

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No : 500-11-040897-114

SUPERIOR COURT
(COMMERCIAL DIVISION)

IN THE MATTER OF THE RECEIVERSHIP
OF:

IGLOOLIK ISUMA PRODUCTIONS INC. a legal person duly incorporated pursuant to the *Canada Business Corporations Act*, formerly having a place of business at 1100, Crémazie East Blvd, Suite 805, Montréal, province of Quebec, H2P 2X2

Debtor

-and-

RICHTER ADVISORY GROUP INC., a legal person duly incorporated having a place of business at 1981, McGill College, 12nd floor, in the city and district of Montréal, province of Québec, H3A 0G6,

Receiver

REPORT OF THE RECEIVER SUBMITTED IN CONJUNCTION WITH THE MOTION BY THE RECEIVER TO OBTAIN AUTHORIZATION TO CONCLUDE A SETTLEMENT AGREEMENT, SELL CERTAIN ASSETS OF DEBTOR-RESPONDENT AND TO MODIFY CERTAIN OF THE POWERS PREVIOUSLY GRANTED TO THE RECEIVER

I, Raymond Massi, CA, CIRP, of the City of Montréal, from the office of Richter Advisory Group Inc. (formerly RSM Richter Inc.) (the "Receiver") in its capacity as national receiver to the Debtor's assets hereby reports to the Court as follows.

A) INTRODUCTION

1. On June 7, 2011, Atuqtuarvik Corporation (the "Petitioner") filed with the Quebec Superior Court a Motion for the appointment of a National Receiver to the assets of Igloolik Isuma Productions Inc. (the "Debtor"). On June 9, 2011, Me Chantal Flamand, Registrar, issued an order appointing RSM Richter Inc. (now known as Richter Advisory Group Inc.) as national receiver to the assets of the Company (the "Receivership Order").

2. On October 26, 2011, the Debtor filed an assignment in bankruptcy pursuant to the Bankruptcy and Insolvency Act (the "BIA") and Samson Bélair / Deloitte & Touche was appointed trustee (the "Trustee").
3. The Debtor specialized in the production of films and other audio-visual materials (short and long films, TV productions and internet streaming content) focusing on the Inuit culture and traditions. The Debtor's mission was to preserve and promote the Inuit culture, traditions and language for the benefit of both Inuit and non-Inuit audiences worldwide as well stimulating economic development in Igloolik and Nunavut.

B) NOTIFICATION TO CREDITORS

4. On June 17, 2011, the Receiver mailed to all of Debtor's known creditors a notice of the receivership, in prescribed form pursuant to Section 245(1) of the BIA.
5. Concurrently or shortly thereafter, the Receiver also submitted to the Superintendent of Bankruptcies and the representatives of the Debtor, its statement as required pursuant to Section 246(1) of the BIA.
6. The Receiver also posted a copy of the notice to the known creditors on its website, [www.rsmrichter.com/restructuring/Igloolik Isuma Productions](http://www.rsmrichter.com/restructuring/Igloolik%20Isuma%20Productions).

C) MARKETING PROCESS FOR SALE OF ASSETS

7. The Receivership Order authorizes the Receiver to "*SOLICIT offers from third parties for the acquisition of the movable and immovable assets of the Debtor, in whole or on a fragmentary basis for individual assets or otherwise, the POWER to sell remaining (assets) in the hands of Debtor subject to subsequent decisions of this Court on this issue and subject to the POWER of the Receiver to ask this Court for authorization to sell, as the case may be, the said movable and immovable assets*".
8. Accordingly, a sale package was prepared by the Receiver dividing into separate lots the cultural and non-cultural assets as follows:

A. Non-Cultural Assets

- (i) Lot 1 - Building located in Igloolik;
- (ii) Lot 2 - Production Equipment (located in Montreal)
- (iii) Lot 3 - Production Equipment (located in Igloolik)

B. Cultural Assets

- (iv) Lot 4A - Features Films (subject to distribution agreements)
- (v) Lot 4B - Short Films and Documentaries (subject to distribution agreements)
- (vi) Lot 5 - Library of raw footage, outtakes and rushes relating to the Inuit's culture and traditions (the "Lot 5 Assets")

(vii) Lot 6 - Costumes and Props (located in Igloolik).

