

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

No.:

IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND COMPROMISE OF:

CIRQUE DU SOLEIL CANADA INC.

- and -

THE OTHER APPLICANTS LISTED IN SCHEDULE
A HEREOF

Applicants

- and -

ERNST & YOUNG INC.

Proposed Monitor

APPLICATION FOR THE ISSUANCE OF
A FIRST DAY INITIAL ORDER,
AN AMENDED AND RESTATED INITIAL ORDER,
AN ORDER APPROVING AND RATIFYING THE EXECUTION OF A STALKING HORSE
ASSET PURCHASE AGREEMENT
AND APPROVING A SALE AND INVESTMENT SOLICITATION PROCESS
(Sections 9, 11, 11.51, 11.52 and 23 of the *Companies' Creditors Arrangement Act*)

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TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTREAL, THE APPLICANTS RESPECTFULLY SUBMIT THE FOLLOWING:

1. ORDERS SOUGHT

1. The Applicants hereby seek the issuance of the following orders by this court pursuant to the *Companies Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, (the "**CCAA**"):
 - (a) a first day initial order (the "**First Day Order**"), a draft copy of which is communicated herewith as **Exhibit R-1**:
 - (i) declaring that the Applicants are corporations to which the CCAA applies;
 - (ii) staying all proceedings and remedies taken or that might be taken in respect of the Applicants and those certain limited partnerships related to the Applicants that are listed in Schedule B hereof (the "**LPs**", together with the Applicants, the "**Debtors**"), or any of their property, except as otherwise set forth in the First Day Order or as otherwise permitted by law, for an initial period of ten (10) days in accordance with the CCAA (the "**Stay Period**");
 - (iii) ordering the procedural consolidation of these CCAA proceedings in respect of each of the Applicants, for administrative purposes only;
 - (iv) appointing Ernst & Young Inc. ("**E&Y**" or the "**Proposed Monitor**") as the monitor of the Applicants in these proceedings, with the extended powers to, *inter alia*, file an application in these proceedings to seek its appointment as receiver to those entities listed in Schedule "C" hereof, for the sole purpose of allowing their respective employees to benefit from those payments provided under the *Wage Earner Protection Program Act* (S.C. 2005, c. 47, s. 1) (the "**WEPPA**");
 - (v) granting an Administration Charge and a Directors' Charge (as such terms are defined below);
 - (vi) approving a Key Employee Retention Plan (the "**KERP**") as well as a KERP Charge (as defined below) securing the Applicants' obligations under the KERP;
 - (vii) declaring that Quebec is the "*center of main interest*" of the Debtors and, accordingly, authorizing the Debtors to apply, as they may consider necessary or desirable, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize and/or to assist in carrying out the terms of the Initial Order and any subsequent Orders rendered by this Court in the context of these proceedings, including, without limitation, orders under Chapter 15 of the *United States Bankruptcy Code* 11 U.S.C §§ 101-1532 (the "**U.S. Bankruptcy Code**"); and

- (viii) sealing the confidential exhibits which will be filed in support of this Application;
- (b) an amended and restated initial order (the "**Initial Order**"), a draft copy of which is communicated herewith as **Exhibit R-2**:
 - (i) extending the Stay Period until August 28, 2020;
 - (ii) confirming the appointment of E&Y as the Monitor of the Applicants in these proceedings;
 - (iii) approving an Intercompany Charge (as defined below) in order to secure the repayment of the various amounts which may become owing, from time to time, between the Applicants as and from the issuance of the First Day Order;
 - (iv) approving a Financial Advisors Charge (as defined below) securing the fees respectively payable to each of National Bank Financial and Greenhill & Co, Inc.;
 - (v) confirming the Administration Charge, the Directors' Charge and the KERP Charge previously granted in the First Day Order;
 - (vi) confirming that Quebec is the "*center of main interest*" of the Debtors and, accordingly, authorizing the Debtors to apply, as they may consider necessary or desirable, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize and/or to assist in carrying out the terms of the Initial Order and any subsequent Orders rendered by this Court in the context of these proceedings, including, without limitation, orders under Chapter 15 of the U.S. Bankruptcy Code; and
 - (vii) confirming the sealing the confidential exhibits which will be filed in support of this Application; and
- (c) an order approving and ratifying the execution of a stalking horse asset purchase agreement, as well as a sale and investment solicitation process to be conducted in the context of these CCAA proceedings, as further described herein, (the "**Stalking Horse & SISP Approval Order**"), a draft copy of which is communicated herewith as **Exhibit R-3**.

2. THE FACTS

2.1 OVERVIEW

2. Founded in 1984, *Cirque du Soleil* is an international live entertainment media company, having reinvented circus arts and created one of the industry's most iconic creative brands.
3. Based in Montreal, Quebec, Canada, *Cirque du Soleil* has, over the past 36 years, conceptualized, produced and presented shows to more than 180 million spectators, in approximately 450 cities across 90 countries in 6 continents.
4. *Cirque du Soleil* is most known for its live entertainment shows, which it performs in custom-built, partner-hosted resident venues and through touring in different cities around the world, or licenses to third parties for performance.
5. Over the past few years, *Cirque du Soleil* has been responsible for the majority of the top 10 live shows in Las Vegas, United States, accounting for almost half of the total Las Vegas box office sales.
6. *Cirque du Soleil's* touring platform allows it to bring creative content to cities across the globe, averaging, up until recently, 3,600 touring performances annually.
7. In addition to its live entertainment offerings, *Cirque du Soleil* has also extended its creative approach and leveraged its brand position and creative and operational capabilities into complementary businesses such as ticketing and media.
8. Up until recently, the group of entities forming the Cirque du Soleil Entertainment Group (the "**CDSE Group**") employed 4,977 employees, including 1,292 artists, who originated from nearly 90 different countries.
9. Despite the foregoing, and as further explained in greater detail below, the CDSE Group has been one of many companies around the world having seen its business operations being severely impacted by the global crisis caused by the outbreak of a respiratory disease caused by a coronavirus that was first detected in China and which has now been detected in more than 150 locations internationally, including in the United States. The virus has been named "SARS-CoV-2" and the disease it causes has been named "coronavirus disease 2019" (abbreviated "**COVID-19**").
10. Following government guidance, cities and countries around the world have ordered the closure of public gatherings, which, in turn, has left the CDSE Group with no other option but to call for an unprecedented halt in activity until the pandemic is controlled and the safety of its performers, employees and audience members can be assured.
11. At the time this health crisis started, the CDSE Group had 44 active shows.
12. On January 30, 2020, the CDSE Group was first forced to cancel performances in China as a result of COVID-19 and, between March 12 and March 15, 2020, it announced the indefinite suspension of thirteen touring shows and its seven resident shows in Las Vegas, such as *Mystère*, "O", *Zumanity*, *KÀ*, *The Beatles LOVE*, *Michael Jackson ONE*, and Blue Man Group.

13. Following the forced closure of all its shows worldwide on March 14, 16 and 19, 2020, the CDSE Group's revenue income stream entirely vanished, which has left the company with no other alternatives than to make significant temporary staff reductions, impacting approximately 95% of its workforce for a total of 4,679 employees, including employees working at its International Headquarters in Montreal.
14. While the CDSE Group hopes to be able to restart its operations and relaunch the presentation of some of its shows as soon as possible, and potentially before the end of 2020 or early 2021, the fact of the matter is that the Applicants' operations are currently suspended for an indefinite period of time, resulting in their inability to generate any revenues, which, in turn, prevents them from meeting their obligations as they become due.
15. Accordingly, and for the reasons further described below, the Applicants believe and respectfully submit that the commencement of the present proceedings under the CCAA constitutes the best option available in the circumstances to preserve the value of their assets, for the benefit of their creditors and stakeholders.

2.2 HISTORY

16. *Cirque du Soleil's* story began in the early 1980's in Baie-Saint-Paul, a small town near Québec City in Canada with a group of 20 street performers known as *Les Échassiers de Baie-Saint-Paul*, then led by Mr. Gilles Ste-Croix.
17. *Les Échassiers de Baie-Saint-Paul*, which went on to become thereafter *Le Club des talons hauts*, included Mr. Guy Laliberté who was then one of the street performers.
18. Between 1982 and 1984, inclusively, the city of Baie-Saint-Paul hosted a fun fair called *La Fête foraine de Baie-Saint-Paul*, which allowed street performers, including those forming part of *Le Club des talons hauts*, to gather and enliven the streets of the town for a few days.
19. In 1984, Mr. Laliberté and the other street performers forming part of *Le Club des talons hauts* were chosen to present a show as part of the celebrations and festivities surrounding the 450th anniversary of Canada's discovery by Jacques Cartier.
20. The first show produced and presented by Mr. Laliberté and his cronies, now presenting themselves as *Cirque du Soleil*, was *Le Grand Tour*, which debuted in Gaspé, Quebec, and which was thereafter presented in 10 other cities throughout the province of Quebec.
21. In 1985, *Le Grand Tour* was presented for the first time outside of Quebec, in Ottawa, Toronto and Niagra Falls.
22. In 1986 and 1987, respectively, *Cirque du Soleil* continued producing and presenting new shows, namely *Cirque Réinventé*, not only in other provinces across Canada, but also in the US, starting with shows in Los Angeles, San Diego and Santa Monica. Given the success of *Cirque Réinventé*, *Cirque du Soleil* continued its North American tour, which included a show at the 1988 Calgary winter Olympics.
23. In the early 1990s, *Cirque du Soleil* began touring beyond North America, presenting *Cirque Réinventé* in London, Paris, Japan.

24. In 1992, *Cirque du Soleil* made its debut in Las Vegas with a year-long Big Top tour of its new show *Nouvelle Expérience*.
25. A new business model emerged when Mirage Resorts signed a 10-year contract with *Cirque du Soleil* to stage a resident show called *Mystère* at the newly constructed Treasure Island Hotel.
26. In the following years, *Cirque du Soleil's* success increased exponentially with the presentations of shows such as *Saltimbanco*, *Alegria* and *Quidam* which have toured across the globe for over 20 years.
27. In 1997, the CDSE Group inaugurated its International Headquarters located in Montreal Quebec, Canada, which hosts office spaces as well as a creation studio where all of *Cirque du Soleil's* shows have since been created and produced.
28. In 2001, with the international success of the CDSE Group continuing to grow, year after year, the organization inaugurated a 15,000 square meter addition (*Les Ateliers*) to its International Headquarters in Montreal.
29. By 2002, *Cirque du Soleil* was presenting simultaneously several shows across the world, including several touring shows, in addition to producing its first television series, *Cirque du Soleil, Fire Within*, for the Canadian and American television market.
30. In 2008, Mr. Laliberté, who by then owned approximately 95% of the shares of the CDSE Group, sold a 20% stake to Istithmar World, the investment arm of Dubai World, and Nakheel.
31. In 2015, TPG Capital LP ("**TPG**"), a global private investment firm, Fosun Capital Group ("**Fosun**"), one of China's leading privately-owned investment groups, and the Caisse de dépôt et placement du Québec ("**CDPQ**") acquired a participation of approximately 90% in the CDSE Group, with Mr. Laliberté (and various other minority shareholders) retaining an approximate 10% stake in the company.
32. In July 2017, the CDSE Group acquired Blue Man Group and added the Blue Man Group shows to further expand globally and diversify its entertainment offering of live entertainment beyond circus arts. The Blue Man Group shows had already been staged in over 20 countries and were seen by more than 35 million people worldwide since 1991. A dynamic combination of art, music, comedy and technology, the shows' euphoric celebration of human connection has universal appeal for a broad range of age groups and cultural backgrounds.
33. The acquisition of Blue Man Group thus widened the CDSE Group's audience pool, adding to their portfolio six resident productions established across the United States and Germany (New York, Boston, Las Vegas, Chicago, Orlando and Berlin), as well as a North American and a World Tour.
34. In July 2018, the CDSE Group acquired VStar Entertainment Group and its subsidiary Cirque Dreams in a move to expand its audiences with plug-and-play creative content specifically designed for children and families.
35. VStar Entertainment Group is a live entertainment provider producing theatrical shows, exhibits, cruise ship shows and outdoor events. VStar is best known for its

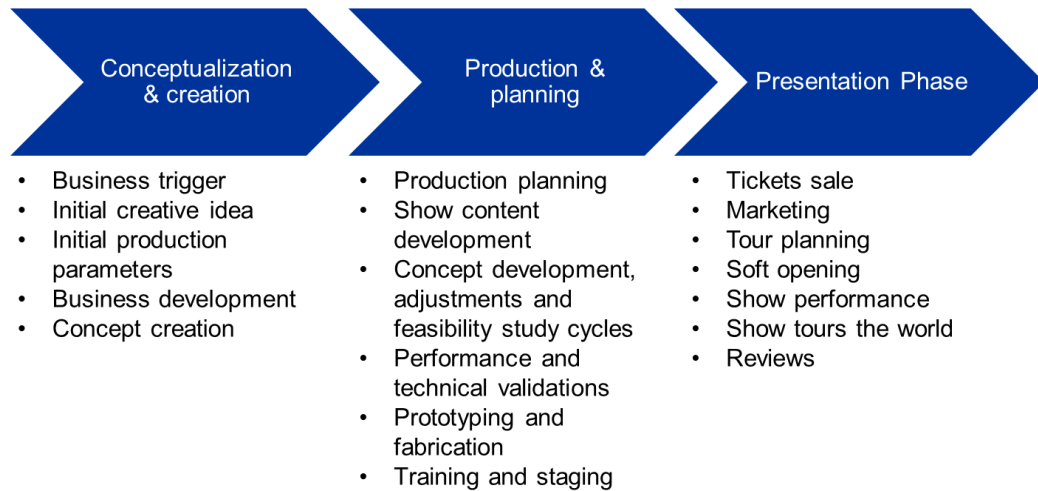
children and family shows showcasing popular brands from Nickelodeon and Spin Master, such as PAW Patrol. Over nearly four decades, it has built an impressive footprint in the global entertainment industry, presenting over 39,000 performances in more than 40 countries, reaching over two million guests annually.

36. Cirque Dreams, established in Florida in 1993, is VStar's circus arts division which successfully produces and operates tours and shows in theatres and various popular touristic venues through partnerships with Norwegian Cruise Line and Gaylord Hotels, among other business to business opportunities.
37. With its integrated live entertainment platform and broad global distribution network in small theatres, the acquisition of VStar and Cirque Dreams was designed to contribute to further establishing *Cirque du Soleil* as the world leader in live entertainment for audiences of all ages.
38. In February 2019, the CDSE Group acquired The Works Entertainment, the world-class creative and production company known for The Illusionists franchise and other variety shows. The acquisition allowed the CDSE Group to continue its diversification of content offering and consolidate its presence in soft-seat theatres.
39. In February 2020, Mr. Laliberté sold his remaining participation in the CDSE Group to CDPQ.

