

**Court File No.:**  
**CV-20-00637081-00CL**

**OSB Estate Names and Nos.:**  
**Kew Media Group Inc. 31-458914**  
**Kew Media International (Canada) Inc. 31-458915**

**Kew Media Group Inc. and  
Kew Media International (Canada) Inc.**

**SECOND INTERIM REPORT OF THE RECEIVER**  
(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)

**February 12, 2020**

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**SECOND INTERIM REPORT OF THE RECEIVER**  
**(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)**

**In the Matter of the Receivership of**

**KEW MEDIA GROUP INC. and**  
**KEW MEDIA INTERNATIONAL (CANADA) INC.**

**INTRODUCTION**

1. Pursuant to the Order of the Honourable Mr. Justice Koehnen (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted February 28, 2020 (the “**Date of Receivership**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) without security of all the assets, property, and undertakings (the “**Property**”) of Kew Media Group Inc. (“**KMG**”) and Kew Media International (Canada) Inc. (“**KMIC**”, and collectively with KMG, the “**Company**”) acquired for, or used in relation to a business carried on by the Company. The application was brought pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and section 101 of the *Courts of Justice Act*, R.S.O. 1990, C. C-43, as amended, and shall be referred to herein as the “**Receivership**”.
2. On August 25, 2020, the First Interim Report of the Receiver was issued pursuant to section 246(2) of the BIA for the period from the Date of Receivership to July 31, 2020 (the “**First Interim Report**”). A copy of the First Interim Report, as well as other documentation pertaining to the Receivership, can be found on the website established by the Receiver at <http://cfcanada.fticonsulting.com/kmg> (the “**Case Website**”).

3. This report is the second interim report of the Receiver (this “**Report**”) prepared pursuant to section 246(2) of the BIA for the period from August 1, 2020 to January 31, 2021. The purpose of this Report is to provide information in respect of the following:
  - (a) Activities undertaken by the Receiver since August 1, 2020;
  - (b) The Receiver’s interim statement of receipts and disbursements for the period from August 1, 2020 to January 31, 2021;
  - (c) Details of the property of which the Receiver took possession or control that has not yet been sold or realized;
  - (d) Expected recoveries for unsecured creditors; and
  - (e) Information about the anticipated completion of the Receivership.

#### **TERMS OF REFERENCE**

4. In preparing this Report, the Receiver has relied upon unaudited financial information of the Company, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).
5. Except as described in this Report:
  - (a) The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
  - (b) The Receiver has not examined or reviewed any financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
6. The Receiver has prepared this Report pursuant to section 246(2) of the BIA and this Report should not be relied on for any other purposes.

7. Future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order or the First Interim Report of the Receiver.

## **ACTIVITIES UNDERTAKEN BY THE RECEIVER SINCE AUGUST 1, 2020**

### **REALIZATION OF THE PROPERTY**

9. Paragraph 3(f) of the Receivership Order empowers and authorizes the Receiver to receive and collect all monies and accounts owing to the Company. Since August 1, 2020, the Receiver has collected the post-receivership sales tax refunds owing for the months from May 2020 to December 2020.
10. Paragraph 3(k) of the Receivership Order empowers and authorizes the Receiver, where the Receiver considers it necessary or desirable, to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:
  - (a) Without the approval of this Court in respect of any transaction not exceeding \$2,500,000, provided that the aggregate consideration for all such transactions does not exceed \$10,000,000; and
  - (b) With the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause.
11. Since August 1, 2020, the Receiver has negotiated and completed the sale of KMG's minority interest in 4East Media Inc.

### **SECOND INTERIM DISTRIBUTION TO SECURED CREDITORS**

12. On December 8, 2020, the Court granted an Order (the "**TCB Distribution Order**"), *inter alia*, authorizing the Receiver to distribute from time to time the proceeds of the sale

by the Receiver of the shares of TCB Media Rights Ltd. held by KMG to the Agent for the Secured Creditors, subject to the establishment of reasonable reserves in the discretion of the Receiver.

13. Pursuant to the TCB Distribution Order, on December 16, 2020, the Receiver made a second interim distribution in the amount of \$3,000,000 to the Agent for the Secured Creditors.

#### **INVESTIGATION INTO POTENTIAL CLAIMS**

14. Since August 1, 2020, the Receiver has continued its investigation in respect of potential claims against the former directors and officers of KMG and other parties (the “**Potential Claims**”). Potential recoveries from the Potential Claims are unknown as at the date of this Report.