9. On September 29, 2011, the Receiver instituted a call for tenders process (the "**Call for Tenders**") and transmitted, either by mail or electronically, the sale package to some 21 potential purchasers located in Canada including in the province of Nunavut. In addition, the Receiver published the Call for Tenders in the national edition of the *Globe and Mail* on Saturday, October 8, 2011. As a result of this ad, seven additional parties manifested their interest in all or certain of the assets cover by the Call for Tenders and the Receiver transmitted the sale package to each of them.
10. The deadline for submissions of offers pursuant to the Call for Tenders was October 20, 2011 at 2:00 p.m.
11. The Receiver received six offers for all or various lots identified in the Call for Tenders.
12. The Petitioner, Atuqtuarvik Corporation, subsequently informed the Receiver that a number (8) of Inuit organizations/cultural groups were not aware that the Debtor's assets were being sold, despite the newspaper ads published and the notices send by the Receiver and that it would be preferable to permit such groups to participate in the Call for Tenders because of the cultural importance of some of the assets covered by the sale process.
13. The Receiver advised the first round bidders of the request by the Petitioner and then proceeded to provide sale packages to various Inuit cultural groups. The deadline for the submission of offers was extended until November 23, 2011 at 2:00 p.m. Despite the extension, no additional offers were received.
14. The Receiver received offers for Lot 1 (Building), Lot 2 (Production Equipment in Montréal), the Lot 5 Assets and Lot 6 (Costumes and Props) pursuant to the Call for Tenders.
15. No offers were received for Lot 3, Lot 4A and Lot 4B.
16. The Receiver concluded the sale of Lot 2 and Lot 6 with Court authorization rendered in March 2013. The Receiver rejected the offer for Lot 1. Subsequently, the Receiver concluded, again with the Court's authorization, the sale of the building that was identified in Lot 1 through a private sale with the agreement of the secured creditors holding mortgages and other charges against said immovable.
17. The Receiver started final negotiations for the sale of the Lot 5 Assets with the National Gallery of Canada, one of the parties who submitted an offer for this group of assets. These negotiations ultimately led to a commercial deal being agreed upon between the Receiver and the National Gallery of Canada.
18. However, before the Receiver was able to seek court authorization for this transaction, a claim of ownership rights pursuant to section 81(1) of the BIA (the "**Section 81 Claim**") was received by the Trustee which covered all or part of the assets being sold to National Gallery of Canada as well as other remaining assets of the Debtor. The claimants were Arnait Video Productions Inc., Nunavut Independent Television Network, Zacharias Kunuk and Norman Cohn (collectively the "**Claimants**").
19. The Trustee disallowed the Section 81 Claim but the Claimants filed a motion to appeal this disallowance. In addition, some of the Claimants file a claim pursuant to section 83 of the BIA

claiming copyright interests in the various films and other similar works that they developed on behalf of the Debtor. Accordingly, the Receiver was not able to conclude the proposed sale to the National Gallery of Canada.

20. After long negotiations involving the Receiver, the Petitioner, the Trustee and the Claimants, an agreement ("**Settlement Agreement**") was reached, subject to court approval, among the parties to settle all matters among them with full mutual releases.

21. In summary, the settlement agreement provides for, the whole subject to the approval of the Court:

- (i) Withdrawal by the Claimants of their Section 81 Claim as well as their claim pursuant to Section 83 of the BIA with respect to copyrights;
- (ii) Agreement by the Claimants to the sale of the Lot 5 Assets to the National Gallery of Canada by the Receiver;
- (iii) Agreement by the Claimants that any unsold assets of the Debtor will revert to the Petitioner who, in turn, will donate such assets to one or more Inuit organizations having the objectives of promoting and protecting the Inuit culture;
- (iv) The sale by the Receiver to a company identified by Zacharias Kunuk and Norman Cohn of all the Class A and Class B shares of Isuma Distribution International Ltd. ("**Isuma Distribution**") held by the Debtor for total consideration of \$60,000;
- (v) An exchange among all the parties (Petitioner, Trustee, Receiver, Claimants) of full and complete waivers and releases of all claims and interests etc., excluding however a waiver of any moral rights that the Claimants or their affiliates may have with respect to any assets, copyrights or property of any kind of the Debtor;
- (vi) The terms and conditions of the settlement agreement shall be private and confidential among the parties except as to permit the Receiver to obtain the necessary Court approvals to execute the settlement agreement and conclude the sale of the Lot 5 Assets to the National Gallery of Canada.

