

# KOSKIE MINSKY

August 29, 2016

Andrew J. Hatnay  
ahatnay@kmlaw.ca

**Via Regular Mail**

Dear Former Arc Employee:

**Re: *Grosvenor Park Media Funds L.P. v. Arc Productions Ltd. et al.*  
Court File No. 16-CV-11472-00CL  
Appointment of Representative Counsel to terminated employees**

We are writing to you to inform you that we have been appointed by the Ontario Superior Court of Justice as Representative Counsel to the former employees of Arc Productions Ltd. ("Arc") in the Arc receivership proceedings.

We were contacted by over 100 former employees of Arc who were terminated *en masse* on August 2, 2016 after they attended for work and found the Arc office locked up. Following discussions with certain terminated employees, we obtained instructions to pursue a "representation order" from the court so that our firm would be appointed representative counsel to all of the terminated Arc employees.

A representation order is commonly used in insolvency proceedings to enable a group of similarly-affected creditors (such as employees) to all have representation in the court proceeding. A representation order for employees promotes a consistent legal approach on behalf of all the terminated employees, creates a single point of contact for the employees (our firm) and contributes to the efficiency of the proceedings for the employees, as well as all other creditors.

On August 19, 2016, we brought a motion before the court for a representation order. We are pleased to enclose a copy of the Order of Mr. Justice Newbould of the Ontario Superior Court of Justice (Commercial List) that was issued on August 19, 2016, as well the official notice to employees appointing our firm as representative counsel to the terminated Arc employees.

Our mandate is to represent the terminated Arc employees in connection with the Arc receivership proceedings. We have recently been provided with your name by the receiver of Arc, the firm of Deloitte Restructuring Inc. ("**Deloitte**"). We have been in contact with many terminated Arc employees who contacted our firm over the past weeks. We are writing at this time to make contact with all the employees and provide a status update on the Arc receivership.

**a) Status of the receivership**

Arc became subject to a sudden receivership on July 29, 2016 and quickly ceased business operations. All of the employees were subsequently terminated. We understand that employees are owed three weeks of wages, vacation pay, termination and severance pay, and other amounts from Arc. At this time, it appears that there are significantly less funds available in the estate of Arc to pay the amounts that Arc owes to its creditors, including the employees. It has been reported that Grosvenor Park Media Fund LP is Arc's primary lender. Grosvenor Park claims as a secured creditor with first priority on the collateral of Arc, and says that it is facing a shortfall on the recovery of all the loans that it made to Arc. We will continue to monitor the receivership and report further developments.

**b) The Wage Earner Protection Plan (WEPP)**

You should have received correspondence from Deloitte explaining the WEPP process. We recommend that you proceed with your WEPP application as soon as possible. The deadline to file the WEPP application is 56 days from the date of the receivership. Since the first Receivership Order was issued by the court on July 29, 2016, the deadline to file the WEPP application is on **Friday, September 23, 2016**. The sooner you submit your WEPP application, the sooner you will be able to receive a payment from this program which currently pays up to a maximum of \$3,907.68 to eligible terminated employees for 2016.

If you require assistance with WEPP, please do not hesitate to contact us.

For more information on WEPP, please refer to the Government of Canada's website at: [www.servicecanada.gc.ca/eng/sc/wepp//index.shtml](http://www.servicecanada.gc.ca/eng/sc/wepp//index.shtml)

**c) Sale of Arc assets to Jam-Filled Entertainment**

On August 19, 2016, the receiver brought a motion before the court for approval of the sale of various Arc assets to a company called Jam-Filled Entertainment. This transaction was negotiated by the receiver very quickly following the date of receivership of Arc. We have posted a copy of the receiver's Second Report dated August 16, 2016 on our firm's website for Arc employees (described below) which explains the sales process and that the receiver strongly recommended that the sale be approved in the circumstances. At this time, we do not know the final sale price and will let you know as soon as we can. A number of the elements of the sale transaction were "sealed" by the court as confidential until the transaction closes in order to protect certain commercially sensitive information and to keep aspects of the sale confidential in case the transaction does not close and a new purchaser needs to be located.

**d) Website and telephone hotline for Arc employees**

We have set up a dedicated website and telephone hotline for Arc employees at the coordinates below. If you have any questions about your termination of employment and Arc's receivership proceedings, please do not hesitate to contact us. We will be posting updates to our firm website with information that is relevant to you and your claims against Arc.

Koskie Minsky LLP  
20 Queen Street West, Suite 900, Box 52  
Toronto, ON M5H 3R3

Attention: Communications Department  
Email: [arcrecounsel@kmlaw.ca](mailto:arcrecounsel@kmlaw.ca)  
Toll-free Hotline: 1-855-595-2627  
Facsimile: 416-204-2872

**e) You can opt out of representation by our firm if you wish**

If you do not wish to be represented by our firm, you can opt-out of our representation and retain your own lawyer or represent yourself. If you wish to opt out of representation by our firm, you must, by **Friday, September 2, 2016**, provide notice in writing (by letter, fax or email) to both our firm at the coordinates above, and Deloitte at the coordinates below, stating that you wish to opt-out.

Deloitte Restructuring Inc.  
Bay Adelaide East  
22 Adelaide Street West, Suite 200  
Toronto, ON M5H 0A9

Attention: Warren Leung  
Tel: 416-874-4461  
Fax: 416-601-6690  
Email: [waleung@deloitte.ca](mailto:waleung@deloitte.ca)

-or -

Jay Tailor  
Tel: 416-601-6517  
Fax: 416-601-6690  
Email: [jtaylor@deloitte.ca](mailto:jtaylor@deloitte.ca)

**f) Payment of legal costs of the Employees**

Pursuant to the court order of August 19, 2016, the legal costs of the Arc employees will be paid from the estate of Arc to our firm on the rendering of our accounts to the receiver to a maximum of \$25,000. You do not have to pay any legal fees for our work representing you in the receivership under the mandate set out in the August 19, 2016 court order.

**g) Arc Employee Committee**

The Court order also directs that we can identify terminated employees of Arc who wish to form an *ad hoc* committee to consult with our firm and provide instructions as may be necessary during the receivership proceedings. If you believe you could assist in this way and are interested in being a committee member, please let us know.

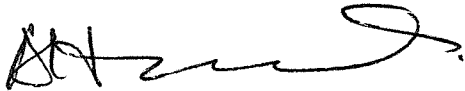
**h) Address Changes and Contact Information**

It is important that we have your current address and contact information. If you have a change of address please let us know at the coordinates above. We cannot take address changes over the telephone.

We trust the above is satisfactory at this time. We look forward to assisting you in this matter.

Yours truly,

**KOSKIE MINSKY LLP**



Andrew J. Hatnay  
AJH:vdl/encl.

- c. James Harnum, *Koskie Minsky LLP*  
Natercia McLellan, Communications Department, *Koskie Minsky LLP*