#### **SECURITIES CLASS ACTION PROCEEDING**

15. On July 14, 2020, the Court granted an Order (the “**Lift Stay Order**”) permitting the issuance and service of a statement of claim by Alex Kan and Stuart Rath as proposed representative plaintiffs (the “**Class Action Plaintiffs**”) in a putative securities class proceeding against KMG and seven former officers and directors of KMG.
16. On January 18, 2020, the Court granted an Order, *inter alia*, extending the time for service of the Statement of Claim on KMG to July 13, 2021.
17. Pursuant to the Receivership Order, the Receiver is authorized and empowered, but not required, to defend all proceedings now pending or hereafter instituted with respect to the Company, its Property and/or the Receiver, and to settle or compromise any such proceedings.

#### **INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS**

18. The Receiver’s interim statement of receipts and disbursements for the period from August 1, 2020 to January 31, 2021 is as follows:

	<b>KMG</b>	<b>KMICI</b>	<b>Total</b>
<b>Receipts</b>			
Sale of assets	20,000		20,000
Sales tax refunds	95,553		95,553
Interest earned	3,355		3,355
Recovery of retainer	27,108		27,108
<b>Total Receipts</b>	<b>146,016</b>	<b>-</b>	<b>146,016</b>
<b>Disbursements</b>			
Employee and contractor costs	144,375		144,375
Other operating disbursements	1,993	711	2,704
Bank charges and foreign exchange	141		141
Sales taxes paid	83,777	92	83,869
Receiver fees and expenses	248,580		248,580
Other professional fees and expenses	387,229		387,229
Inter-company funding	804	(804)	-
<b>Total Disbursements</b>	<b>866,899</b>	<b>-</b>	<b>866,899</b>
<b>(Shortfall)/Excess of Receipts over Disbursements</b>	<b>(720,884)</b>	<b>-</b>	<b>(720,884)</b>
<b>Opening balance</b>	<b>4,457,330</b>	<b>-</b>	<b>4,457,330</b>
(Shortfall)/Excess of Receipts over Disbursements	(720,884)	-	(720,884)
Distributions to Secured Creditors	(3,000,000)	-	(3,000,000)
<b>Closing balance</b>	<b>736,447</b>	<b>-</b>	<b>736,447</b>

## **PROPERTY THAT HAS NOT YET BEEN SOLD OR REALIZED**

19. As of the date of this report, the only known Property that may be realized by the Receiver is:
- Collection of post-receivership sales tax refunds; and
  - Potential recoveries from the Potential Claims, the amount and likelihood of which as, at the date of this Report, unknown.
20. In addition, KMG holds shares in a number of other subsidiaries and minority affiliates which the Receiver continues to expect are unrealizable.

## **EXPECTED RECOVERIES FOR UNSECURED CREDITORS**

21. Before any potential recoveries that may arise from the Potential Claims, the estimated shortfall to Secured Creditors is expected to be in excess of US\$100 million. Accordingly, there will be no funds available for distribution to unsecured creditors.

## INFORMATION REGARDING THE COMPLETION OF THE RECEIVERSHIP

22. The intended plan for the completion of the Receivership is as follows:
- (a) If determined to be appropriate, in consultation with the Secured Creditors, to take steps to pursue additional recoveries from the Potential Claims;
  - (b) Complete all required statutory returns and filings;
  - (c) Realize upon the Property that has not yet been sold or realized to the extent possible;
  - (d) Seek Court approval of the fees and expenses of the Receiver and its counsel, and obtain discharge.
23. Given the nature of the Potential Claims, the time to complete the administration of the Receivership cannot be reasonably estimated.
24. Creditors who wish to receive a copy of this interim report may request a copy from the Receiver at the following address:

FTI Consulting Canada Inc.  
79 Wellington Street West  
Suite #2010, P.O. Box 104  
Toronto, Ontario M5K 1G8

Attention: Jim Robinson  
Email: [kmg@fticonsulting.com](mailto:kmg@fticonsulting.com)

Dated this 12<sup>th</sup> day of February, 2021.

### **FTI CONSULTING CANADA INC.**

solely in its capacity as Court-appointed receiver and manager of  
Kew Media Group Inc. and Kew Media International (Canada) Inc.,  
and not in its personal or corporate capacity

Per:



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Nigel Meakin, LIT  
Senior Managing Director