2.3 THE CDSE GROUP'S BUSINESS OPERATIONS

A. The Creation of a *Cirque du Soleil* Show

40. As mentioned above, the CDSE Group is primarily engaged in the creation, production and presentation of live entertainment shows worldwide.
41. The CDSE Group continuously innovates and experiments with new formats and smaller-scale shows, providing for a more agile and efficient production and planning process.
42. As will be further discussed below, the typical life cycle of a *Cirque du Soleil* show goes through three (3) key stages:
 - (a) the conceptualization or creation phase;
 - (b) the production and planning phase; and
 - (c) the presentation phase.
43. Below is a timeline illustrating the typical life cycle of a *Cirque du Soleil* show, which will typically take between 18-30 months from the conceptualization phase until the start of the presentation phase:



(i) The Conceptualization/Creation Phase

44. Each *Cirque du Soleil* branded show, presented either by the CDSE Group or by third party licensees, begins with the conceptualization and creation phase which takes place at the CDSE Group's International Headquarters in Montreal.
45. Some 12 to 24 months preceding the opening of a new show, Cirque du Soleil Canada Inc. ("**CDS Canada**") assembles a team of creators to develop and create the concept of the new show, including the content, music, costumes, acrobatic equipment, makeup, the set and props.
46. Before the current unprecedented halt in its activities, the costs related to the conceptualization and creation of a new show were generally shared between CDS Canada, which owned all of *Cirque du Soleil's* show rights and music rights worldwide (except in the U.S.) until March 30, 2020 (as discussed further below), and CDS U.S. Intermediate Holdings, Inc. ("**CDS U.S.**") which owns the show rights and music rights in the U.S.
47. The cost percentage assumed by each of CDS Canada and CDS U.S. was generally based on the anticipated revenues resulting from the licensing of a portion of their intellectual property rights (mainly show rights and music rights) to those entities who will ultimately be presenting the show, depending on where the show will be presented. Those revenues resulting from the licensing of the *Cirque du Soleil's* trademark are usually accounted for separately, again based on where the show will be presented. Show rights will generally include all rights related to costume design, characters, lighting, choreographies, equipment design, acts, etc. whereas music rights (or public performance rights) will generally include the original music created for the purpose of the show.
48. Once the conceptualization and creation phase is completed, these newly developed intellectual property rights, together with the *Cirque du Soleil's* trademark, are then licensed to those entities that will ultimately be presenting the show, and which, in turn, will be required to pay royalties to the holder of these IP rights.

(ii) The Production/Planning Phase

49. Following or concurrently with the conceptualization and creation phase, a new show will then go through the production and planning phase. Preceding the opening of a new show, Cirque du Soleil Inc. (“CDSI”) will assemble a production team to bring their concepts developed by the creation team to life.
50. It is during this phase that the set, props, costumes and acrobatic equipment are manufactured, and both the artists and the technical staff are selected, hired and trained.
51. The various steps of the production phase take place mainly at the CDSE Group’s International Headquarters in Montreal.
52. For touring shows, certain costs of production incurred by CDSI during this phase, namely the costs related to the casting and training of the artists, were assumed by the holders of the intellectual property rights, each of which agrees to assume a percentage of those costs based on the number of shows which are expected to be presented in the territories allocated to each of them as set forth in paragraph (i)47. The calculation of such percentage is generally based on the tour plan which is made available immediately prior to the soft opening date of the new show. The other costs of production incurred by CDSI during this phase, namely the costs related to the manufacturing of the shows’ assets, are assumed by Cirque du Soleil Vegas, L.L.C. which purchases such assets from CDSI and rents them to the various presentation entities. For resident shows, all costs of production incurred by CDSI during this phase are assumed by the presentation entities which purchase and thereafter hold the shows’ assets.

(iii) The Presentation Phase

53. Finally, once the conceptualization/creation phase and the production/planning phase are completed, a new show will then go through the realization or presentation phase, which consists in the phase where the newly developed show actually comes to life.
54. This phase will include the actual delivery of a live performance show, including day-to-day management of the artists, crew and technicians, the technical operations and the general show management.
55. The work performed during this phase is assumed by the various entities forming part of the CDSE Group for the specific purpose of presenting this new show. These entities are commonly referred to as “*presentation entities*”. In cases where a *Cirque du Soleil* branded show has been licensed to a third party, the CDSE Group will generally not be involved in the presentation phase.
56. The “*presentation entities*” are responsible for presenting the new show live in front of audiences either in arenas, theatres or in a “*Big Top*” depending on the show.

B. The CDSE Group's Revenue Streams

57. The CDSE Group's revenues derive from the presentation of shows (including box office sales, sales of food and beverages, merchandising and sponsorships), namely (i) resident shows and (ii) touring shows, as well as from (iii) other sources such as its ticketing platform (partially owned) and its experiences and events offering, as further discussed below.

(i) Resident shows

58. *Cirque du Soleil's* resident shows deliver premium entertainment on a permanent basis in venues that are custom-built for each show.

59. Over the past few years, *Cirque du Soleil* has become the largest provider of high-end entertainment in Las Vegas, with, as mentioned, the majority of the top ten live shows being *Cirque du Soleil* shows, which account for almost half of the total Las Vegas box office sales.

60. Up until recently, *Cirque du Soleil* staged 6 resident shows in Las Vegas, another resident show at the Walt Disney World Resort in Orlando, Florida, as well as other resident shows, such as *The Land of Fantasy* in China, *Joya* in Mexico and *Paramour* in Germany.

61. Resident shows entertain a large audience of approximately 4,000 performances per year.

62. In addition to the *Cirque du Soleil* branded shows, two of the three groups that were recently acquired by the CDSE Group, namely *Blue Man Group* and *The Works Entertainment*, also deliver performances on a permanent basis in venues across the globe.

63. In 2018 and 2019, the CDSE Group's resident shows accounted for approximately 38% and 30% of the total revenues of the CDSE Group, and 45% and 42% of the total EBIDTA of the CDSE Group.

(ii) Touring shows

64. *Cirque du Soleil's* touring business is one the largest touring operations in the world, delivering live entertainment in approximately 250 cities over its lifetime on 6 continents with approximately 3,600 performances annually.

65. Touring shows target both large and small cities across the world with a schedule optimized to drive demand and maximize profitability.

66. *Cirque du Soleil* structures its touring schedules to introduce new shows in traditionally stronger markets first (North America and Europe) and then visits other geographies later in the show's lifespan. This strategy results in a shorter pay-back period and stronger return on investments.

67. *Cirque du Soleil's* sophisticated worldwide touring operation is supported by one-of-a-kind operating capabilities and robust logistics that seamlessly move more than 1,100 employees and equipment across hundreds of cities around the world.
68. *Cirque du Soleil's* touring shows are performed in two formats: “*Big Top*” (traveling tents) and arena (local stadiums). A typical *Big Top* show will have 350 performances in 5 to 8 cities per year for 6 to 10 weeks per city.
69. *Cirque du Soleil* typically launches 1 new *Big Top* show every 2 years. Successful *Big Top* shows can be converted to the arena format, thereby expanding the longevity and reach of the show to smaller markets.
70. Additionally, *Cirque du Soleil* creates new shows specifically for the arena format only. Arena shows are hosted in local venues for an average of 1 week per city.
71. *Cirque du Soleil* self-promotes its *Big Top* shows in markets where it has the highest level of expertise, such as Canada, the U.S., Europe and Australia. However, for arena shows and in other regions (excluding for Canada and the U.S.), *Cirque du Soleil* works with local partners who have a deep understanding of the local markets and who are often willing to provide full per-show buyouts or minimum guarantees with profit splits, significantly mitigating *Cirque du Soleil's* downside risk.
72. Economic arrangements with local partners vary from a fixed fee model in which *Cirque du Soleil* receives a pre-determined fee per show (0% profit sharing) to self-promoted shows in which *Cirque du Soleil* retains 100% of the profits.
73. In addition to the foregoing, the three groups that were recently acquired by the CDSE Group, namely VStar Entertainment, Blue Man Group and The Works Entertainment, have touring shows.
74. In 2018 and 2019, the CDSE Group's touring shows respectively accounted for approximately 57% and 65% of the total revenues of the CDSE Group, and 45% and 42% of the total EBIDTA of the CDSE Group.

(iii) Other revenue streams

75. In an effort to leverage its brand, creative strength and operating capabilities the CDSE Group has also ventured in recent years into new, but related business operations, acquiring, for instance, a 75% stake in a ticketing platform named Outbox.
76. Outbox sells approximately 5 million live entertainment tickets worldwide annually, with approximately US\$500 million in transaction volume.
77. In addition, the CDSE Group has also leveraged its operational capabilities to expand its entertainment offerings and, ultimately, diversify its revenue stream, with various experiences and events.
78. As an example, the CDSE Group opened an interactive “*acrobatic simulation*” at the Club Med resort in Punta Cana, Dominican Republic and in Opio, France, called “*Creative*”.

79. Furthermore, the CDSE Group operates a wholly-owned events business with various partners to produce and execute live special events, such as Super Bowl halftime shows, EXPO Milano, the Pan AM Opening Ceremony in Toronto in 2015, Futuroscope in France, seasonal shows in Trois-Rivières, Andorra and Malta, as well as various shows on MSC vessels sailing around the world.
80. Organizing and executing live events of this magnitude further drives significant global brand exposure for the CDSE Group.
81. In 2018 and 2019, the CDSE Group's other businesses respectively accounted for approximately 5% of the total revenues of the CDSE Group, and 10% and 16% of the total EBIDTA of the CDSE Group.

2.4 THE CDSE GROUP'S CORPORATE STRUCTURE

82. An organization chart of the entities forming part of the CDSE Group, including the Applicants and Debtors, is communicated herewith as **Exhibit R-4** to this Application.
83. While a brief description of the Debtors is provided in the following section of this Application, below is a table which provides an overview of the main functions performed by the main operating entities forming part of the CDSE Group until March 30, 2020.

Function (as at March 29, 2020)	Entity Name	
Creation/IP Owners	<ul style="list-style-type: none"> •Cirque du Soleil Canada Inc. •Cirque du Soleil Holding USA, Inc. 	<ul style="list-style-type: none"> •CDS U.S. Intermediate Holdings, Inc.
Production	<ul style="list-style-type: none"> •Cirque du Soleil Inc. 	
Presentation	<ul style="list-style-type: none"> •Cirque du Soleil Inc. •Cirque du Soleil America Inc. •Cirque du Soleil Nevada, Inc. •Cirque du Soleil (US) Inc. •Cirque du Soleil My Call, LLC •Araxa Espetaculos Circenses 	<ul style="list-style-type: none"> •Cirque du Soleil Orlando, LLC •Gaïa Luxembourg SA •Cirque du Soleil Asia-Pacific Private Ltd •Cirque du Soleil Australia Pty •Cirque du Soleil Rus, LLC

Show Fixed Assets (SFA)/Infrastructure Owner (for touring shows)	•Cirque du Soleil Vegas, LLC
Corporate Services (IHQ)	•Cirque du Soleil Canada Inc. •Cirque du Soleil Inc.
Touring show Services (Show admin)	•Cirque du Soleil Canada Inc. •Cirque du Soleil Inc.
Follow-up Production Services	•Cirque du Soleil Inc.
Regional Headquarter (Las Vegas)	•Cirque du Soleil (US), Inc.

2.5 DESCRIPTION OF THE DEBTORS

A. Canadian Borrowers & Guarantors

84. Below is a summary description of each of the Canadian Debtors, all of which are either borrowers or guarantors under the First Lien Credit Agreement (as defined below) and/or the Second Lien Credit Agreement (as defined below).

(i) Cirque du Soleil GP Inc.

85. Cirque du Soleil GP Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec, and is the general partner to Cirque du Soleil Holdings Limited Partnership.

86. Cirque du Soleil GP Inc. is governed by a council of representatives designated by its shareholders (the “**Council of Representatives**”).

(ii) Cirque du Soleil Holdings L.P.

87. Cirque du Soleil Holdings L.P. is a limited partnership formed in 2015 under the *Civil Code of Quebec*, CQLR c CCQ-1991, with its registered office in Montreal, Quebec.

88. Although not an Applicant *per se*, the Applicants are also seeking an order extending the stay of proceedings to Cirque du Soleil Holdings L.P.

(iii) CDS Canadian Holdings, Inc.

89. CDS Canadian Holdings, Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by Cirque du Soleil Holdings Limited Partnership.
90. CDS Canadian Holdings, Inc. is a holding company with no operations of its own.

(iv) Cirque du Soleil Canada Inc.

91. CDS Canada is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canadian Holdings, Inc.
92. CDS Canada is an operating company and the main creating entity of the CDSE Group with activities focused on the creation of live entertainment shows.
93. Until March 30, 2020, CDS Canada owned the IP rights of shows and music rights worldwide, except for the U.S., and owned the *Cirque du Soleil* trademark and all trademarks for individual shows worldwide, except for the U.S. and Australia.
94. As detailed further below, CDS Canada is a borrower under the four (4) credit agreements further described in section 2.11 hereof.

(v) Cirque du Soleil Inc.

95. CDSI is a private corporation which was incorporated under the Quebec *Companies Act*, part 1A, CQLR, c C-38, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada.
96. Cirque du Soleil Inc. is an operating company with activities focused mainly on the production and planning of shows in Canada, the presentation of “Big Top” and arena shows in Canada as well as “Big Top” shows in other countries worldwide. It owns all show assets during the production phase before they are sold to (i) Cirque du Soleil Vegas, L.L.C, which, in turn, rents them to the applicable presentation entity, for touring shows, and (ii) the presentation entities, for resident shows.
97. Cirque du Soleil Inc. owns the International Headquarters and Artists Residency buildings located in Montreal.
98. Its activities also include providing production services to other CDSE Group affiliates, as well as the exploitation and licensing of merchandising products.

(vi) Cirque du Soleil Images Inc.

99. Cirque du Soleil Images Inc. is a private corporation which was incorporated under the Quebec *Companies Act*, part 1A, CQLR, c C-38, with its registered office in Montreal, Quebec. It is wholly-owned, directly or indirectly, by CDS Canada.

100. Cirque du Soleil Images Inc. is an operating company with activities focused on the production and exploitation of cinematographic works, audio-visual material and phonograms.

(vii) Cirque du Soleil Inspiration Inc.

101. Cirque du Soleil Inspiration Inc. is a private corporation which was incorporated under the *Canada Business Corporations Act*, RSC, 1985, c C-44, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada.
102. Cirque du Soleil Inspiration Inc. owns a 50% interest in The Cirque Apple Creation Partnership, a joint venture with Apple Corps Limited, which owns the IP rights to the “*The Beatles LOVE*” show presented at the Mirage Hotel & Casino in Las Vegas.

B. U.S. Borrowers & Guarantors

103. Below is a summary description of each of the U.S. Debtors, all of which are either borrowers or guarantors under the First Lien Credit Agreement (as defined below) and/or the Second Lien Credit Agreement (as defined below).

(i) CDS U.S. Holdings, Inc.

