased Assets**

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## **Schedule C – Surviving Claims and Security Interests**

1. Obligations owing by the Vendor to the Security Creditors (as defined in the Sale Agreement) as at the Closing Date and related security.
2. Obligations owing to Thornton Grout Finnigan LLP and Gowling WLG (Canada) LLP and all related security.
3. Obligations, if any, owing by the Vendor to the Canada Revenue Agency that rank in priority to the claims of the Secured Creditors or that are required to be paid by the Vendor in the Proposal Proceedings. And any related statutory deemed trusts
4. \$180,000 owing by the Vendor to Wayne Parsons, Tony Relouw, Craig Combe and Mark Greaves pursuant to the term sheet dated 9 February 2017 and the security granted pursuant to the Order made on 14 February 2017.

**SCHEDULE B**  
**OVERBID PROCEDURES ORDER**

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

THE HONOURABLE

)

DAY, THE [DATE]

JUSTICE

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DAY OF , 2017

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF ENTERTAINMENT MEDIA INC.**

**ORDER**

**THIS MOTION**, made by Entertainment Media Inc. (the "**Debtor**") for an order, *inter alia*, approving an Asset Purchase Agreement made as of 23 February 2017 (the "**Sale Agreement**") between the Debtor and 254183 Ontario Inc. (the "**Purchaser**") and the related overbid procedures was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Report (the "**Report**") of A. Farber & Partners Inc. (the "**Proposal Trustee**") in its capacity as trustee under the Debtor's proposal and the Affidavit of Wayne Parsons sworn 24 February 2017 and on hearing the submissions of counsel for the Debtor and the Proposal Trustee;

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

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the Sale Agreement or the Overbid Procedures (as such terms are defined below), as the case may be.

3. **THIS COURT ORDERS** that the Debtor is hereby authorized and directed to enter into the Sale Agreement to sell to the Purchaser the assets identified in the Sale Agreement (the "**Purchased Assets**"), substantially in the form of the agreement attached to the Report.

4. **THIS COURT ORDERS** that the sales and bidding procedures attached hereto as Schedule "A" (the "**Overbid Procedures**") be and are hereby approved and the Proposal Trustee is hereby authorized and directed to conduct the Overbid Procedure.

5. **THIS COURT ORDERS** that the Proposal Trustee and its affiliates, partners, directors, employees and agents shall have no liability with respect any losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the Overbid Procedure, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Proposal Trustee in performing its obligations under the Overbid Procedure.

6. **THIS COURT ORDERS** that upon acceptance of the Successful Bid in accordance with the Overbid Procedures there shall be a binding agreement of purchase and sale between the Successful Purchaser and the Debtor to complete the transaction contemplated by, and substantially on the basis of the terms contained in, the Sale Agreement and the Purchase Price offered by the Successful Purchaser in the Overbid Procedure save and except that the Successful Purchaser shall not be entitled to the benefit of Article 6 – Overbid Procedures of the Sale Agreement.

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## OVERBID PROCEDURES

These Overbid Procedures shall govern the solicitation by the Proposal Trustee of offers for the Purchased Assets that are superior to that contemplated by the Sale Agreement in terms of the Purchase Price to be paid for the Purchased Assets. Capitalized terms in these Overbid Procedures that are not otherwise defined shall have the meaning ascribed in the Order dated [Date] February 2017 or the Sale Agreement. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

### Overbid Procedures

These Overbid Procedures provide a procedure to solicit binding offers to purchase the Purchased Assets for a Purchase Price that will result in proceeds in excess of that provided for in the Sale Agreement. In the event that the Debtor determines that there is one offer from a Qualified Bidder that will provide proceeds in excess of that provided by the Sale Agreement, the Debtor shall conduct an auction in accordance with the procedures set out in **Section 7**.

#### **1. Assets for Sale**

The Debtor is soliciting offers for the Purchased Assets only and offers must be for the purchase of all of the Purchased Assets *en bloc*.

