

District of: Ontario  
Division No: 09-Toronto  
Court No: 31-456973  
Estate No: 31-456973

In the Matter of the Bankruptcy of  
**ALLIANCE ATLANTIS CANADA INC.**  
Report of the Trustee on PRELIMINARY ADMINISTRATION  
For the First Meeting of Creditors  
January 9, 2012

**PRELIMINARY COMMENTS**

Alliance Atlantis Equicap Corporation. (“AAEC” or the “Company”) filed an assignment in bankruptcy with the Official Receiver on December 19, 2011 and FTI Consulting Canada Inc. (“FTI”) was appointed Trustee of the estate of the bankrupt (in such capacity, the “Trustee”) by the Official Receiver on December 19, 2011, subject to confirmation of its appointment by the creditors.

In preparing this Report, we relied on unaudited financial information and information collected based on books and records found on Company premises. We have not carried out an audit or other review of the information, and accordingly express no opinion thereon.

**BACKGROUND**

In August 2007, Canwest Global, jointly with GS Capital Partners VI Fund L.P., GSCP VI AA One Holding S.ar.l and GS CP VI AA One Parallel Holding S.ar.l (collectively, the “GS Parties”), acquired certain specialty channels from Alliance Atlantis Communications Inc.

In addition to the specialty channels, Canwest Global and the GS Parties were obligated to acquire shares of Filmco which owns, directly or indirectly, shares or partnership units of approximately 175 corporations and partnerships (collectively, the “Filmco Subsidiaries”) which were created by Alliance Atlantis Communications Inc. to hold certain film rights and be eligible for certain tax credits under the *Income Tax Act* (Canada).

Canwest Global acquired 50% of the shares of Filmco through a wholly owned subsidiary 4437489 Canada Inc. (“443”). The remaining 50% of the shares in Filmco are owned by the GS Parties.

The majority of the Filmco Subsidiaries does not carry on business and has no assets or liabilities. The only Filmco Subsidiaries with any material assets or liabilities recorded on their books are: Filmco, a CBCA company, Alliance Atlantis Equicap Corporation (“AAEC”), a wholly owned subsidiary of Filmco, and Equicap Financial Corporation (“EFC”), a wholly owned subsidiary of AAEC. A copy of the organizational chart outlining this relationship can be found in Exhibit “A”.

AAEC’s head office and principal place of business was located at 121 Bloor Street East, Toronto, Ontario M4W 3M5.

AAEC has no employees and is inactive.

AAEC has significant unsecured obligations due and insufficient cash to satisfy the obligations. AAEC no longer has the capacity to meet its obligations generally as they become due.

### **CONFLICT OF INTEREST**

No conflict of interest exists for FTI to act as Trustee of AAEC.

On October 6, 2009, CMI and certain of its subsidiaries listed in Schedules “A” and “B” to the CCAA initial order (collectively, the “CMI Entities”) sought and obtained protection from their creditors pursuant to an initial order (the “Initial Order”) under the *Companies’ Creditors Arrangement Act* (Canada) (the “CCAA”). All documents in their proceedings under the CCAA can be found posted online at the Monitor’s website: <http://cfcanada.fticonsulting.com/cmi/>. Pursuant to the Initial Order, FTI was appointed Monitor of the CMI Entities.

Filmco and Filmco Subsidiaries were not applicants in any of the CCAA Proceedings.

On January 8, 2010, FTI was appointed Monitor of Canwest Publishing Inc./Publications Canwest Inc., Canwest Books Inc., Canwest (Canada) Inc. and Canwest Limited Partnership/Canwest Societe Commandite.

On November 26, 2009, FTI was appointed Trustee in the bankruptcies of Fireworks Entertainment Inc., CEIDI (Canada) I Inc., CEIDI (Canada) II Inc., and Canwest Entertainment Inc.

On October 25, 2010, FTI was appointed Trustee in the bankruptcy of 4514866 Canada Inc. (Formerly CMI).

On October 28, 2011, FTI was appointed Trustee in the bankruptcies of 4514858 Canada Inc. (Formerly National Post Holdings Ltd.) and Legacy NPC Partnership (Formerly the National Post Company).

### **TAKING POSSESSION AND SAFEGUARDING ASSETS**

Currently, the Trustee has taken possession of all known assets.

### **CONSERVATORY AND PROTECTIVE MEASURES**

The Trustee has made arrangements for storage of the Partnerships books and records.

### **STATEMENT OF AFFAIRS**

The Statement of Affairs (“SoA”) was prepared by the Trustee in compliance with the provisions of the BIA on December 19, 2011 (being the date the assignment in bankruptcy was filed with the Official Receiver). The following is a summary of the assets and liabilities of AAEC as reflected in the SoA:

Statement of Affairs	
<b>Assets</b>	
Cash	\$ -
Other	\$ 1,900,000
<b>Total Assets</b>	<b>\$ 1,900,000</b>
<b>Liabilities</b>	
Unsecured Creditors	\$ 7,320,686
Other	\$ -
<b>Total Liabilities</b>	<b>\$ 7,320,686</b>
<b>Deficiency</b>	<b>\$ (5,420,686)</b>

### ***Cash***

AAEC has no cash.

### ***Other***

AAEC has approximately \$500,000 in outstanding notes receivable and \$1.4 million in contingent assets.

### ***Unsecured Creditors***

30% of AAEC's liabilities are due to Revenue Canada and 52% of AAEC's liabilities are due to Alliance Releasing Limited Partnership.

### **LEGAL PROCEEDINGS**

According to information available to the Trustee, no legal proceedings against the estate were commenced since the date of bankruptcy.

To date, the Trustee has not initiated any legal actions.

### **TRANSFERS UNDERVALUE AND PREFERENCES**

The trustee has secured the books and records of AAEC for the purpose of identifying Transfers Under Value and Preferences. The Trustee will report to and seek instructions from the estate inspector(s) regarding its findings once this review is completed.

### **THIRD PARTY DEPOSITS/GUARANTEES**

The Monitor does not have any third party deposits/guarantees.

### **ANTICIPATED REALIZATION AND DISTRIBUTION PROCESS**

Based on the estimated realizable value of the assets of AAEC, the Trustee is of the view that the unsecured creditors with proven claims will receive a NIL distribution of the available assets.

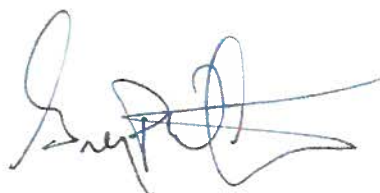
We will be available at the meeting of creditors should creditors have any questions regarding this report or other related matters.

DATED at the City of Toronto, in the Province of Ontario this 9<sup>th</sup> day of January, 2012.

FTI Consulting Canada Inc.

In its capacity as Trustee of Alliance Atlantis Equicap Corporation and not in its personal capacity

Per:

A handwritten signature in blue ink, appearing to read 'Greg Watson', with a large, stylized flourish extending to the right.

Greg Watson  
Senior Managing Director

# **Exhibit A**