104. CDS U.S. Holdings, Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Holdings Limited Partnership.
105. CDS U.S. Holdings, Inc. is a holding company with no operations of its own.

(ii) CDS U.S. Intermediate Holdings, Inc.

106. CDS U.S. Intermediate Holdings, Inc. (“**CDS US**”) is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by CDS U.S. Holdings, Inc.
107. CDS US is an operating company which owns the IP rights of shows and music rights for the U.S. (excluding trademarks).
108. As detailed further below, CDS US is a borrower under the four (4) credit agreements described in section 2.11 hereof.

(iii) Cirque du Soleil Holding USA, Inc.

109. Cirque du Soleil Holding USA, Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by CDS US.
110. Cirque du Soleil Holding USA, Inc. is an operating company which owns the *Cirque du Soleil* trademark and all trademarks for individual shows in the U.S. and Australia.

(iv) Cirque du Soleil (US), Inc.

- 111. Cirque du Soleil (US), Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Holding USA, Inc.
- 112. Cirque du Soleil (US), Inc. is an operating company which presents the *Cirque du Soleil* “*Mystere*” show at Treasure Island in Las Vegas and employs all administrative personnel for the CDSE Group’s operations in the U.S. at the Regional Headquarters in Las Vegas (under a lease). It also owns the show assets for “*Mystere*”.
- 113. Cirque du Soleil (US), Inc. also owns a 50% interest in (a) Cirque Jackson I.P., LLC which owns the IP rights to the “*Michael Jackson: One*” show presented at the Mandalay Bay in Las Vegas, and (b) Cirque Apple Las Vegas, LLC which presents the “*The Beatles LOVE*” show at the Mirage in Las Vegas.

(v) Cirque du Soleil America, Inc.

- 114. Cirque du Soleil America, Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Holding USA, Inc.
- 115. Cirque du Soleil America, Inc. is an operating company with activities focused on organizing tours of *Cirque du Soleil* touring “Big Top” and arena shows in the U.S. and arena shows in Europe and other countries.

(vi) VStar Entertainment Group, LLC

- 116. VStar Entertainment Group, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Fridley, Minnesota. It is wholly-owned by Cirque du Soleil America, Inc.
- 117. VStar Entertainment Group, LLC is a holding company and an operating company which creates custom fabricated mascots and costumes, and large-scale sets, scenery and 3-D installations.

(vii) Cirque Dreams Holdings LLC

- 118. Cirque Dreams Holdings LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Fridley, Minnesota. It is wholly-owned by VStar Entertainment Group, LLC.
- 119. Cirque Dreams Holdings LLC is an operating company which produces and presents shows in theatres and various popular touristic venues, including on cruise ships.

(viii) VStar Merchandising, LLC

- 120. VStar Merchandising, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Fridley, Minnesota. It is wholly-owned by VStar Entertainment Group, LLC.

121. VStar Merchandising, LLC is currently inactive.

(ix) VStar International, LLC

122. VStar International, LLC is a private corporation which was incorporated under the Laws of Minnesota, with its registered office in Fridley, Minnesota. It is wholly-owned by VStar Entertainment Group, LLC.

123. VStar International, LLC is an operating company which presents touring shows worldwide except in the U.S.

(x) VStar Theatrical, LLC

124. VStar Theatrical, LLC is a private corporation which was incorporated under the Laws of Minnesota, with its registered office in Fridley, Minnesota. It is wholly-owned by VStar Entertainment Group, LLC.

125. VStar Theatrical, LLC an operating company which presents touring shows in the U.S.

(xi) VStar Touring, LLC

126. VStar Touring, LLC (formerly known as VStar Exhibitions, LLC) is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Fridley, Minnesota. It is wholly-owned by VStar Entertainment Group, LLC.

127. VStar Touring, LLC is an operating company which provides various services to affiliated entities.

(xii) Cirque du Soleil Orlando, LLC

128. Cirque du Soleil Orlando, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil America, Inc.

129. Cirque du Soleil Orlando, LLC is an operating company which intends to present a show at Disney Park in Orlando over the course of the next few months.

(xiii) Cirque du Soleil Vegas, LLC

130. Cirque du Soleil Vegas, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil America, Inc.

131. Cirque du Soleil Vegas, LLC is an operating company with activities centered on the rental of equipment, infrastructure and other assets it owns to other entities of the CDSE Group for the presentation of *Cirque du Soleil* touring shows worldwide.

(xiv) Cirque du Soleil Nevada, Inc.

132. Cirque du Soleil Nevada, Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Holding USA, Inc.
133. Cirque du Soleil Nevada, Inc. is an operating company which presents the *Cirque du Soleil* "O", "KA" and "Zumanity" shows, respectively at the Bellagio, the MGM Grand and the New York-New York Hotel & Casino, in Las Vegas. It owns the show assets.

(xv) Cirque du Soleil My Call, LLC

134. Cirque du Soleil My Call, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Nevada, Inc.
135. Cirque du Soleil My Call, LLC is an operating company which presents the "*Michael Jackson: One*" show at the Mandalay Bay in Las Vegas and owns the show assets.

(xvi) Velsi, LLC

136. Velsi, LLC is a private corporation which was incorporated under the Laws of Nevada, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Nevada, Inc.
137. Velsi, LLC is a holding company which holds a 50% interest in The Cirque EPE Partnership which owns the IP rights to the "*Viva Elvis*" show which is no longer presented.

(xvii) Blue Man Inc.

138. Blue Man Inc. is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by CDS US.
139. Blue Man Inc. is a holding company with no operations of its own.

(xviii) Blue Man Group Holdings, LLC

140. Blue Man Group Holdings, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by Blue Man Inc.
141. Blue Man Group Holdings, LLC owns the IP rights for the Blue Man Group shows and the related trademarks.

(xix) Blue Man Group Records, LLC

142. Blue Man Group Records, LLC is a private corporation which was incorporated under the Laws of New York, with its registered office in New York. It is wholly-owned by Blue Man Group Holdings, LLC

143. Blue Man Group Records, LLC is an operating company that oversees the development of recordings and collects royalties when records are sold.

(xx) Astor Show Productions, LLC

144. Astor Show Productions, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by Blue Man Group Holdings, LLC
145. Astor Show Productions, LLC is an operating company which presents the “Blue Man Group” show at the Astor Place Theater in New York.

(xxi) Blue Man Group Publishing, LLC

146. Blue Man Group Publishing, LLC is a private corporation which was incorporated under the Laws of New York, with its registered office in New York. It is wholly-owned by Blue Man Group Holdings, LLC
147. Blue Man Group Publishing, LLC is an operating company which publishes and exploits musical compositions.

(xxii) Blue Man Vegas, LLC

148. Blue Man Vegas, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas, Nevada. It is wholly-owned by Blue Man Group Holdings, LLC
149. Blue Man Vegas, LLC is an operating company which presents the “*Blue Man Group*” show at the Luxor Theater in Las Vegas.

(xxiii) Blue Man Orlando, LLC

150. Blue Man Orlando, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Orlando, Florida. It is wholly-owned by Blue Man Group Holdings, LLC
151. Blue Man Orlando, LLC is an operating company licensed to operate the “Blue Man Group” show at Universal Studios in Orlando. It operates the show and participates in the related merchandising business.

(xxiv) Blue Man Productions, LLC

152. Blue Man Productions, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by Blue Man Group Holdings, LLC.
153. Blue Man Productions, LLC operates the headquarter for the BMG Group, employs the local New York staff and produces the “*Blue Man Group*” shows.

(xxv) Blue Man Chicago, LLC

154. Blue Man Chicago, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Chicago. It is wholly-owned by Blue Man Group Holdings, LLC.
155. Blue Man Chicago, LLC is an operating company which presents the “*Blue Man Group*” show at the Briar Theater in Chicago, Illinois.

C. Other Canadian and US Debtors

156. In addition to the Canadian and U.S. borrowers or guarantors under the First Lien Credit Agreement (as defined below) and/or the Second Lien Credit Agreement (as defined below), the Applicants also include other entities of the CDSE Group based in Canada or the United States which also require protection under the CCAA.
157. These Debtors form part of the CDSE Group and their operations and financial situation have also been severely impacted by the COVID-19 pandemic.

(i) 9415-8185 Québec Inc.

158. 9415-8185 Québec Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by Cirque du Soleil Canada Inc. It is the general partner of a Luxembourg partnership, CDS Canada 1 SCSp.

(ii) 9415-8219 Québec Inc.,

159. 9415-8219 Québec Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada 1 SCSp, a Luxembourg partnership. It is the general partner of a Luxembourg partnership, CDS Canada 2 SCSp.

(iii) 9415-8227 Québec Inc.

160. 9415-8227 Québec Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada 2 SCSp, a Luxembourg partnership. 9415-8227 Québec Inc. is the general partner of CDS Canada 3 L.P.

(iv) CDS Canada 3 L.P.

161. CDS Canada 3 L.P. is a limited partnership formed under the Laws of Quebec, with its registered office in Montreal. Its general partner is 9415-8227 Québec Inc. and its limited partner is CDS Canada 2 SCSp.
162. It holds all the outstanding shares of 9415-8235 Québec Inc. and acts as limited partner to CDS Canada 4 L.P.

(v) 9415-8235 Québec Inc.

163. 9415-8235 Québec Inc. is a private corporation which was incorporated under the Quebec *Business Corporations Act*, CQLR, c S-31.1, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada 3 L.P.
164. 9415-8235 Québec Inc. is the general partner of CDS Canada 4 L.P.

(vi) CDS Canada 4 L.P.

165. CDS Canada 4 L.P. (hereinafter the “**CDS LP4**”) is a limited partnership formed under the Laws of Quebec, with its registered office in Montreal. Its general partner is 9415-8235 Québec Inc. and its limited partner is CDS Canada 3 L.P.
166. CDS LP4 holds the Cirque TMs (as described at paragraph 267 below).

(vii) Création 4U2C Inc.

167. Création 4U2C Inc. is a private corporation which was incorporated under the Quebec *Companies Act*, part 1A, CQLR, c C-38, with its registered office in Montreal, Quebec. It is wholly-owned by CDS Canada.
168. Création 4U2C Inc. is an operating company that provides creative services for visual projections.

(viii) Blue Man International, LLC

169. Blue Man International, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by Blue Man Group Holdings, LLC.
170. Blue Man International, LLC is a presenting entity of “*Blue Man Group*” shows outside the United States.

(ix) Blue Man Boston Limited Partnership

171. Blue Man Boston Limited Partnership is a limited partnership formed under the Laws of New York, with its registered office in New York. It is owned in part by Blue Man Group Holdings, LLC (70%) and in part by American Artists, Ltd. (30%).
172. Blue Man Boston Limited Partnership is a presenting entity of “*Blue Man Group*” shows at the Charles Playhouse in Boston, Massachusetts.

(x) Cirque du Soleil Radio CT Holding, LLC

173. Cirque du Soleil Radio CT Holding, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil America, Inc.

174. Cirque du Soleil Radio CT Holding, LLC is a holding company which holds all the shares of Cirque du Soleil Radio CT, LLC.

(xi) Cirque du Soleil Radio CT, LLC

175. Cirque du Soleil Radio CT, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Las Vegas. It is wholly-owned by Cirque du Soleil Radio CT Holding, Inc.

176. Cirque du Soleil Radio CT, LLC is an operating entity, currently inactive, used to present the “*Zarkana*” show in Las Vegas.

(xii) The Works Entertainment, LLC

177. The Works Entertainment, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Los Angeles, California. It is wholly-owned by Cirque du Soleil America, Inc.

178. The Works Entertainment, LLC is an operating entity used to present live shows of The Illusionists franchise and other variety shows worldwide.

(xiii) Cirque Theatrical, LLC

179. Cirque Theatrical, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in New York. It is wholly-owned by Cirque du Soleil America, Inc.

180. Cirque Theatrical, LLC is an operating entity, currently inactive, previously used to present live shows in New York. It also holds shares in two joint ventures, namely Cirque du Soleil Times Square, LLC and Cirque on Broadway, LLC.

(xiv) Cirque on Broadway, LLC

181. Cirque on Broadway, LLC is a private corporation which was incorporated under the Laws of New York, with its registered office in New York. It is owned in part by Cirque Theatrical, LLC (95.55%) and in part by Ambassador Theater Group N.Y. LLC, Araca Productions LLC and Front Row Theatre Group I, LP Hudson LV, LLC, who hold 4.45% of the equity interest.

182. Cirque on Broadway, LLC is an operating entity used to present the “*Paramour*” show in New York; it owns the show assets (currently leased to Paramour Produktionengesellschaft mbH in Hamburg, Germany).

(xv) Joie de Vie, LLC

183. Joie de Vie, LLC is a private corporation which was incorporated under the Laws of Delaware, with its registered office in Monterey, California. It is owned in part by Cirque du Soleil Nevada, Inc. (50%) and in part by Hudson LV, LLC (50%).

184. Joie de Vie, LLC is an operating entity with owns and operates art galleries featuring Richard MacDonald's works at the Bellagio hotel and casino and in Aria Complex in Las Vegas.

D. Other Foreign Entities

(i) CDS Canada 1 SCSp

185. CDS Canada 1 SCSp is a special limited partnership formed under the Law of 10 August 1915 on Commercial Companies of Luxembourg, with its registered office in Montreal. Its general partner is 9415-8185 Québec Inc. and its limited partner is CDS Canada.

186. CDS Canada 1 SCSp owns limited assets which are not material. It also holds all the outstanding shares of 9415-8219 Québec Inc. and acts as limited partner to CDS Canada 2 SCSp.

(ii) CDS Canada 2 SCSp

187. CDS Canada 2 SCSp is a special limited partnership formed under the Law of 10 August 1915 on Commercial Companies of Luxembourg, with its registered office in Montreal. Its general partner is 9415-8219 Québec Inc. and its limited partner is CDS Canada 1 SCSp.

188. CDS Canada 2 SCSp owns limited assets which are not material. It also holds all the outstanding shares of 9415-8227 Québec Inc. and acts as limited partner to CDS Canada 3 L.P.