#### **2. Solicitation**

The Proposal Trustee, with the assistance of the Debtor, has prepared: (a) a list of potential purchasers for the Purchased Assets (the "**Potential Bidders**"); (b) a notice of the fact that the Purchased Assets are being offered for sale (the "**Notice**"); (c) a Confidential Information Memorandum (the "**CIM**"); and (d) a form of confidentiality agreement (the "**Confidentiality Agreement**"). The Proposal Trustee shall send the Notice and the Confidentiality Agreement to the Potential Purchasers by no later than **3 March 2017**.

The Proposal Trustee shall post a notice in *The Globe & Mail* in the form attached as **Schedule 1** (the "**Advertisement**") once prior to **10 March 2017**. The Proposal Trustee shall send the CIM and the Confidentiality Agreement to any person that responds to the Advertisement prior to **20 March 2017**.

#### **3. Access to Due Diligence Materials**

Interested parties that execute and deliver to the Proposal Trustee the Confidentiality Agreement ("**Potential Purchasers**") prior to **21 March 2017** shall receive a copy of the CIM and access to an electronic data room established by the Proposal Trustee until **22 March 2017**.

#### **4. Bidding Deadlines**

All Offers by Potential Purchasers to purchase the Purchased Assets must be submitted so that they are received by the Proposal Trustee by no later than **1600 on 22 March 2017** (the "**Bid Deadline**"). Offers received by the Receiver after the Bid Deadline shall not be considered and Potential Purchasers submitting an Offer subsequent to the Bid Deadline may not be considered Qualified Bidders (as

defined below). Offers shall be delivered by Potential Purchasers *via* e-mail or by personal delivery to the Receiver at:

**A. FARBER & PARTNERS INC.**  
Suite 1600, 150 York St  
Toronto ON M5H 3S5

Attention: Rob Stelzer, CPA, CA, CIRP  
Email: rstelzer@farberfinancial.com

## 5. Offer Requirements

Offers must be in writing and:

- (i) **Identification**. Must identify the representative(s) who is (are) authorized to act on behalf of the Potential Purchaser for all purposes regarding the contemplated transaction and the Auction (as defined below).
- (ii) **Form and Content**. Must indicate the Potential Purchaser's willingness to close the purchase of the Purchased Assets based on the terms set forth in the Sale Agreement save and except for Article 6 – Overbid Procedures, which Article shall not be applicable in connection with a transaction in favour of any person other than the Purchaser. For greater certainty, the only amendments to the Sale Agreement that are permitted are with respect to the Purchase Price to be paid for the Purchased Assets and whether the Purchase Price is to be paid in cash and/or by way of assumption of secured debt.
- (iii) **Minimum Consideration**. Must provide for consideration payable on closing that is equal to that contemplated by the Sale Agreement plus: (a) the \$75,000 expense reimbursement contemplated by Article 6.02 the Sale Agreement; and (b) an initial overbid amount of \$60,000. For greater certainty, an offer may contemplate the payment in cash of the Assumed Liabilities.
- (iv) **Financial Wherewithal**. Must include evidence satisfactory to the Proposal Trustee, in its sole and absolute discretion, of the Potential Purchaser's ability to close and, in particular, the Potential Purchaser's ability, if applicable, to assume and pay the Assumed Liabilities.
- (v) **Closing Date**. Must contain a binding commitment to close as soon as practicable and in no event later than **17 April 2017**.
- (vi) **Irrevocable**. Must be irrevocable and capable of acceptance until the earlier of: (a) the day on which the Potential Purchaser is notified that it is not a Qualified Bidder (as defined below); (b) the day on which Auction (as defined below) concludes; and (c) **17 April 2017**.
- (vii) **Other Information**. Shall contain such other information reasonably requested by the Debtor or the Proposal Trustee.

## **6. Designation as Qualified Bidder**

By no later than **1200 on 27 March 2017**, the Proposal Trustee shall determine whether Potential Purchasers who submit an Offer that satisfies the requirements of **Section 5** and is a "Qualified Bidder" and shall notify all Potential Purchasers whether or not they are Qualified Bidders in accordance with **Section 7**. Notwithstanding anything else in the Bidding Procedures, the Purchaser is deemed to be a Qualified Bidder.