22. To assist the Court in assessing the appropriateness of the settlement agreement and in particular the sale of the Class A and Class B shares of Isuma Distribution, the Receiver has reviewed the financial statements of this entity and has made inquiries as to its business activities. Based on this review and in the context of settling all matters and disputes involving the assets of the Debtor, the Receiver believes that the settlement make good commercial sense given that:

- (i) Isuma Distribution is a private company and there is no open market for its shares;
- (ii) The principal activities of Isuma Distribution involve the distribution of various drama and documentary films which appear to have significant Inuit cultural value but limited commercial value. Furthermore, these films may be subject to copyright and authorship claims involving the Claimants;
- (iii) The Settlement Agreement will permit the Receiver to realize proceeds of sale totaling approximately \$100,000 from the sale to the National Gallery of Canada and the sale of the shares of Isuma Distribution;

(iv) The Settlement Agreement will permit the Petitioner, the Trustee and/or the Receiver to avoid incurring fees and costs in order to deal with the competing claims received against certain of the assets of the Debtor.

23. The Settlement Agreement provides for a reasonable and appropriate framework by which the unsold assets of the Debtor will be dealt with in light of their significant importance to the preservation of the Inuit culture, language and traditions.
24. With the approval by the Court of Settlement Agreement and its subsequent execution, the Receiver will be in a position to complete the sale of the Lot 5 Assets. National Gallery of Canada has now reconfirmed its interest in purchasing the Lot 5 Assets for an amount of \$49,650 plus the reimbursement of certain expenses incurred by the Receiver, subject to the purchaser's inspection of said assets at time of closing.
25. The purchase price offered by the National Gallery of Canada is the best price identified for the Lot 5 Assets pursuant to the Call for Tenders which was carried out through fulsome sale process to seek out the best price and buyer. Furthermore, the Petitioner who holds first ranking security against the Lot 5 Assets fully supports the sale as proposed by the National Gallery of Canada.

CONCLUSION AND RECOMMENDATIONS

26. The Receiver is now in a position to deal with all the remaining assets of the Debtor in an appropriate and definitive manner to the benefit of those stakeholders who have a financial interest in these assets.
27. The Receiver, Petitioner, Trustee and Claimants have reached a mutually beneficial and commercial viable settlement of their differences and disputes.
28. The transactions contemplated herein are respectful of and preserve the Inuit culture, traditions and language.
29. Therefore the Receiver, respectfully recommends:
 1. The Receiver, respectfully recommends:
 - a) That the Court approves and authorizes the Receiver to execute the terms and conditions of the Settlement Agreement, and the granting of all necessary releases and waivers as provided in the Settlement Agreement, as they may apply to the Receiver, including the sale of the Class A and B shares of Isuma Distribution for an amount of \$60,000 to a company identified by Zacharias Kunuk and Norman Cohn, without representations or legal warranty, on an "as is, where is", and authorizes the Receiver to execute and deliver all necessary instruments and documents to effect such sale;
 - b) That the Court approve and authorize the sale of the Lot 5 Assets to the National Gallery of Canada for \$49,650 plus the reimbursement of certain expenses incurred by the Receiver the whole in accordance with the purchase offer submitted, and subject to any adjustments as may be required following final inspection of said assets at closing, without representations or legal warranty, on an "as is, where is" basis, and authorizes the Receiver to execute and deliver all necessary instruments and documents to effect such sale;
 - c) That the Court approves and authorizes the Receiver to transfer to the Petitioner without representations or legal warranty, on an "as is, where is" basis, all remaining

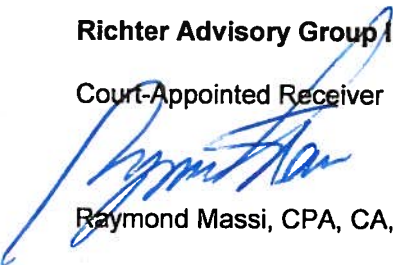
assets of the Debtor after the transactions provided for in (a) and (b) above in exchange for a written undertaking from the Creditor that it will donate such remaining property to one or more Inuit organizations having the objectives of promoting and protecting the Inuit culture;

- d) That the Court authorizes the Receiver to collect the proceeds from the sale of the Lot 5 Assets and the sale of the shares of Isuma Distribution International Ltd., and distribute such proceeds according to Law;
- e) That the Court authorizes the Receiver to execute and sign any and all documents to conclude the sale transactions referred to herein;

DATED AT MONTRÉAL, this 9th day of October 2013

Richter Advisory Group Inc.

Court-Appointed Receiver


Raymond Massi, CPA, CA, CIRP