2.6 THE APPLICANTS' CENTER OF MAIN INTEREST

189. The Applicants, who each attorn to the jurisdiction of this Court and confirm that they are subject to these proceedings, are part of a group of companies whose "*center of main interest*" is in Quebec, Canada, as set out below:
- (a) the Applicants' worldwide operations are overseen by and report to the President and Chief Executive Officer, who is based and mainly works from the CDSE Group's International Headquarters located in Montreal, Quebec, Canada;
 - (b) a large part of the Applicants' remaining senior management team, including the Chief Financial Officer, Chief Legal Officer, Chief Creative Officer, Chief Executive Producer, Chief Talent Officer, Senior Vice President Touring Shows, as well as Chief Officer for Marketing and Customer Experiences, is also based and mainly works from CDSE Group's International Headquarters located in Montreal, Quebec, Canada;
 - (c) all creative, strategic and key operating decisions and key policy decisions are made by and/or subject to approval from CDSE Group senior management located in Montreal, Quebec, Canada;
 - (d) key human resources decisions pertaining to, *inter alia*, payroll budgets and augmentation or reduction of employee headcount as per the approved

budget, are subject to the approval of CDSE Group's senior management located in Montreal, Quebec, Canada;

- (e) key accounting decisions and all plans, budgets and financial projections are subject to the approval of CDSE Group's senior management located in Montreal, Quebec, Canada;
- (f) planning, budgeting, management of tax, treasury and cash management and preparation of financial projections for CDSE Group is done from Montreal, Quebec, Canada;
- (g) all material and/or long-term contracts and expenses are subject to the approval of CDSE Group's senior management located in Montreal, Quebec, Canada;
- (h) marketing and business development initiatives are overseen from the CDSE Group's International Headquarters located in Montreal, Quebec, Canada;
- (i) corporate governance and regulatory compliance for CDS is overseen from its management team located in Montreal, Quebec, Canada;
- (j) meetings for management and senior staff of CDSE Group, including board meetings, are regularly held at the CDSE Group's International Headquarters located in Montreal, Quebec, Canada;
- (k) senior management and all sales, manufacturing and operations staff report to their respective senior executives, who, ultimately, report to CDSE Group's President and Chief Executive Officer, who is based in Montreal, Quebec, Canada;
- (l) all costumes for the *Cirque du Soleil* shows are created at the CDSE Group's International Headquarters in Montreal, Quebec, Canada.

2.7 THE APPLICANTS' SENIOR MANAGEMENT

190. The most senior members of the management team for the CDSE Group include:

- (a) Daniel Lamarre, President and CEO;
- (b) Stéphane Lefebvre, Chief Financial Officer;
- (c) Diane Quinn, Chief Creative Officer;
- (d) Yasmine Khalil, Chief Executive Producer;
- (e) Lyne Lamothe, Chief Talent Officer;
- (f) Jocelyn Côté, Chief Legal Officer;
- (g) Simon Painter, Senior Vice President – Chief Business & Corporate Development Officer, The Works (U.S.);
- (h) Eric Grilly, Senior Vice President – Resident Shows Operations;

(i) Finn Taylor, Senior Vice President – Touring Shows.

191. A complete chart of the senior management team for the CDSE Group is communicated herewith as **Exhibit R-5** to this Application. Each of the members of senior management is based in the *Cirque du Soleil* International Headquarters in Montreal, except where otherwise indicated.

2.8 THE APPLICANTS' EMPLOYEES AND INDEPENDENT CONTRACTORS

192. Prior to March 14, 2020, the Applicants employed a total of 4977 full-time, part-time, seasonal and temporary employees in various locations, as appears from the table below:

Division / Location	Number of Employees
International Headquarters – Montreal, Canada	1721
Resident Shows Division – Regional Office, Cast and Crew (United States: Las Vegas, Orlando, Chicago, Boston, New York, Los Angeles, Minneapolis, Pompano Beach)	1794
Touring Shows Division – Cast and Crew (locations worldwide, including in Canada and the United States, based on touring shows' locations)	1462
Total	4977

193. On March 13, 2020, given the World Health Organization (WHO) and the Center for Disease Control (CDC) recommendations for social distancing, as well as the escalation of the COVID-19 pandemic, CDSE Group announced the immediate temporary suspension of all resident and touring shows.

194. On March 14 and 16, 2020, because of the financial crisis in which the COVID-19 pandemic had plunged its business, the CDSE Group laid off more than half of its global staff – 756 cast and crew and 737 artists from its touring shows and 736 cast and crew and 555 artists from its resident shows – for a temporary but indefinite period.

195. On March 19, 2020, the CDSE Group announced company-wide temporary layoffs as a result of the COVID-19 pandemic and the forced closure of all its shows worldwide to ensure the health, safety and well-being of its employees, artists and guests. This temporary staff reduction impacts 95% of its workforce for a total of 4,679 employees (inclusive of the 2,784 employees laid off on March 14 and 16).

196. When the CDSE Group temporarily laid-off its employees, its hope was that the spread of the virus would be contained or that an effective treatment would emerge quickly, and consequently that a portion of its operations would resume in the near-

term. However, that outlook has continued to evolve as COVID-19 cases spread throughout the world such that the CDSE Group is not in a position to proceed to a recall to work of a majority of its employees.

197. The CDSE Group has carefully considered the options available to help mitigate the adverse financial impact of the COVID-19 pandemic on its laid-off employees. While this was a difficult decision to make, the CDSE Group assessed that the termination of the employment of a majority of its employees is the option that maximizes and accelerates the financial compensation that a significant portion of the terminated employees can obtain in the circumstances.
198. The termination of employment of the laid-off employees will allow many such employees (i) to obtain the immediate payment, in full, of earned but unpaid wages as at the date hereof, their accrued vacations, as well as certain earned bonuses and commissions which have not been paid at the time of their temporary layoff and (ii) to apply for the benefits provided under the WEPPA and benefit from an immediate payment of severance pay / termination pay to which eligible employees are entitled, up to the maximum provided by WEPPA. A termination of employment is indeed one of the conditions for an employee to be eligible to receive a benefit of up to \$6,798.57 from the federal government under the WEPPA (after the application of the 6.82% WEPP reduction pursuant to the *Wage Earner Protection Program Regulations*).
199. Incidentally, this is also the approach that preserves and maximizes enterprise value for the benefit of all of its stakeholders. A restructuring of the workforce at this juncture will afford the successful bidder the opportunity to relaunch business operations in a streamlined and cost-effective manner, which should in turn result in a more competitive bidding process than if thousands of employees were to remain on lay-off indefinitely.
200. As such, in the weeks prior to the present Application, the CDSE Group has terminated or, concurrently with or within a set timeframe after the commencement of these proceedings, will be terminating, the following employees:
 - (a) 1562 employees at the International Headquarters in Montreal;
 - (b) 1074 employees of the Resident Shows Division of which:
 - i. 150 were employed at the Las Vegas Regional Office;
 - ii. 158 were employed in relation to the Las Vegas resident shows;
 - iii. 32 were employed in relation to the "*Drawn to Life*" show at Disney Springs in Orlando;
 - iv. 471 were employed by the Blue Man Group entities; and
 - v. 263 were employed by either the Vstar entities, Cirque Dreams Holdings LLC, LLC or The Works Entertainment, LLC; and
 - (c) 1459 employees of the Touring Shows Division; and
201. In addition, and as at the date hereof, CDSE Group retained the services of approximately 409 independent contractors who provided various services to certain entities forming part of the CDSE Group in relation with Resident Shows and Touring Shows.

202. None of the above employees or contractors were covered by collective bargaining agreements, except for a limited number of current and/or former individuals that are subject to the (i) collective bargaining Agreement between VStar Theatrical Group LLC. and the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories and Canada, AFL-CIO, CLC (IATSE), effective August 1, 2018 through and including July 31, 2021, (ii) collective agreement between *La Société Professionnelle des auteurs et compositeurs du Québec (SPACQ)* and Cirque du Soleil Inc., which expired on October 31, 2019 and is currently under renegotiation, (iii) collective agreement between *La Guilde des musiciens et musiciennes du Québec* and Cirque du Soleil Inc. dated December 20, 1994 and tacitly renewed on a yearly basis since then, and (iv) collective agreement between *l'Union des artistes* and Cirque du Soleil Inc. dated November 2, 1998.
203. Going forward, the CDSE Group will employ a skeleton team of a total of 213 employees, that are part of the "core team", who have not been placed on temporary or permanent layoff or furlough, the vast majority of which will be located in Montreal, Quebec.
204. In addition, the CDSE Group is also currently in the process of negotiating employment agreement amendments with approximately 600 staff, artists and crew members of the Resident Shows Division based in Las Vegas, Nevada (461) and of the "*Drawn to Life*" show indented to be presented in Orlando, Florida (129) which were previously temporarily laid-off, and which will allow these employees to maintain their employment with the CDSE Group to ensure that: (a) these employees are able to maintain their current working visa and that (b) the CDSE Group will be in a position to resume some of its activities in the upcoming months. Such employment agreement amendments also release the CDSE Group from any severance obligations or other guarantees that were previously in the employees' employment agreements in exchange for new retention bonus/severance rights.
205. The artists and crew members of (a) the Resident Shows Division of CDSE Group based in Las Vegas, Nevada and (b) the show entitled "*Drawn to Life*" intended to be presented in Orlando, Florida, in each case who, as at the date hereof, are on parental leave, short-term disability leave, other short-term leave of absence, on an extended or long-term leave of absence will remain in the employment of the CDSE Group. The CDSE Group therefore may require that such employees execute employment agreement amendments upon request.
206. Moreover, employees whose employment will be terminated as a result of these proceedings and certain contractors and in either case, who are on disability or workers' compensation leave as at the date hereof, will, within a set timeframe, remain eligible to receive benefits and salary continuance, as the case may be.

2.9 THE APPLICANTS' CASH MANAGEMENT SYSTEM

207. The Applicants' business and financial affairs require, in addition to accounts in numerous countries, the maintenance of several bank accounts in Canada and in the U.S. to facilitate the collections, disbursements and transfer of funds.
208. In the ordinary course of business, the Applicants' corporate office uses a centralized cash management system to accumulate funds and pay expenses associated with the operations (the "**Cash Management System**"), as further described below.

209. Any significant change to the current system would be seriously disruptive to normal operations, and therefore, the Applicants intend to maintain the Cash Management System throughout the course of this CCAA proceeding.

A. Cash Collections

210. Before the CDSE Group's revenue income stream entirely vanished, the funding of the Applicants' Cash Management System mainly derived from collections which were deposited to the Applicants' accounts at Fédération des caisses Desjardins, La Caisse d'Économie Solidaire Desjardins and Desjardins Bank (collectively "**Desjardins**"), to the Applicants' USD accounts at Wells Fargo Bank, JP Morgan Chase Bank, SunTrust Bank, City National Bank as well as other accounts in various currencies at HSBC branches and Credit Suisse (Switzerland) Ltd.
211. The balance for each of these accounts was then transferred on a regular basis to the Applicants' main operating accounts with the Desjardins and used to fund their payroll, operational expenses and working capital needs. In this respect, USD funds are converted to CAD funds on an as needed basis to fund Canadian operations and payroll.

B. Cash Disbursements

212. As part of their operations, the Applicants maintain a number of operating bank accounts in various currencies including CAD and USD in order to manage their disbursements, including in relation with payroll, taxes and accounts payable. A summary description of the bank accounts of the Applicants is attached, under seal, as **Exhibit R-6** to this Application.
213. Certain Applicants are also parties to a cash pooling agreement with Desjardins. This agreement allows certain entities of the CDSE Group¹ to deposit amounts in designated bank accounts located in Canada which in turn allows the applicable financial institutions to extend credit and provide liquidity in corresponding amounts to other entities of the CDSE Group, including by way of notional consolidation. The Applicants intend to maintain this agreement in place during the course of these CCAA proceedings and are seeking orders of this Court authorizing and ratifying the cash pooling agreement as amended by a first amendment thereto and attached hereto as **Exhibit R-7**. Maintaining this cash pooling agreement will allow the Applicants and other debtors to continue to fund certain expenses to some of their affiliates, in accordance with the Cash-Flow Forecasts (as defined below) filed with these proceedings, with a view of preserving their property and business during the course of these proceedings without seriously disrupting normal operations.

¹ Account holders include several US Debtors such as Cirque du Soleil America, Inc.; Cirque du Soleil Nevada, Inc.; Cirque du Soleil US, Inc.; CDS U.S. Holdings, Inc.; CDS U.S. Intermediate Holdings, Inc.; Cirque du Soleil Vegas, LLC; Cirque du Soleil Orlando, LLC; Velsi, LLC; Cirque du Soleil My Call, LLC; Cirque du Soleil Radio CT Holding, LLC; Cirque du Soleil Radio CT, LLC; The Works Entertainment, LLC; Blue Man Group Holdings, LLC; Blue Man International, LLC; Cirque Theatrical, LLC.

2.10 THE CDSE GROUP'S ASSETS AND LIABILITIES

A. Assets

214. As at December 29, 2019, the CDSE Group had, on a consolidated basis, total assets with a book value of approximately USD \$1,762,465,000, consisting of current assets with a book value of approximately USD \$172,647,000 and non-current assets with a book value of approximately USD \$1,589,818,000.

215. Current assets include the following as at December 29, 2019:

- (a) Cash and cash equivalents: USD \$38,075,000;
- (b) Accounts receivables: USD \$81,870,000;
- (c) Unbilled accounts receivables: USD \$3,578,000; and
- (d) Prepaid expenses: USD \$19,715,000

216. Non-current assets include:

- (a) Property and equipment: USD \$260,439,000;
- (b) Intangibles: USD \$892,857,000; and
- (c) Goodwill: USD \$318,024,000.

B. Liabilities

217. As at March 31, 2020, the approximate principal outstanding indebtedness of the CDSE Group, on a consolidated basis, was as follows:

Nature of the Debt	Amount of Indebtedness
First Lien Term Loan	USD \$784,725,918
- First Lien Revolving Credit	USD \$100,000,000
Second Lien Debt	USD \$150,000,000
Fonds Unsecured Loan	USD \$30,000,000
CDPQ Unsecured Loan	USD \$30,000,000
Intercompany Debts	USD \$3,988,000
Accounts Payable and accrued liabilities	USD \$148,680,000
Employee Obligations	USD \$41,449,000
Other	USD \$286,007,000

Total: USD \$1,574,849,918

218. A more detailed description of the Applicants' debt structure is provided below.

2.11 THE APPLICANTS' DEBT STRUCTURE

A. First Lien Credit Agreement

219. On July 8, 2015, CDS Canada and CDS US, as borrowers (the "**Borrowers**"), entered into a credit agreement (as amended, from time to time², collectively the "**First Lien Credit Agreement**") with a syndicate of lenders (collectively, the "**First Lien Lenders**"), pursuant to which Royal Bank of Canada acts as administrative agent and collateral agent (the "**First Lien Loan Agent**") for the First Lien Lenders party to the First Lien Credit Agreement.

220. The First Lien Credit Agreement provides for the provision of the following credit commitments to the Borrowers:

Term Loan Commitments	<ul style="list-style-type: none">• USD \$635,000,000 (Initial Term Loans)• USD \$85,000,000 (2017 Incremental Term Loans)• USD \$95,000,000 (2018 Incremental Term Loans)
Total:	USD \$815,000,000
Revolving Credit Commitments	USD \$120,000,000

221. The obligations of the Borrowers under and in connection with the First Lien Credit Agreement are guaranteed by each of the Loan Parties (as defined in the First Lien Credit Agreement), several of which are Applicants herein, and are secured by a first priority security interest and hypothec in favour of the First Lien Lenders on substantially all present and future property, equity interests, IP rights (this list is not exhaustive) of the Borrowers and Loan Parties.