## **7. Auction**

If the Proposal Trustee determines that there are no Qualified Bidders other than the Purchaser, then:

- (i) there will be no auction; and
- (ii) the Debtor shall bring a motion to the Court seek an order vesting the Purchased Assets in the Purchaser in accordance with the terms of the Sale Agreement.

If the Proposal Trustee determines that there is at least one Qualified Bidder other than the Purchaser, the Proposal Trustee shall conduct an auction to determine the highest Purchase Price that can be achieved for the Purchased Assets (the "**Auction**"). The Auction shall be held at the offices of Gowling WLG Canada LLP at Suite 1600, 100 King St W in Toronto, Ontario on **30 March 2017**.

If the Auction is to take place, by **1400 on 27 March 2017** the Proposal Trustee shall send written notice to all Qualified Bidders and invite the Qualified Bidder to participate in the Auction (the "**Auction Notice**").

If a Qualified Bidder intends to participate in the Auction, it must advise the Proposal Trustee of such intention in writing by no later than **1400 on 28 March 2017** (the "**Participation Notice**"). The Purchaser is not required to deliver a Participation Notice.

If no Participation Notices are received by **1400 on 28 March 2017**, then:

- (i) there will be no auction; and
- (ii) the Debtor shall bring a motion to the Court seek an order vesting the Purchased Assets in the Purchaser in accordance with the terms of the Sale Agreement.

If at least one (1) Participation Notice is received by **1400 on 28 March 2017**, the Auction will take place and shall be conducted in accordance with the following procedures:

- (i) **Participation at the Auction.** The Proposal Trustee shall direct and preside over the Auction. Only Qualified Bidders are eligible to participate in the Auction. Each Qualified Bidder must have present or available, the individual or individuals with the necessary decision making authority to submit Overbids (as defined below) and to make such necessary and ancillary decisions as may be required during the Auction. Only the authorized representatives, including counsel and other advisors, of each of the Qualified Bidders the Proposal Trustee and the Debtor shall be permitted to attend the Auction;

- (ii) **Rounds.** Bidding at the Auction shall be conducted in rounds. The Qualified Bidder with the highest Purchase Price shall constitute the opening bid (the "Opening Bid") for the first round of bidding. The highest Overbid (as defined below) at the end of each round shall constitute the Opening Bid for the following round.
- (iii) **Failure to Submit an Overbid.** If, at the end of any round of bidding, a Qualified Bidder fails to submit an Overbid, then such Qualified Bidder **may not** participate in the next round of bidding at the Auction. Any Qualified Bidder that submitted the Opening Bid for a round shall be entitled to participate in the next round of bidding.
- (iv) **Overbids.** All Bids made during the Auction shall be Overbids. Overbids will be submitted in writing and will indicate the Purchase Price the Qualified Bidder is prepared to pay and whether the Purchase Price is to be satisfied by the payment of cash and/or the assumption of the Assumed Liabilities. The identity of each Qualified Bidder and the purchase price offered by such Qualified Bidder shall be fully disclosed to all other Qualified Bidders participating in the Auction. To be considered an Overbid, a Bid made during the Auction must satisfy the following criteria:
- (a) **Minimum Consideration.** The amount of purchase price for any Overbid shall not be less than the purchase price consideration of the Opening Bid of the applicable round of bidding plus at least an additional \$60,000.00 provided that any Overbid by the Purchaser shall be deemed to include the \$75,000 expense reimbursement; and
- (b) **Remaining terms are the same as for Qualified Bids.** An Overbid must comply with the conditions for a Bid set forth in **Section 5**. For greater certainty, the Proposal Trustee may, in its sole discretion, require that a Qualified Bidder establish that it has the ability to close and, in particular, the that it has the ability, if applicable, to assume and pay the Assumed Liabilities
- (v) **Announcing Highest Overbids.** At the end of each round of bidding, the Proposal Trustee, will disclose the highest Overbid and the Qualified Bidder(s) entitled to participate in the next round of bidding. Such highest Overbid in the round shall be the Opening Bid for the next round of the Auction.
- (vi) **Closing the Auction.** If, in any round of bidding no Overbid is made, the Auction shall be closed and the Proposal Trustee shall: (a) declare the last Opening Bid as the successful Bid (the "Successful Bid") and the Qualified Bidder who submitted the Successful Bid shall be the "Successful Purchaser".
- (vii) **Consent to Jurisdiction as Condition to Bid.** All Qualified Bidders shall be deemed to have consented to the exclusive jurisdiction of the Court in connection with any disputes relating to the Auction;
- (viii) **No Collusion.** Each Qualified Bidder shall be required to confirm that it has not engaged in any discussions or any other collusive behaviour with respect to the submissions of Overbids.