222. A conformed copy of the First Lien Credit Agreement inclusive of Amendments No. 1 through No. 5, each of these five Amendments as well as Amendment No. 6 which was recently executed, as will be further discussed below, are communicated herewith as **Exhibit R-8** to this Application.

223. On March 31, 2020, an amount of USD \$2,012,117.74 was payable as principal and an amount of USD \$11,295,940.61 was payable as interest in respect of the Term Loans under the First Lien Credit Agreement. Upon advice of its financial advisors

² The First Lien Credit Agreement was amended by Amendment No. 1 dated June 30, 2017, Amendment No. 2 dated June 30, 2017, Amendment No. 3 dated June 30, 2017, Amendment No. 4 dated July 3, 2018, and Amendment No. 5 dated March 8, 2019 and Amendment No. 6 dated June 5, 2020.

and the recommendation of its transaction committee ("**Transaction Committee**") and management, the Council of Representatives determined that it was in the best interest of the CDSE Group to defer the principal and interest payments under the First Lien Credit Agreement.

224. As at March 31, 2020, the amounts owing by the Borrowers in respect of the Term Loans under the First Lien Credit Agreement amounted to USD \$784,725,918 plus accrued interest of USD \$11,295,940.61.
225. On March 31, 2020, an amount of USD \$346,800.57 was payable as interest and an amount of USD \$74,864.01 was payable as a commitment fee each in respect of the Revolving Credit Facility under the First Lien Credit Agreement. Upon advice of its financial advisors and the recommendation of the Transaction Committee and management, the Council of Representatives determined that it was in the best interest of the CDSE Group to defer these payments.
226. As at March 31, 2020, the amounts owing by the Borrowers in respect of the Revolving Credit Facility under the First Lien Credit Agreement amounted to USD \$100,000,000³.

B. Second Lien Credit Agreement

227. On July 8, 2015, the Borrowers entered into a credit agreement (as same may have been amended, from time to time, the "**Second Lien Credit Agreement**") with a syndicate of lenders (collectively, the "**Second Lien Lenders**"), pursuant to which Bank of America, N.A. acts as administrative agent and collateral agent (the "**Second Lien Loan Agent**")⁴ for the Second Lien Lenders party to the Second Lien Credit Agreement.
228. The Second Lien Credit Agreement provides for the provision of a term loan in the amount of USD \$150,000,000.
229. The obligations of the Borrowers under and in connection with the Second Lien Credit Agreement are guaranteed by each of the Loan Parties (as defined in the Second Lien Credit Agreement), several of which are Applicants herein, and are secured by a second priority security interest and hypothec in favour of the Second Lien Lenders on substantially all present and future property, equity interests, IP rights (this list is not exhaustive) of the Borrowers and Loan Parties.
230. A copy of the Second Lien Credit Agreement, together with Amendment No. 1 thereto which was recently executed, as will be further discussed below, are communicated herewith as **Exhibit R-9** to this Application.
231. On March 31, 2020, an amount of USD \$3,865,463.88 was payable as interest under the Second Lien Credit Agreement. Upon advice of its financial advisors and the recommendation of the Transaction Committee and management, the Council of

³ Letters of credit in an amount of USD \$16,020,516 are currently issued under the Revolving Credit Facility.

⁴ Bank of America, N.A. resigned as Second Lien Loan Agent pursuant to a letter dated April 3, 2020, and was replaced by Wilmington Trust, National Association pursuant to an Agency Resignation, Appointment, Assignment and Assumption Agreement dated May 22, 2020, and which currently acts as Second Lien Loan Agent.

Representatives determined that it was in the best interest of the CDSE Group to defer the interest payment under the Second Lien Credit Agreement.

232. As at March 31, 2020, the amounts owing by the Borrowers under the Second Lien Credit Agreement amounted to USD \$150,000,000.00 plus accrued interest of USD \$3,865,463.88.

C. CDPQ Unsecured Loan Agreement

233. On February 1, 2019, the Borrowers entered into an unsecured loan agreement (the "**CDPQ Unsecured Loan Agreement**") with CDP Investissements Inc., a wholly owned subsidiary of CDPQ.
234. The CDPQ Unsecured Loan Agreement provides for the provision of a loan of USD \$30,000,000 (the "**CDPQ Loan A**") as well as a commitment to make available a further loan in an aggregate amount not to exceed USD \$30,000,000, subject to certain conditions.
235. The CDPQ Loan A provides for a repayment term of February 1, 2024.
236. A copy of the CDPQ Unsecured Loan Agreement is attached as **Exhibit R-10** to this Application.
237. On March 31, 2020, an amount of USD \$598,356 was payable as interest under the CDPQ Unsecured Loan Agreement. Upon advice of its financial advisors and the recommendation of the Transaction Committee and management, the Council of Representatives determined that it was in the best interest of the CDSE Group to defer the interest payment under the CDPQ Unsecured Loan Agreement.
238. As at March 31, 2020, the amounts owing by the Borrowers under the CDPQ Unsecured Loan Agreement amounted to USD \$30,000,000.00 plus accrued interest of USD \$2,020,970.80.

D. Fonds Unsecured Loan Agreement

239. On February 1, 2019, the Borrowers entered into an unsecured loan agreement (the "**Fonds Unsecured Loan Agreement**") with the Fonds de Solidarité des travailleurs du Québec (F.T.Q.) (the "**Fonds**").
240. The Fonds Unsecured Loan Agreement provides for the provision of a loan of USD \$30,000,000 (the "**Fonds Loan A**") as well as a commitment to make available a further loan in an aggregate amount not to exceed USD \$30,000,000, subject to certain conditions. The Fonds Loan A must be repaid by the Borrowers on February 1, 2024.
241. A copy of the Fonds Unsecured Loan Agreement is attached as **Exhibit R-11** to this Application.
242. On March 31, 2020, an amount of USD \$598,356 was payable as interest under the Fonds Unsecured Loan Agreement. Upon advice of its financial advisors and the recommendation of the Transaction Committee and management, the Council of

Representatives determined that it was in the best interest of the CDSE Group to defer the interest payment under the Fonds Unsecured Loan Agreement.

243. As at March 31, 2020, the amounts owing by the Borrowers under the Fonds Unsecured Loan Agreement amounted to USD \$30,000,000.00 plus accrued interest of USD \$2,020,970.80.

E. Foreign Exchange Contracts

244. In addition to the above, CDS Canada and CDS US are also parties to various foreign exchange master agreements entered into with some of the lenders under the First Lien Credit Agreement and/or under the Second Lien Credit Agreement (the “**ISDA Agreements**”), the purpose of which is mainly to mitigate their respective exposure to interest rate as well as currency fluctuations.
245. On March 31, 2020, an aggregate amount of approximately USD \$208,000 was payable by CDS Canada and CDS US pursuant to the ISDA Agreements. Upon advice of its financial advisors and the recommendation of the Transaction Committee and management, the Council of Representatives determined that it was in the best interest of the CDSE Group to defer these payments.

2.12 THE APPLICANTS’ FINANCIAL DIFFICULTIES

A. Overview

246. In 2018, the CDSE Group recorded, on a consolidated basis, a net loss of USD \$71,161,000. A copy of the Cirque du Soleil Holdings L.P.’s audited and consolidated financial statements for 2018 are attached, under seal, as **Exhibit R-12** to this Application.
247. In 2019, the CDSE Group recorded, on a consolidated basis, a net loss of USD \$80,010,000. A copy of the Cirque du Soleil Holdings L.P.’s audited and consolidated financial statements for 2019 are attached, under seal, as **Exhibit R-13** to this Application.

B. COVID-19 Pandemic

248. The overarching event at the root of the CDSE Group’s current financial difficulties is, as mentioned previously, the outbreak of a respiratory disease caused by a novel coronavirus named “*SARS-CoV-2*” that was first detected in China and which has now been detected in more than 150 locations internationally, including in the United States.
249. On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the outbreak a “*public health emergency of international concern*”.
250. On the same date, the CDSE Group was forced to cancel its show in Hong Kong.
251. On March 11, the WHO publicly characterized COVID-19 as a pandemic. Sanitary authorities worldwide are unable to predict the duration of this pandemic and it is

expected that its pervading effects on the entertainment industry, amongst others, will endure for several months.

252. On March 12 and 15, 2020, given the World Health Organization (WHO) and the Center for Disease Control (CDC) recommendations for social distancing, as well as the escalation of the COVID-19 pandemic, CDSE Group announced the immediate temporary suspension of all resident and touring shows.
253. CDSE Group also suspended the start of preview performances of the new show "*Drawn to Life*" at Disney Springs which was planned for March 20, 2020.
254. In recent weeks, the Applicants have continued to suffer important losses, which, in turn, has prevented them from accessing adequate liquidity in the normal course.
255. Given the above, as things currently stand, CDSE Group is unable to continue its normal operations as all of its shows are currently temporarily suspended for an indeterminate period of time, leaving the CDSE Group without a revenue stream.

2.13 THE APPLICANTS' EFFORTS TO MAXIMIZE THEIR LIQUIDITY POSITION

256. Over the past few months, in addition to laying off approximately 95% of its workforce around the world, the CDSE Group (including the Applicants) was forced to take drastic measures in order to mitigate the substantial losses caused daily by the global crisis caused by the COVID-19 pandemic.
257. On March 17, 2020, the CDSE Group hired National Bank Financial ("**NBF**") and Greenhill & Co, Inc. ("**Greenhill**", and with NBF, the "**Financial Advisors**") as co-financial advisors to assist in exploring various strategic alternatives in order to restructure its capital structure and specifically address its liquidity position.

A. The Transfer of Cash to the HSBC

258. On March 24, 2020, CDS Canada transferred an amount of USD \$48.6 million from its deposit account at Desjardins to CDSI's bank account at HSBC (a bank that is not a lender under either the First Lien Credit Agreement or the Second Lien Credit Agreement), in order to remove the risk that lenders under the First Lien Credit Agreement or the Second Lien Credit Agreement would, upon the occurrence of an event of default, set-off the amounts owed under the First Lien Credit Agreement or the Second Lien Credit Agreement against the available cash of the CDSE Group which would potentially impair a contemplated organized restructuring. There are no provisions in the First Lien Credit Agreement or the Second Lien Credit Agreement restricting the CDSE Group's ability to effect the above-mentioned transfer.

B. The Deferral of Principal and Interest Payments

259. In addition, as part of its liquidity enhancing measures, upon advice of its financial advisors and on recommendation of the CDSE Group's senior management and the Transaction Committee, the Council of Representatives determined, on March 30, 2020, that it was in the best interest of the CDSE Group and its stakeholders to defer the principal and interest payments due March 31, 2020 under the First Lien Credit Agreement, the Second Lien Credit Agreement, the CDPQ Unsecured Loan and the Fonds Unsecured Loan.

260. By deferring such principal and interest payments totaling approx. USD \$20.63M, the CDSE Group assessed, in consultation with its financial advisors, that it would maintain positive liquidity through the week of April 19 compared to the week of April 5 if it would have made such payments on March 31, 2020.
261. A notice was communicated to the Administrative Agent under the First Lien Credit Agreement and the Second Lien Credit Agreement on April 1, 2020 notifying such parties of the occurrence of certain Defaults and Events of Default under such agreements, and copies thereof were communicated to CDPQ and the Fonds.

C. The Drop-Down Transactions

262. In addition to such interim capital preservation solutions, the CDSE Group, in consultation with its financial advisors, considered various additional liquidity enhancement measures. The CDSE Group's primary goal was to take all appropriate measures in order to be able to secure new financing to meet liquidity requirements while strategic alternatives were being reviewed and discussions with key stakeholders taking place.
263. On March 24, 2020, upon advice of its financial advisors and on the recommendation of the Transaction Committee and of management, the Council of Representatives determined that it was in the best interest of the CDSE Group and its stakeholders to incorporate and create new entities that would be designated as (i) Unrestricted Subsidiaries or (ii) that would be Restricted Subsidiaries that are Foreign Subsidiaries, as applicable, under and in accordance with the terms of the First Lien Credit Agreement and the Second Lien Credit Agreement.
264. The purpose of this exercise was to provide the CDSE Group with the ability to transfer certain assets to such subsidiaries, free and clear of all liens, claims, hypothecs and other encumbrances ("**Encumbrances**") should it be determined, at a later date, that such transfer is in the best interest of the CDSE Group and its stakeholders, the whole in accordance with the relevant provisions of the First Lien Credit Agreement and the Second Lien Credit Agreement.
265. Accordingly, the CDSE Group incorporated and created several new entities⁵ and designated such entities as "*Unrestricted Subsidiaries*" under the First Lien Credit Agreement and the Second Lien Credit Agreement. A notice dated March 24, 2020 to that effect was sent to the Administrative Agent under the First Lien Credit Agreement and to the Administrative Agent under the Second Lien Credit Agreement, the whole as provided in accordance with the applicable provisions of each of the Credit Agreements.
266. In addition, each of CDS Canada and CDSI created a number of new subsidiaries,⁶ including "*Foreign Subsidiaries*", in each case in accordance with the terms of the

⁵ CDS Holdings URS 1, L.L.C., CDS Holdings URS 2, L.L.C., CDS Intermediate Holdings URS 1, L.L.C., CDS Intermediate Holdings URS 2, L.L.C., CDS Nevada URS 1, L.L.C., CDS Nevada URS 2, L.L.C., CDS Orlando URS 1, L.L.C., CDS Orlando URS 2, L.L.C., BMG Holdings URS 1, L.L.C., BMG Holdings URS 2, L.L.C., Vstar URS 1, L.L.C., Vstar URS 2, L.L.C., Cirque Dreams URS 1, L.L.C., Cirque Dreams URS 2, L.L.C., 9415-8227 Québec Inc., CDS Canada 3 L.P., 9415-8235 Québec Inc., CDS LP4, 9415-8268 Québec Inc., CDS 3 L.P., 9415-8276 Québec Inc. and CDS 4 L.P.

⁶ 9415-8185 Québec Inc., CDS Canada 1 SCSp (Luxembourg), 9415-8219 Québec Inc., CDS Canada 2 SCSp (Luxembourg), 9415-8243 Québec Inc., CDS 1 SCSp (Luxembourg), 9415-8250 Québec Inc. and CDS 2 SCSp (Luxembourg).

First Lien Credit Agreement and the Second Lien Credit Agreement. As such subsidiaries were not designated as “*Unrestricted Subsidiaries*”, such subsidiaries were “*Restricted Subsidiaries*” within the meaning of the First Lien Credit Agreement and the Second Lien Credit Agreement.

On March 30, 2020, upon advice of its financial advisors and the recommendation of the CDSE Group’s senior management and the Transaction Committee, the Council of Representatives determined that it was in the best interest of the CDSE Group and its stakeholders to authorize management of the CDSE Group to transfer certain intellectual property assets, including the “Cirque du Soleil” trademark and associated trademarks owned by CDS Canada (the “**Cirque TMs**”), either to the newly created Foreign Subsidiaries that are Restricted Subsidiaries of CDS Canada and/or to the newly created Unrestricted Subsidiaries of CDS Canada, the whole, so long as consummated in accordance with specific terms of the First Lien Credit Agreement and the Second Lien Credit Agreement and solely to the extent that management determines that the fair market value of all assets so being transferred to “*Unrestricted Subsidiaries*” does not exceed USD \$155 million representing the aggregate amount of the specific and pre-negotiated asset transfer baskets permitted under the First Lien Credit Agreement.⁷

267. Effective as of March 30, 2020, and in accordance with transactions specifically permitted by the terms of the First Lien Credit Agreement and the Second Lien Credit Agreement, CDS Canada, through a series of successive transactions, transferred the Cirque TMs to CDS LP4 (a Québec limited partnership) (the “**Drop-Down Transactions**”).⁸
268. Given such transfers were completed within the specific and pre-negotiated terms of the First Lien Credit Agreement and the Second Lien Credit Agreement, the Cirque TMs were transferred free and clear of the Encumbrances created to secure the indebtedness under the First Lien Credit Agreement and the Second Lien Credit Agreement.

2.14 THE APPLICANTS’ EFFORTS TO SECURE FINANCING

269. In the context of their pre-filing restructuring efforts, the Applicants, with the assistance of their advisors, sought the required additional financing, which would allow the Applicants to review their strategic alternative and develop a restructuring strategy and ultimately allow them to preserve and maximize enterprise value for the benefit of all of its stakeholders.
270. In this context, the Applicants and their Financial Advisors initiated a process to canvass the market in order to solicit financing offers from various parties, including from the First Lien Lenders.

⁷ The aggregate amount of the same baskets under the Second Lien Credit Agreement are greater than this amount.

⁸ In order for the Drop-Down Transactions to take place without causing any material adverse impact on the cash flow of the CDSE Group, a preliminary series of transfers was implemented pursuant to which intellectual property rights having nominal value were successively transferred to CDS Canada 1 SCSp, CDS Canada 2 SCSp, CDS Canada 3 L.P. and CDS LP4. The preliminary transfers allowed the transfer of the Cirque TMs to be made without triggering Canadian sales tax and the associated demands on its cash flow, which sales tax would ultimately have been refundable.

271. After consideration of all financing offers submitted in the context of the aforementioned solicitation process, the Applicants retained a financing offer submitted by Trapeze Holdings Limited Partnership ("**Trapeze LP**"), whose equity sponsors are the shareholders of the CDSE Group and Investissement Québec ("**IQ**").
272. As such, on April 24, 2020, Trapeze LP, as lender, entered into a term loan agreement with the Unrestricted Subsidiary CDS LP4, acting by its general partner 9415-8235 Québec Inc. (the "**Trapeze Term Loan Agreement**") pursuant to which Trapeze LP provided to CDS LP4, as borrower, a senior secured multi-draw interest bearing term loan facility in the aggregate principal amount of up to US \$50,000,000 (collectively, the "**Trapeze Term Loan**"), which Trapeze Term Loan is guaranteed by each of the following Unrestricted Subsidiaries: CDS Canada 3 L.P., 9415-8235 Québec Inc. and 9415-8227 Québec Inc. (collectively the "**Trapeze Term Loan Guarantors**"). Each of CDS LP4 and the Trapeze Term Loan Guarantors have granted a movable hypothec on substantially all of their respective movable property, as security for the obligations relating to the Trapeze Term Loan Agreement. Attached as **Exhibit R-14** hereto is a copy of the Trapeze Term Loan Agreement.

2.15 THE EXECUTION OF A REPLACEMENT LOAN AND FORBEARANCE AGREEMENTS

273. In parallel with the above, CDSE Group and its advisors engaged in extensive negotiations with First Lien Lenders and Second Lien Lenders regarding the terms and conditions of forbearance agreements to be entered into with each of those lender groups.
274. On May 14, 2020, the CDSE Group received a proposal from the above ad-hoc group of First Lien Lenders and Second Lien Lenders (the "**AHG**") to refinance or replace the Trapeze Term Loan on substantially the same terms and conditions. The ad-hoc group of First Lien Lenders and Second Lien Lenders indicated that it such replacement of the Trapeze Term Loan would be a condition to move forward with any forbearance agreement.
275. On June 5, 2020, after several weeks of discussions and negotiations between the CDSE Group, the AHG and their respective advisors, those parties reached an agreement on the following:
- (a) the AHG would provide the CDSE Group with a replacement loan to "take-out" the Trapeze Term Loan, substantially on the same terms and conditions thereof (the "**AHG Replacement Loan**");
 - (b) a forbearance agreement would be signed with certain First Lien Lenders representing the "*Required Lenders*" under the First Lien Credit Agreement and with certain Second Lien Lenders representing the "*Required Lenders*" under the Second Lien Credit Agreement, respectively (the "**First Lien Forbearance Agreement**" and the "**Second Lien Forbearance Agreement**"), the principle terms of which provide, in each case:
 - (i) the agreement of the First Lien Lenders party thereto and the Second Lien Lenders party thereto, as the case may be, during the forbearance period, not to enforce any rights and remedies, and not to direct the First Lien Loan Agent or the Second Lien Loan Agent, as

applicable, to enforce any rights and remedies, against the CDSE Group, as a result of the Events of Default which existed at the time;

- (ii) the agreement by the CDSE Group to pay certain fees and expenses of the First Lien Lenders, the First Lien Loan Agent, the Second Lien Lenders, the Second Lien Loan Agent and the AHG, as applicable;
 - (iii) the agreement by the CDSE Group to provide additional reporting to the AHG and members thereof who have executed a non-disclosure agreement;
 - (iv) the provision by CDS LP4 and the Term Loan Guarantors of a guarantee in favour of the First Lien Loan Agent and the Second Lien Loan Agent, as applicable, of the obligations under the First Lien Credit Agreement and the Second Lien Credit Agreement, respectively, together with movable hypothecs on substantially all of their respective movable property, as security for the obligations relating to the First Lien Credit Agreement or the Second Lien Credit Agreement, as the case may be, the whole ranking subsequent to the security granted to and in favour of Trapeze LP under the Term Loan Agreement in accordance with the terms of an intercreditor agreement among such parties;
 - (v) a release by the First Lien Lenders, the First Lien Agent, the Second Lien Lenders and the Second Lien Agent party thereto with respect to any claim or purported claim relating to, *inter alia*, the designation of Unrestricted Subsidiaries as described in paragraph 265 above, the Drop-Down Transactions and the execution, delivery and performance of the Term Loan Agreement;
- (c) a sixth amendment to the First Lien Credit Agreement would be entered into with First Lien Lenders representing the “*Required Lenders*” under the First Lien Credit Agreement (the “**Amendment No. 6**”) and a first Amendment to the Second Lien Credit Agreement would also be entered into with Second Lien Lenders representing the “*Required Lenders*” under the Second Lien Credit Agreement (the “**Amendment No. 1**”), which, respectively, would provide as follows:
- (i) the inclusion of CDS LP4 and the Term Loan Guarantors as parties to the First Lien Credit Agreement and the Second Lien Credit Agreement, as applicable, in each case, subject to various negative covenants thereunder notwithstanding that such parties are and remain “Unrestricted Subsidiaries”; and
 - (ii) amendments to various covenants in the First Lien Credit Agreement and the Second Lien Credit Agreement further restricting or eliminating various baskets or the ability of the CDSE Group to engage in permitted transactions and permitting the Term Loan Agreement and the security therefor.

276. On June 5, 2020, the AGH Replacement Loan, the First Lien Forbearance Agreement, the Second Lien Forbearance Agreement and the Amendment No. 6 and Amendment No. 1 were all entered into. Copies of the foregoing documents (other

than Amendment No. 6 and Amendment No. 1 that previously communicated as Exhibit R-8 and R-9) are communicated herewith as **Exhibit R-15**, **Exhibit R-16** and **Exhibit R-17**, respectively.

2.16 THE PRELIMINARY SOLICITATION PROCESS

277. On May 11, 2020, the Applicants, with the assistance of their Financial Advisors, and under the oversight of the Transaction Committee, began an extensive solicitation process to solicit proposals for a potential recapitalization of, equity investment in or sale of the CDSE Group's business and assets (the "**Preliminary Process**").
278. As part of the Preliminary Process, the Financial Advisors contacted several potential interested parties who had expressed interest in a potential capital investment in the CDSE Group or an acquisition of its assets, and sent out solicitation materials to approximately 97 potentially interested investors or purchasers, including 32 strategic investors and 65 financial investors (including both private equity and family offices), advising them that all non-binding indications of interests were to be submitted by no later than June 8, 2020 (the "**Non-Binding Bid Deadline**").
279. The Preliminary Process was validated by the Proposed Monitor, as outlined in its Report, namely by comparing its own lists of potential strategic investors and potential financial investors against the Financial Advisors' final lists as at June 8, 2020. This exercise led the Proposed Monitor to conclude that no additional strategic investors could be identified and to propose one additional financial investor for consideration.
280. In addition, the Applicants and the Financial Advisors also permitted additional potentially interested parties to participate in the Preliminary Process based on their in-bound interest and their financial wherewithal to consummate a transaction.
281. In total, 43 parties received non-disclosure agreements of which 34 parties signed such non-disclosure agreements and received confidential information memorandums.
282. On or prior to the Non-Binding Bid Deadline, a total of 6 offers for the acquisition of the CDSE Group's assets were received including (a) a non-binding offer to purchase in the form of a stalking horse bid from Trapeze LP, and (b) a non-binding offer from the AHG in the form of a credit-bid.
283. As further detailed below, although the stalking horse bid received on May 20, 2020 was non-binding, it was accompanied by a draft asset purchase agreement. The other non-binding offers were received on or about the Non-Binding Bid Deadline and were not accompanied by a draft purchase agreement.
284. Following the receipt of the stalking horse bid, the Applicants engaged in negotiations with Trapeze LP to determine if they could come to acceptable terms and conditions and also engaged in discussions with AHG in order to assess, with the help of its Financial Advisors, the best strategic option going forward for the CDSE Group and all its stakeholders. Both Trapeze LP and AHG were requested to provide commitment letters to confirm their ability to fund the purchase price under their proposed offers as well as the business of the CDSE Group on a post-closing basis substantially in accordance with the business plan prepared by the CDSE Group. Although both offerors provided commitment letters that were generally

satisfactory to the CDSE Group, the CDSE Group was further advanced in its negotiation of the definitive terms and conditions of a transaction with Trapeze LP than with the AHG, having submitted a more detailed offer 19 days before the Non-Binding Bid Deadline.

285. Ultimately, given that the stalking horse bid from Trapeze LP allows to preserve value for the Applicants' assets, to give certainty of a transaction that provides for sufficient funding to restart and grow the business, to provide for significant benefits to the affected employees and contractors (freelancers and artists) and to preserve the Quebec roots of this major cultural asset, while allowing for the other bidders, including AHG, to continue participating in a solicitation process designed to maximize said value to the benefit of all of the CDSE Group's stakeholders, the decision was made by the Applicants to enter into a stalking horse asset purchase agreement with Trapeze LP through its affiliate, Trapeze Acquisition Limited Partnership ("**Acquisition LP**") (as detailed below), and to submit same for approval to this honourable Court for approval.

3. RELIEF SOUGHT

286. The Applicants seek protection under the CCAA to allow them to pursue the SISP (as defined below) under the supervision of this Court, in a manner which will ultimately allow them to preserve enterprise value for the benefit of all of its stakeholders.
287. The Applicants will also take this opportunity to restructure their business from an operational standpoint, implement additional costs-cutting measures, which may be achieved by, *inter alia*, reducing operating costs through the disclaimer of non-profitable contracts, closure of unprofitable business operations, employee termination and corporate restructuring.
288. The Applicants believe that the structure and oversight provided by the CCAA process is necessary to implement such short-term measures, in conjunction with managing competing demands by various creditors and facilitating a restructuring process under the supervision of the Court.
289. In order to properly implement the restructuring, the Applicants require the following relief to be ordered by this Court.

3.1 APPROVAL OF THE STALKING HORSE BID

290. As previously discussed, on May 20, 2020, in the context of the Preliminary Process, Trapeze LP, represented by its investors which include the existing shareholders of the CDSE Group namely TPG, CDPQ and Fosun, as well as IQ, submitted to the CDSE Group an offer to purchase substantially all of the assets of the CDSE Group, and pursuant to which, *inter alia*, Trapeze LP would act as a "*stalking horse bidder*" in the context of a sale and investment solicitation process ("**SISP**") to be pursued under the supervision of this Court.
291. On June 28, 2020, following intensive negotiations between the CDSE Group and Trapeze LP as well as the review of the non-binding indications of interest received by the Non-Binding Bid Deadline, the CDSE Group, on the recommendation of its Financial Advisors and the Transaction Committee, and with the support of the Proposed Monitor, entered into an Asset Purchase Agreement (the "**Stalking Horse**

APA”) with Acquisition LP, a copy of which is attached hereto as **Exhibit R-18a** with the disclosure letter and all schedules thereto also attached hereto, under seal, as **Exhibit R-18b**.

292. The Stalking Horse APA and the SISP described herein are the result of extensive discussions between, on the one hand, Trapeze LP and its legal and financial advisors, and on the other hand, the CDSE Group, the Financial Advisors and legal counsel to the CDSE Group, and the Proposed Monitor and its legal advisors, all of whom have worked tirelessly over the past few months to protect and maximize the value of the CDSE Group’s assets under the present difficult circumstances for the benefit of all stakeholders.
293. The Stalking Horse APA provides for the acquisition by Acquisition LP of substantially all of the assets of the CDSE Group in exchange for an aggregate consideration of approximately USD \$420.25 million detailed as follows:⁹
- (a) the amount of cash that is sufficient to pay:
 - i. the outstanding principal amount of approximately \$50,000,000 and all interest accrued thereon under the CDS 4 Term Loan in full on the Closing Date and all reasonable and documented fees and expenses then due and payable thereunder (up to a maximum amount of \$150,000 (plus taxes) with respect to such fees and expenses;
 - ii. the Administrative Reserve and the Monitor Reserve, each of which will be in an amount that will be determined before the Closing Date; and
 - iii. all amounts necessary to cure any monetary defaults as a condition to assuming the Assigned Agreements;
 - (b) the principal amount of \$50,000,000 under the New Senior Unsecured Note issued on the Closing Date;
 - (c) the value of the New LP Units as of the Closing Date, which represent 45% of the equity of Acquisition LP;
 - (d) the amount of the Assumed Liabilities, which includes *inter alia*:
 - i. payables due to critical vendors, including all Québec-based vendors;
 - ii. ticket reimbursements; and
 - iii. letters of credit of the CDSE Group in the aggregate amount of approximately \$11 million;
 - (e) the establishment and funding by Acquisition LP of the Employee Fund in the amount of USD \$15,000,000 to provide financial assistance to employees whose employment was terminated either by CDSE Group (excluding for just cause) or by mutual agreement effective on or after January 1, 2020 (irrespective of the date on which the notice was given); and

⁹ Capitalized terms in this subsection have the meanings ascribed to them in the Stalking Horse APA.