(ix) **Approval Motion.** The Debtor shall, within five (5) Business Days of the conclusion of the Auction bring a motion seeking approval of the Successful Bidder and vesting the Purchased Assets in the Successful Bidder in accordance with the terms of the Sale Agreement, provided that the Purchase Price to be paid by the Successful Bidder shall be the purchase price as set forth in the Successful Bid.

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**SCHEDULE C**  
**PERMITTED ENCUMBRANCES**

**None**

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**SCHEDULE D**  
**SECURED DEBENTURE HOLDERS**

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Holder	Certificate #	Number of Transferred Shares	Legend(s)
Craig Combe	Certificate 1	136,794	A
Steve Singh	Certificate 2	365,925	A
Hagen Gocht	Certificate 3	45,598	A
Amanda Lissus	Certificate 4	98,308	A
Relouw Family 2004 Discretionary Trust	Certificate 5	714,509	A
Mark Greaves	Certificate 6	296,295	A
John Kutevicius Professional Corporation	Certificate 7	34,308	A
Eric Smith	Certificate 8	68,615	A
Jerome Van-Vliet	Certificate 9	34,308	A
Glen Cooke	Certificate 10	48,031	A
John Lynch	Certificate 11	68,615	A
Thomas Fairfull	Certificate 12	5,490	A
Jonathan Goodman	Certificate 13	6,834	A
Philip Turk	Certificate 14	10,933	A
Fred Khosrowshahi	Certificate 15	12,982	A
Gordon Stratford	Certificate 16	54,842	A
Roselyn Stratford	Certificate 17	58,438	A
Samuel Sayson	Certificate 18	9,890	A
SSN: 571-11-4330			



Calvin Cameron	Certificate 19	15,284	A
SSN: 470-21-9318			
Che-ming Yang	Certificate 20	53,943	A
SSN: 310-76-7096			
John Parr	Certificate 21	22,477	A
Marium Anna Stapleton Henson	Certificate 22	26,972	A
SSN: 254-76-4763			
Ian Hasinoff	Certificate 23	44,953	A
SSN: 477-27-3453			
Levitt Insurance Brokers Ltd.	Certificate 24	31,467	A
MGP Architects	Certificate 25	44,953	A
Neal Kingstone	Certificate 26	8,925	A
Thomas McDonnell	Certificate 27	44,625	A
SSN: 426-15-5034			
Paola Saad	Certificate 28	13,388	A
Sanford Miller	Certificate 29	22,313	A
SSN: 109-38-8083			
Intertainment Media Inc	Certificate 30	12,912,485	A

**SCHEDULE E**

**PURCHASED ASSETS**

1. 4.8 million shares of Yappn Corp. owned by the Vendor.
  2. The Vendor's 20% equity interest Active ImageNation Inc.
  3. A note or other instrument exchangeable for 80% of the net proceeds, if any, realized by the Vendor from any transaction to realize value from the Vendor's accumulated tax losses.
  4. An assignment of the Vendor's rights under a certain agreement relating to itiBifi Ventures Inc.
- 
5. An assignment of the Vendor's claim against Mi5 Print & Digital Communications Inc.