- (f) the establishment and funding by Acquisition LP of the Contractor Fund in the amount of USD \$5,000,000 to provide financial assistance to independent contractors whose contracts with the CDSE Group are not assigned creator contracts. Notwithstanding the above, the Contractor Fund may be increased in the event that creator contracts are terminated.
294. The Stalking Horse APA is fully committed, fully financed and not contingent on additional business diligence.
295. The Stalking Horse APA establishes a valuable baseline consideration which has the potential to improve any bids received under the SISF. The Stalking Horse APA also provides significant value by ensuring that there will be a going concern outcome for the Applicants' business. Most notably, the Stalking Horse APA provides:
- (a) a clear path to restarting operations and maintaining the presence and home of the business of the CDSE Group in Québec;
 - (b) significant consideration for the CDSE Group's assets;
 - (c) material benefits and recoveries for the employees and contractors of the CDSE Group;
 - (d) for the headquarters of the business and strategic decision-making activities of the business to remain in Montréal;
 - (e) assurance that the chair of the Council of Representatives and the Chief Executive Officer of Acquisition LP will be residents of the Province of Québec; and
 - (f) that the history of ownership and experience in the business and entertainment industry will continue to benefit the stakeholders.
296. In addition to the above, should the Stalking Horse APA be deemed the Successful Bid (as defined in the SISF), Acquisition LP has undertaken to use commercially reasonable efforts to offer employment to the employees whose employment was terminated as part of the shutdown due to COVID-19.
297. The Stalking Horse APA does not include a break fee; however, as part of the negotiation, the CDSE Group agreed to reimburse, concurrently with the execution of the Stalking Horse APA, a fixed amount of US\$3,000,000 plus applicable sales taxes in expenses to Acquisition LP (and of TPG, Fosun, CDPQ and IQ) regarding the negotiations and preparation of the documentation relating to the Stalking Horse APA, to the financing to implement and complete the transaction, and to the restart of the Cirque du Soleil business, the whole in connection with and in furtherance of the CDSE Group's restructuring efforts pursuant to the CCAA. This represents approximately 0.7% of the Purchase Price and the Applicants were informed that it represents a partial reimbursement of the fees actually incurred by Acquisition LP and its investors TPG, Fosun, CDPQ and IQ. The closing of the transactions contemplated by the Stalking Horse APA is subject to standard conditions being fulfilled or performed.
298. The Stalking Horse APA includes the necessary capital to restart the business and allow it to resume providing the first-class worldwide entertainment that is

synonymous with the Cirque du Soleil brand while not overleveraging the business, which the Québec government has underscored as being an essential condition for its financing and which is particularly important in light of the ongoing shutdown of operations for an indefinite period of time due to the COVID-19 pandemic.

299. As indicated above, the Applicants consider that the Stalking Horse APA represents the best possible option for maximizing value for the CDSE Group's stakeholders and preserving its Québec roots. The Applicants therefore respectfully submit that it is in the best interests of its stakeholders that the execution of the Stalking Horse APA should be approved and ratified by this Court.

3.2 APPROVAL OF THE SISP

300. Pursuant to the Stalking Horse APA, the Applicants seek the approval of the SISP and bidding procedures which will govern the solicitation of higher or otherwise better offers for the Applicants' business in these CCAA proceedings.
301. The SISP, which was agreed to by the Applicants, the Financial Advisors and the Monitor, provides for the procedures set out in **Exhibit R-19** communicated herewith, and the achievement of the following milestones:¹⁰

Milestones	Key Dates
Distribution of the Solicitation Notice, the form of NDA and the Required Acknowledgment to the Potential Bidders	By no later than July 10, 2020, at 5:00 p.m. (prevailing Eastern Time) or such later date as may be agreed to by Cirque du Soleil Holdings L.P. in consultation with the Monitor
Due date for delivery by Potential Bidders of a Participation Letter, an executed NDA, and an executed Required Acknowledgement	July 17, 2020, at 5:00 p.m. (prevailing Eastern Time)
Due date for Bids and Deposits	August 10, 2020, at 5:00 p.m. (prevailing Eastern Time)
Date of Auction (if any)	By no later than August 14, 2020
Hearing of the Approval Motion	No later than seven (7) calendar days following either the conclusion of the Auction or the date on which a determination is made by Cirque du Soleil Holdings L.P. not to proceed with an Auction
Deadline for completion of the transaction(s) represented by the Successful Bid(s)	September 14, 2020, or such later date as may be agreed to by Cirque du Soleil Holdings L.P., in consultation with the

¹⁰ Capitalized terms in this chart have the meanings ascribed to them in the SISP.

	Monitor
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302. The SISP sets forth the terms and procedures for a fair and efficient sale process so as to (i) ensure certainty for the restart, the growth and the long-term continuation of the CDSE Group's business operations and activities, which ceased due to the COVID-19 crisis, and (ii) obtain the highest or otherwise best offer for the CDSE Group's personal, real, movable and immovable assets, rights, undertakings and properties, the whole in the best interest of the CDSE Group's stakeholders, including their thousands of employees (those currently employed and those who had to be laid off due to the cessation of operations of the business), their creditors, their suppliers and contracting parties, the Quebec community where it is a key cultural business and a major talent incubator since its creation, their partners in cities around the world, and their shareholders.
303. To achieve the abovementioned objectives, the SISP provides for, *inter alia*, the following unique terms and features:
- (a) each bid must state any undertakings in favor of the government and the Province of Québec, including, for example, regarding the location of the business' primary headquarters, and Québec residency requirements for directors and officers;
 - (b) each bid must set forth the bidder's intentions regarding the offering of employment to the CDSE Group's employees whose employment was terminated as a result of the COVID-19 pandemic and this restructuring process;
 - (c) each bid must provide any relevant details of the previous investments or acquisitions, or any other experience such bidder has and deemed relevant by such bidder, in the entertainment industry, including the date, nature of the investment, amount invested, geography and any other relevant information related to such investment;
 - (d) each bid must set forth key terms including (A) economic terms, (B) the basis and rationale of the valuation, (C) any major assumptions made, including the financial projections utilized in arriving at the valuation, and (D) any other material terms and conditions required to consummate the transaction; and
 - (e) if one or more bids other than the Stalking Horse APA are received, then the CDSE Group, in consultation with the Monitor and with the assistance of the Financial Advisors, shall conduct an auction to determine the highest or otherwise best bid(s).
304. Approval of the SISP is a condition to the Stalking Horse APA. The Applicants believe that the SISP provides for a fair and transparent process that will fairly canvass the market in order to maximize value for the Applicants' assets resulting in the best outcome for the Applicants' stakeholders. The Applicants submit that the SISP timelines are appropriate, even in the context of the current COVID-19 pandemic.
305. Given the nature of the assets, the current global context and the limited liquidity of the CDSE Group, the Applicants submit that the proposed SISP should be approved by this Court.

3.3 STAY OF PROCEEDINGS

306. As mentioned, given its current financial situation, the Applicants are concerned that unless a stay of proceedings is ordered, certain suppliers, creditors and other stakeholders may take steps that will deplete the Applicants' assets which would jeopardize any efforts to restructure.
307. Accordingly, the Applicants hereby request a stay of proceedings for an initial ten (10) day period (i.e. the Stay Period), following which the Applicants will request an extension of the Stay Period until August 28, 2020, so as to preserve the *status quo* and prevent creditors and others from taking any steps to try and better their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from the requested order.
308. While the LPs are not companies, *per se*, to which the CCAA applies, the Applicants seek, nonetheless an order declaring that the stay of proceedings sought in favour of the Applicants also extends in favour of the LPs. Indeed, while the LPs cannot be applicants in these CCAA proceedings, the general partner of such LPs are Applicants. The LPs are integrally related to the Applicants' business, such that any proceedings against the LPs must be stayed to enable the Applicants to successfully restructure.
309. Attached as Appendix "D" to the Report of the Proposed Monitor are weekly cash-flow projections (the "**Cash-Flow Forecasts**") for the Applicants, forecasting the Applicants' principal use of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, such as payroll and office related expenses, and professional fees and disbursements in connection with these CCAA proceedings.
310. The Applicants' cash flow forecast projects that they will have sufficient cash to fund their projected operating costs until the end of the stay period.
311. The Proposed Monitor has reviewed the cash flow forecast and will report on the forecasts in its Pre-Filing Report.

3.4 APPOINTMENT OF E&Y AS MONITOR

312. E&Y has been assisting the Applicants with the pending CCAA application and is aware of its financial situation. The Applicants believe that it is in the best interests of all stakeholders that E&Y act as the monitor of the Applicants pursuant to the CCAA. E&Y has valuable insights into the Applicants' business and has confirmed that it consents and is in a position to perform the monitoring duties without any delay.
313. The Applicants understand that E&Y will be filing its Pre-Filing Report with this Honourable Court as Proposed Monitor in conjunction with the Applicants' request for relief under the CCAA.

3.5 THE EXTENSION OF E&Y'S POWERS AS MONITOR TO FILE A RECEIVERSHIP APPLICATION

314. As previously discussed, on March 19, 2020, the Applicants announced the layoff of 4,679 employees, representing 95% of its workforce, a significant portion of which was located in Montreal.

315. Unfortunately, as indicated above, the ongoing global pandemic and social distancing measures imposed around the world are such that the CDSE Group is unable to predict, with any degree of certainty, when operations will resume in the normal course and accordingly, a significant number of these employees are expected to be terminated in the context of the currently contemplated Restructuring Process.
316. Laid off employees that qualified were able to get assistance from various governmental programs established in the context of the global COVID-19 pandemic.
317. In addition, given the current circumstances, the Applicants submit that, assuming that E&Y is appointed as monitor, then it is appropriate to extend its powers as monitor so as to allow it to file a receivership application in respect of those entities listed in Schedule "C" hereof pursuant to section 243 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**"), for the sole purpose of allowing these employees to recover certain amounts to which they may be entitled pursuant to the WEPPA.
318. As things currently stand, the dire financial circumstances of the Applicants and the limited value of their assets in comparison with the amount of their respective secured debts make it such that it is difficult to conceive any scenario under which all amounts due to these employees will be paid in full.
319. The extension of E&Y's powers as monitor, if appointed, and the subsequent appointment of E&Y as receiver to those entities listed in Schedule "C" hereto will be limited to what is necessary in order to allow the Applicants' terminated employees to benefit from the WEPPA, and will not affect the present CCAA Proceedings nor the Restructuring Process contemplated hereby, and furthermore will not cause any prejudice to any party and would only serve to benefit the Debtors' employees whose employment will have been terminated.
320. E&Y has advised the Applicants that it is supportive of their efforts above to maximize their employees' recovery.

3.6 PAYMENT OF VARIOUS EXPENSES

321. The Applicants need to continue uninterrupted payment of their payroll obligations to active, in furlough and employees on authorized leave and to benefit providers.
322. Indeed, the CDSE Group intends to make certain payments for vacation pay, bonuses and commissions totaling approximately \$9.3 M in the coming weeks. These payments include pre-filing amounts relating to accrued salary, vacation, bonuses, commissions, premiums and other benefits.
323. The CDSE Group has set up a program providing for a lump sum payment of \$2,000 to artists and show staff employees who are not eligible to receive financial support from governmental emergency benefit programs (the "**Special Artist Support Fund**"). The CDSE Group intends to make payments under this Special Artist Support Fund totalling approximately \$396,000 over the next four (4) weeks.
324. Given the nature of the CDSE Group's business and the current global context, the Applicants submit that these proposed payments should be authorized by this Court.

325. In addition, the Debtors intend to continue making certain ticket reimbursement payments to customers that hold tickets for performances that have been cancelled with no projected return date in the foreseeable future.
326. Such reimbursements are necessary to maintain the goodwill of the CDSE Group brand and avoid permanent and irreversible damage thereto should it be unable to honour client ticket reimbursement requests within reasonable delays.
327. E&Y has advised the Applicants that it is supportive of this request.
328. Given the nature of the Applicants' operations and the need to preserve the Applicants' brand image, the Applicants submit that these reimbursements should be authorized by this Court.

3.7 INTERCOMPANY ADVANCES AND INTERCOMPANY CHARGE

329. As previously discussed, in the ordinary course of their business operations, significant amounts of moneys will often flow from one of the Applicants to another.
330. Accordingly, the Applicants submit that it is necessary for this court to allow intercompany advances being made amongst the Applicants (the "**Intercompany Advances**"), and to grant an "**Intercompany Charge**" in order to secure said Intercompany Advances.

3.8 DIRECTORS' CHARGE

331. In order to continue to carry on business during the CCAA proceedings, the Applicants require the active and committed involvement of its directors, *de facto* directors, as well as certain senior officers.
332. Pursuant to Cirque du Soleil GP Inc.'s unanimous shareholders' agreement, a council of representatives has been appointed to decide material issues relating to such entity and, indirectly, relating to the CDSE Group, and its members have therefore been given the mandate to essentially act as *de facto* directors.
333. Although the Applicants intend to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales taxes, the directors and officers of the Applicants are nevertheless concerned about the potential for their personal liability in the context of the present CCAA proceedings.
334. Since the Applicants' operations and contemplated restructuring require the continued assistance of these directors and officers, these directors and officers require the Applicants' to indemnify them for all liabilities which they may incur in the context of their employment after the filing of these proceedings.
335. Though the Applicants maintain directors' and officers' liability insurance (the "**Directors' Insurance**") for the officers and directors of the Applicants, such coverage was set to expire on August 1, 2020. The present Directors' Insurance has been extended from August 1, 2020 to December 1, 2020 on the same terms, with a 6-year run-off premium agreed upon and already paid to the insurer AIG. That said, the current amount of coverage provided by the Directors' Insurance may not be

sufficient to protect the directors and officers of the Applicants from all of the potential directors' and officers' liability.

336. The Applicants therefore request a Court-ordered charge (the "**Directors' Charge**") in the amount of CAD \$3,500,000, as part of the First Day Order, and in the amount of CAD \$6,600,000 (inclusive), as part of the Initial Order, over their assets, property and undertaking to indemnify their directors and officers in respect of any liability which may be assessed from and after the commencement of these proceedings.
337. The Applicants submit that the requested Directors' Charge is reasonable and adequate given, notably, the complexity of its business, and the corresponding potential exposure of the Applicants' directors and officers to personal liability, especially under a scenario where these proceedings were to be extended beyond the expiry date of the Directors' Insurance.
338. Absent the protections sought in the conclusions of the present Application, the Applicants are concerned that one or more of its directors or officers will be forced to resign from their posts, which would, in all likelihood, jeopardize the continuation of the Applicants' business, the whole to the detriment of the Applicants' stakeholders.
339. In addition, the Applicants' further submit that the Directors' Charge will provide assurances to the Applicants' employees that their obligations towards them for accrued wages, termination and severance pay shall be satisfied.
340. Indeed, while the insolvency of the Applicants and its non-payment of various employee obligations may trigger the personal liability of the Applicants' directors and officers, any recourse initiated by the Applicants' employees does not guarantee them any recovery. Therefore, the creation of a security in favour of the Applicants' directors and officers for sums for which they may be held liable to employees (but for which the Applicants are ultimately liable) enhances such employees' chances of recovery by, in effect, creating a security for their claims.