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## Appendix E

**INTERENTAINMENT MEDIA INC.**  
**FEBRUARY 23, 2017**  
**PROPOSED SALE PROCESS TIMELINE\***

27-Jan-17	<ul style="list-style-type: none"> <li>Filing of Notice of Intention to Make a Proposal ("NOI") and appointment of A. Farber &amp; Partners Inc. ("Farber") as Trustee under a Proposal ("Proposal Trustee")</li> </ul>
27-Jan-17 to 23-Feb-17	<ul style="list-style-type: none"> <li>Prepare data and financial information in preparation of the data room</li> </ul>
1-Mar-17	<ul style="list-style-type: none"> <li>Court approval of the Stalking Horse APA</li> </ul>
3-Mar-17	<ul style="list-style-type: none"> <li>Teaser to be finalized and sent to interested parties list</li> <li>Non-disclosure agreement ("NDA") to be finalized</li> <li>Confidential Information Memorandum ("CIM") to be finalized</li> <li>Parties given CIM and access to data room after providing a signed NDA</li> <li>Data room access will include: <ul style="list-style-type: none"> <li>Financial Statements</li> <li>Other pertinent information to conduct due diligence</li> </ul> </li> </ul>
10-Mar-17	<ul style="list-style-type: none"> <li>Newspaper advertisement to be drafted, sent for publishing and published in The Globe and Mail</li> <li>Information pertaining to this opportunity will be posted on Proposal Trustee's website, <a href="http://www.farberfinancial.com">www.farberfinancial.com</a></li> </ul>
22-Mar-17 4PM	<ul style="list-style-type: none"> <li>Deadline for submissions of offers (the "Bid Deadline")</li> </ul>
23-Mar-17 to 24-Mar-17	<ul style="list-style-type: none"> <li>Intertainment and Farber evaluate offer(s) received</li> <li>Possible invitation to qualifying bidders to attend auction at the offices of Gowlings WLG LLP's, if necessary</li> </ul>
27-Mar-17 12PM	<ul style="list-style-type: none"> <li>Deadline for the Proposal Trustee to determine if a party is a "Qualified Bidder"</li> </ul>
27-Mar-17 2PM	<ul style="list-style-type: none"> <li>Proposal Trustee to send notice to all Qualified Bidders inviting them to the auction</li> </ul>
28-Mar-17 2PM	<ul style="list-style-type: none"> <li>Deadline for Qualified Bidders to send a Participation Notice if planning to attend the auction</li> </ul>
30-Mar-17	<ul style="list-style-type: none"> <li>Auction day if required</li> </ul>
17-Apr-17	<ul style="list-style-type: none"> <li>The deadline for the closing of a transaction</li> </ul>

\*The meaning of all defined terms is as defined in the Proposal Trustee's second report or the Stalking Horse APA.

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## Appendix F

**Entertainment Media Inc.**  
**Projected Weekly Cash Flow Statement**  
**For the Period Ending April 14, 2017**

Week Ending	24-Feb	03-Mar	10-Mar	17-Mar	24-Mar	31-Mar	07-Apr	14-Apr
Opening Cash	85,960	118,960	27,360	27,360	2,360	360	33,810	33,810
Operating Disbursements								
Expenses of Wayne Parsons								
Compensation to Wayne Parsons		22,600		25,000				
Compensation to Other Employees	5,000							
Advertising		1,500						
Miscellaneous and Bank Fees								
Transfer agent	2,000							
Total Operating Disbursements	7,000	24,100	-	25,000	-	-	-	-
Professional Fees (Incl. H.S.T.) (iii)								
Proposal Trustee		30,000			2,000	5,000		8,000
Proposal Trustee's Legal Counsel		17,500				7,500		
Company Legal Counsel		20,000				10,000		5,000
Secured Creditor Legal Counsel						5,000		
Total Professional Fees	-	67,500	-	-	2,000	27,500	-	13,000
Cash Portion of Purchase Price						65,000		
Assumption of DIP by Newco						180,000		
DIP Loan Interim Financing Adv / (Repay)	45,000					(180,000)		
DIP Interest, Fees and Legal Costs (vi)	(5,000)					(4,050)		
Closing Cash (iv)	118,960	27,360	27,360	2,360	360	33,810	33,810	20,810

This Statement of Projected Cash Flow, prepared in accordance with s.s.50(6) and/or s.s.50.4(2) of the  
 Bankruptcy and Insolvency Act, should be read in conjunction with the Trustee's report on  
 the reasonableness of the cash flow statement.

A. Farber & Partners Inc.

Per/Rob Stelzer CA, CIRP, LIT

Per: S. Wayne Parsons

**INTERENTAINMENT MEDIA INC.  
(the "Company")**

**NOTES TO AND ASSUMPTIONS UNDERLYING THE STATEMENT OF PROJECTED  
CASH FLOW FOR THE PERIOD FEBRUARY 18, 2017 TO APRIL 14, 2017**

**NOTES**

The purpose of the statement of projected cash flow for the period February 18, 2017 to April 14, 2017 is to comply with the provisions of the *Bankruptcy and Insolvency Act*.

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**HYPOTHETICAL ASSUMPTIONS**

*An assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent person's judgment, but are consistent with the purpose of the cash-flow projection.*

None.

**PROBABLE ASSUMPTIONS**

*An assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the revised cash-flow statement.*

1. The Company will draw a further \$45,000 on its Court-approved Interim Financing.
2. The Company will receive approval for a 3 week stalking horse sales process.
3. Management have estimated professional fees during the period of the cash flow, but these fees will be dictated by the level of activity required by the Company's counsel, the Proposal Trustee and the Proposal Trustee's legal counsel.

*This Statement of Projected Cash Flow of Intertainment Media Inc. prepared in accordance with s.s. 50.4(2) and/or s.s. 50 (6) of the Bankruptcy and Insolvency Act should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.*

DATED AT TORONTO this 24<sup>th</sup> day of February, 2017.

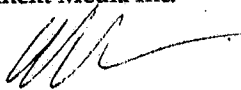
A. FARBER & PARTNERS INC.  
THE TRUSTEE ACTING IN RE  
THE PROPOSAL OF ENTERTAINMENT MEDIA INC.



Per: Rob Stelzer, CPA, CA, CIRP, LIT

Entertainment Media Inc.

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Per: S. Wayne Parsons



**IN THE MATTER OF THE PROPOSAL OF  
INTERENTAINMENT MEDIA INC.  
A COMPANY DULY INCORPORATED PURSUANT TO THE LAWS OF THE  
PROVINCE OF ONTARIO WITH A HEAD OFFICE IN THE  
CITY OF LONDON, IN THE PROVINCE OF ONTARIO**

**REPORT ON CASH-FLOW STATEMENT BY THE PERSON  
MAKING THE PROPOSAL**

*(Paragraphs 50(6)(c) and 50.4(2)(c) of the Bankruptcy and Insolvency Act)*

Interentainment Media Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 24<sup>th</sup> day of February, 2017 consisting of the statement of projected cash-flow for the period February 18, 2017 to April 14, 2017, and the notes and assumptions underlying the statement of projected cash flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes to and assumptions underlying the statement of projected cash flow.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in the notes to and assumptions underlying the statement of projected cash flow. Consequently, readers are cautioned that it may not be appropriate for other purposes.

**DATED AT TORONTO** this 24<sup>th</sup> day of February, 2017.

**INTERENTAINMENT MEDIA INC.**



Per: S. Wayne Parsons

**IN THE MATTER OF THE PROPOSAL OF  
INTERENTAINMENT MEDIA INC.  
A COMPANY DULY INCORPORATED PURSUANT TO THE LAWS OF THE  
PROVINCE OF ONTARIO WITH A HEAD OFFICE IN THE  
CITY OF LONDON, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT ON CASH-FLOW STATEMENT**  
*(Paragraph 50(6)(b) of the Bankruptcy and Insolvency Act)*

The attached statement of projected cash-flow of Intertainment Media Inc. as of the 24<sup>th</sup> day of February, 2017 consisting of the statement of projected cash-flow for the period February 18, 2017 to April 14, 2017 and the notes and assumptions underlying the statement of projected cash flow, has been prepared by the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions as set out in the notes to and assumptions underlying the statement of projected cash flow.

Our review consisted of enquiries, analytical procedures and discussion related to information supplied to us by the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or,
- (c) the projection does not reflect the probable and hypothetical assumptions.

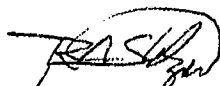
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

**DATED AT TORONTO** this 24<sup>th</sup> day of February, 2017.

**A. FARBER & PARTNERS INC.**

The Trustee acting *in re* the proposal of  
INTERENTAINMENT MEDIA INC.



Per: Rob Stelzer, CPA, CA, CIRP, LIT