3.9 KERP AND KERP CHARGE

341. The Applicants have developed a Key Employee Retention Plan (the "**KERP**"), the terms and conditions of which are set out in the summary document (the "**KERP Summary**"), communicated herewith, under seal, as **Exhibit R-20**.
342. The KERP provides incentives for key employees (which include retention payments and severance packages) to continue to remain employed by the Applicants in the unusual circumstances that face these executives. As previously discussed, the potential restructuring plan for the Applicants may eventually involve a sale of some or all their assets. These key employees have been working and will continue to work with the objective of implementing such restructuring plan, even though their own continued employment is not certain.
343. The KERP has therefore been put in place to ensure that these key individuals remain with the Applicants until the completion of its restructuring. Retaining these key employees will provide critical stability in these otherwise uncertain times for the Applicants. It is anticipated that this stability will enable the Applicants to maintain orderly operations and existing customer relations as well as maximize enterprise value throughout the course of the restructuring.

344. In order to secure the payment owed to the above-mentioned key employees in accordance with the KERP, the Applicants seek an order from this Court granting to such employees a priority charge over their assets in the amount of CAD \$550,000, as part of the First Day Order, and in the amount of CAD \$7,500,000 (inclusive), as part of the Initial Order (the “**KERP Charge**”).
345. As mentioned above, the full details of the KERP Summary will be filed under seal, as it is not the policy of the Applicants to make the salaries of its employees publicly known. Moreover, apart from privacy concerns of the employees who are part of the KERP, such information would enable employers to attempt to outbid the Applicants for the same employees. Disclosure of the details of the KERP could also create negative morale amongst the Applicants' other employees and may hamper the Applicants' bargaining with its employees.

3.10 ADMINISTRATION CHARGE

346. As mentioned above, E&Y is prepared to act as Monitor during the CCAA proceedings and to assist the Applicants with the preparation of cash flow projections and with all aspects in relation to a restructuring and sale process pursuant to, and subject to, the terms of the Initial Order and the statutory provisions of the CCAA.
347. The Applicants' counsels (both Canadian and US), the Monitor and the Monitor's solicitors are essential to the Applicants' restructuring. Accordingly, the Applicants seek an administration charge in the amount of CAD \$4,175,000, as part of the First Day Order, and in the amount of CAD \$9,200,000 (inclusive), as part of the Initial Order, which shall affect their assets and secure the payments to be made to the Monitor, counsel to the Monitor and counsel to the Applicants.

3.11 FINANCIAL ADVISORS CHARGE

348. As previously mentioned, on March 17, 2020, the CDSE Group hired National Bank Financial and Greenhill & Co, Inc. as co-financial advisors to assist it in exploring various strategic alternatives in order to restructure its capital structure and specifically address its liquidity position.
349. In this context, each of National Bank Financial and Greenhill & Co, Inc. entered into engagement letters with the CDSE Group setting forth the terms and conditions of their respective engagement, copies of which are communicated herewith, under seal, respectively as **Exhibit R-21** and **Exhibit R-22**.
350. In order to secure the fees respectively payable to each of National Bank Financial and Greenhill & Co, Inc. in accordance with the above-mentioned engagement letters, each of these co-financial advisors have requested a CAD \$14,500,000¹¹ charge over the assets of the Debtors (the “**Financial Advisors Charge**”), and which the Applicants hereby seek from this Court.

¹¹ Amount in CAD equivalent to the USD \$10,150,000 charge requested.

3.12 CENTER OF MAIN INTEREST

351. As previously mentioned, although the center of main interest of the Applicants is in Montreal, Quebec, Canada, the fact remains that several of the Applicants operate and have assets that are located in the US.
352. Accordingly, in order to minimize disruptions, and ensure adequate protection to those US Applicants, the Applicants intend to file, in parallel with the present CCAA proceedings, proceedings before the US Bankruptcy Court under Chapter 15 of the US Bankruptcy Code.
353. In light of the foregoing, the Applicants will also request a declaration from the Court that the Applicants' Center of Main Interest is located in Montreal, Quebec, Canada.

3.13 SEALING

354. As mentioned, the Applicants are privately owned, and therefore have no statutory securities disclosure obligations.
355. The Applicants are therefore under no obligation to disclose their cash flow statements, financial statements and/or employment contracts with their key employees to the public, nor do they wish to share this information.
356. The Applicants submit that all such documents produced and/or communicated in the context of the present proceedings should be kept strictly confidential and under seal. Such information could be made available to creditors of the Applicants who execute a confidentiality agreement.
357. It is submitted that public disclosure of such documents containing sensitive information would be very prejudicial to the Applicants, notably due to the potential use of this information by potential creditors, competitors or purchasers in the context of the Applicants' potential efforts to finalize a sale of their assets and operations.
358. At the same time, this would cause no prejudice to the Applicants' creditors, as the information would nevertheless be filed with this Court and could be made available to those creditors who agree to sign of a confidentiality agreement.

4. CONCLUSIONS

359. As appears from the above, the CDSE Group is currently in a challenging financial position. As a result of the abrupt and devastating cessation of operations due to the COVID-19 pandemic, the Applicants are no longer able to meet their financial obligations and require the protection afforded by the CCAA while they seek to conduct this restructuring process.
360. In the present case, the numerous and varied stakeholders of the CDSE Group which include employees, creditors, customers and suppliers, will benefit from the relief sought herein.
361. Accordingly, the Applicants believe that the best way to preserve enterprise value for the Applicants and their stakeholders is for the Court to grant the Orders sought herein.

362. Considering the urgency of the situation, the Applicants respectfully submit that the notices given of this Application for the purposes of all orders sought herein are proper and sufficient and that said Application should be granted in accordance with its conclusions.

WHEREFORE, MAY THIS COURT:

GRANT this *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, an Order Approving and Ratifying the Execution of a Stalking Horse Asset Purchase Agreement and Approving a Sale and Investment Solicitation Process* (the "**Application**").

ISSUE orders substantially in the form of:

- a) the draft First Day Order communicated as Exhibit R-1;
- b) the draft Initial Order communicated as Exhibit R-2; and
- c) the draft Stalking Horse and SISP Approval Order communicated as Exhibit R-3;

WITHOUT COSTS, save and except in case of contestation.

MONTREAL, June 29, 2020



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Attorneys for the Applicants

SCHEDULE "A"
APPLICANTS

1. Cirque du Soleil GP Inc.
2. CDS Canadian Holdings, Inc.
3. Cirque du Soleil Canada Inc.
4. Cirque du Soleil Inc.
5. Cirque du Soleil Images Inc.
6. Cirque du Soleil Inspiration Inc.
7. CDS U.S. Holdings, Inc.
8. CDS U.S. Intermediate Holdings, Inc.
9. Cirque du Soleil Holding USA, Inc.
10. Cirque du Soleil (US), Inc.
11. Cirque du Soleil America, Inc.
12. VStar Entertainment Group, LLC
13. Cirque Dreams Holdings LLC
14. VStar Merchandising, LLC
15. VStar International, LLC
16. VStar Theatrical, LLC
17. VStar Touring, LLC
18. Cirque du Soleil Orlando, LLC
19. Cirque du Soleil Vegas, LLC
20. Cirque du Soleil Nevada, Inc.
21. Cirque du Soleil My Call, LLC
22. Velsi, LLC
23. Blue Man Inc.
24. Blue Man Group Holdings, LLC
25. Blue Man Group Records, LLC
26. Astor Show Productions, LLC
27. Blue Man Group Publishing, LLC
28. Blue Man Vegas, LLC
29. Blue Man Orlando, LLC
30. Blue Man Productions, LLC
31. Blue Man Chicago, LLC
32. 9415-8185 Québec Inc.
33. 9415-8219 Québec Inc.
34. 9415-8227 Québec Inc.
35. 9415-8235 Québec Inc.
36. Création 4U2C Inc.
37. Blue Man International, LLC
38. Cirque du Soleil Radio CT Holding, LLC
39. Cirque du Soleil Radio CT, LLC
40. The Works Entertainment, LLC
41. Cirque Theatrical, LLC
42. Cirque on Broadway, LLC

43. Joie de Vie, LLC

SCHEDULE "B"
LIMITED PARTNERSHIPS

1. Cirque du Soleil Holdings L.P.
2. CDS Canada 3 L.P.
3. CDS Canada 4 L.P.
4. Blue Man Boston Limited Partnership
5. CDS Canada 1 SCSp (Luxembourg special limited partnership)
6. CDS Canada 2 SCSp (Luxembourg special limited partnership)

SCHEDULE "C"
ENTITIES IN RESPECT OF WHICH
EY SHOULD BE APPOINTED AS RECEIVER

1. Cirque du Soleil Inc.
2. Cirque du Soleil Canada Inc.
3. Cirque du Soleil Images Inc.
4. Création 4U2C inc.

SWORN STATEMENT

I, the undersigned, Stéphane Lefebvre, having my principal place of business at 8400, Avenue du Cirque, Montréal, Québec H1Z 4M6 in the city of Montreal, Province of Quebec, solemnly declare the following:

1. I am the Chief Financial Officer for the CDSE Group;
2. All the facts alleged in the *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, an Order Approving and Ratifying the Execution of a Stalking Horse Asset Purchase Agreement and Approving a Sale and Investment Solicitation Process* are, to the best of my knowledge, true.

AND I HAVE SIGNED


STÉPHANE LEFEBVRE

Solemnly declared before me at Montreal,
on the 29th day of June 2024


PAOLA MORRONE



NOTICE OF PRESENTATION

TO: the Service List

TAKE NOTICE that the *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, an Order Approving and Ratifying the Execution of a Stalking Horse Asset Purchase Agreement and Approving a Sale and Investment Solicitation Process* will be presented for adjudication before one of the Honourable Judges of the Superior Court of Quebec, Commercial Division, at the Montréal Courthouse located at 1 Notre-Dame Street East, at a date, time and in a room to be determined by the Court and announced to the service list.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, June 29, 2020

A handwritten signature in blue ink that reads "Stikeman Elliott LLP" is written over a horizontal line.

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STIKEMAN ELLIOTT LLP

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Attorneys for the Applicants

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

No.:

IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND COMPROMISE OF:

CIRQUE DU SOLEIL CANADA INC.

- and -

THE OTHER APPLICANTS LISTED IN SCHEDULE
A HEREOF

Applicants

- and -

Ernst & Young Inc.

Proposed Monitor

**LIST OF EXHIBITS
IN SUPPORT OF THE APPLICANTS'
APPLICATION FOR THE ISSUANCE OF
A FIRST DAY INITIAL ORDER,
AN AMENDED AND RESTATED INITIAL ORDER,
AN ORDER APPROVING AND RATIFYING THE EXECUTION OF A STALKING HORSE
ASSET PURCHASE AGREEMENT
AND APPROVING A SALE AND INVESTMENT SOLICITATION PROCESS**

- EXHIBIT R-1:** Copy of draft First Day Order and Redline to Standard Order;
- EXHIBIT R-2:** Copy of draft Amended and Restated Initial Order and Redline to Standard Order;
- EXHIBIT R-3:** Copy of draft Stalking Horse & SISP Approval Order;
- EXHIBIT R-4:** Copy of an organization chart of the entities forming part of the Cirque du Soleil Entertainment Group ("**CDSE Group**");
- EXHIBIT R-5:** Copy of a chart of the senior management team for the CDSE Group;
- EXHIBIT R-6:** Summary description of the bank accounts of the Applicants;
under seal
- EXHIBIT R-7a:** Copy of the Cash Management Agreement with Desjardins;

- EXHIBIT R-7b:** Copy of the draft First Amendment to the Cash Management Agreement with Desjardins;
- EXHIBIT R-8:** Conformed copy of the First Lien Credit Agreement inclusive of Amendments No. 1 through No. 5 and copies of each of the initial First Lien Credit Agreement and all individual amendments thereto, including Amendment No. 6;
(en liasse)
- EXHIBIT R-9:** Copy of the Second Lien Credit Agreement inclusive of Amendment No. 1 and copies of each of the initial Second Lien Credit Agreement and Amendment No. 1 thereto;
(en liasse)
- EXHIBIT R-10:** Copy of the CDPQ Unsecured Loan Agreement;
- EXHIBIT R-11:** Copy of the Fonds Unsecured Loan Agreement;
- EXHIBIT R-12:** Copy of consolidated audited financial statements of Cirque du Soleil Holdings L.P. as at December 30, 2018;
under seal
- EXHIBIT R-13:** Copy of consolidated audited financial statements of Cirque du Soleil Holdings L.P. as at December 29, 2019;
under seal
- EXHIBIT R-14:** Copy of the Trapeze Term Loan Agreement;
- EXHIBIT R-15:** Copy of the AHG Replacement Loan;
- EXHIBIT R-16:** Copy of the First Lien Forbearance Agreement;
- EXHIBIT R-17:** Copy of the Second Lien Forbearance Agreement;
- EXHIBIT R-18a:** Copy of the Stalking Horse Asset Purchase Agreement and its Exhibits;
- EXHIBIT R-18b:** Copy of the Disclosure Letter and Schedules to the Stalking Horse Asset Purchase Agreement;
under seal
- EXHIBIT R-19:** Copy of the Sale and Investment Solicitation Process (Bidding Procedures);
- EXHIBIT R-20:** Copy of Key Employee Retention Plan Summary;
under seal
- EXHIBIT R-21:** Copy of engagement letter between the CDSE Group and National Bank Financial;
under seal
- EXHIBIT R-22:** Copy of engagement letter between the CDSE Group and Greenhill & Co, Inc.;
under seal

MONTREAL, June 29, 2020



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**SUPERIOR COURT
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Nº.

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL**

**IN THE MATTER OF THE PLAN OF ARRANGEMENT AND
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CIRQUE DU SOLEIL CANADA INC.

- and -

THE OTHER APPLICANTS LISTED IN SCHEDULE A HEREOF

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Proposed Monitor

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**APPLICATION FOR THE ISSUANCE OF A FIRST DAY INITIAL
ORDER, AN AMENDED AND RESTATED INITIAL ORDER,
AN ORDER APPROVING AND RATIFYING THE EXECUTION OF A
STALKING HORSE ASSET PURCHASE AGREEMENT
AND APPROVING A SALE AND INVESTMENT SOLICITATION
PROCESS, SWORN STATEMENT, NOTICE OF PRESENTATION, LIST
OF EXHIBITS, EXHIBITS R-1 TO R-22
(Sections 9, 11, 11.51, 11.52 and 23 of the Companies' Creditors
Arrangement Act)**

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