

# IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Lionsgate Studios Corp. (Re)*,  
2025 BCSC 1293

Date: 20250505  
Docket: S250821  
Registry: Vancouver

**Lionsgate Studios Corp.**

Petitioner

**Re: In the Matter of Section 288 of the *Business Corporations Act*,  
S.B.C. 2002, C. 57**

And

**In the Matter of a Proposed Arrangement Involving Lions Gate Entertainment Corp., the Shareholders of Lions Gate Entertainment Corp., Lionsgate Studios Corp., the Shareholders of Lionsgate Studios Corp., LG Sirius Holdings ULC, and Lionsgate Studios Holding Corp.**

- and -

Docket: 250822  
Registry: Vancouver

**Lions Gate Entertainment Corp.**

Petitioner

**Re: In the Matter of Section 288 of the *Business Corporations Act*,  
S.B.C. 2002, C. 57**

And

**In the Matter of a Proposed Arrangement Involving Lions Gate Entertainment Corp., the Shareholders of Lions Gate Entertainment Corp., Lionsgate Studios Corp., the Shareholders of Lionsgate Studios Corp., LG Sirius Holdings ULC, and Lionsgate Studios Holding Corp.**

Before: The Honourable Mr. Justice D.M. Masuhara

**Oral Reasons for Judgment**

In Chambers

Counsel for the Petitioners:

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Counsel for CPPIB Investments:

R. Steep  
P. Williams  
V. Tortora

Place and Date of Hearing:

Vancouver, B.C.  
May 1–2, 2025

Place and Date of Judgment:

Vancouver, B.C.  
May 5, 2025

**Introduction**

[1] This ruling deals with an application to approve a plan of arrangement brought by Lions Gate Entertainment Corp., who I will refer to as Lions Gate, and Lionsgate Studios Corp., who I will refer to as LG Studios, under sections. 288–297 of the *British Columbia Business Corporations Act*, S.B.C. 2002, c. 57 [Act].

[2] These companies exist under the laws of British Columbia. Shares of Lions Gate and LG Studios are publicly traded respectively on the New York Stock Exchange and the Nasdaq stock market. Lions Gate indirectly owns 87.8% of the issued and outstanding shares of LG Studios.

[3] Lions Gate describes itself as a global content platform and leading entertainment production and distribution company through LG Studios and other subsidiaries that produces, distributes, and owns motion pictures, television programs, and live shows and experiences in location-based entertainment destinations, as well as a premium subscription platform, amongst other offerings.

[4] The subject plan of arrangement for which approval is sought is said to result in:

- (a) The separation of how Lionsgate’s two principal lines: (1) the motion picture and television studio operations, which is held through LG Studios, which are referred to as the LG Studios business in the materials and (2) Lions Gate’s other businesses, including its Starz branded premium subscription platforms which are described as the Starz business in the materials;
- (b) The collapse of Lionsgate’s existing dual-class share structure into a single class of shares; and
- (c) The implementation of a reverse stock split (upon and subject to the completion of the separation of the LG Studio’s business and the Starz business) wherein Starz common shares will be consolidated on a 15 to 1 basis such that every 15 Starz common shares will be consolidated into one Starz common share.

[5] The arrangement involves a series of transactions which will result in the current Lionsgate shareholders owning shares in two separate public companies:

- (a) Lionsgate which
  - (1) will continue to be owned by Lionsgate shareholders;
  - (2) will continue to hold (directly and through subsidiaries) the Starz business; and
  - (3) will be renamed Starz Entertainment Corp.; and
- (b) New Lionsgate which
  - (1) will be owned by Lionsgate shareholders and LG Studios shareholders (other than Sirius);
  - (2) will hold (directly and through subsidiaries) the LG Studios business; and
  - (3) will be renamed Lionsgate Studios Corp.

[6] I will refer to the arrangement as the “Plan” or “proposed Plan”.

[7] The Plan was approved by the respective company shareholders “overwhelmingly” in April 2025.

[8] The application is opposed by CPPIB Credit Investments II Inc. and CPPIB Credit Investments III Inc., and I will refer to them collectively as CPPIB.

[9] These entities are subsidiaries of the Canada Pension Plan Investment Board, a corporation established under its namesake Act. CPP Investment Board invests its assets with a view to achieving maximum rate of return without undue risk of loss having regard to the factors that may affect the funding of the Canada Pension Plan.

[10] CPPIB’s involvement in this matter is principally as the holder of Senior Notes issued by Lions Gate Capital Holdings LLC, a wholly owned subsidiary of Lions Gate, though it more recently purchased a limited number of common shares of Lions Gate and LG Studios.

[11] CPPIB’s investment in the notes is presently approximately \$93 million with an interest rate of 5.5% and maturity in 2029. The notes were purchased in 2021

and were part of a large one-billion-dollar financing by the issuer governed under the Indenture. At present, CPPIB's investment in the notes represents approximately 29% of the outstanding notes of \$325.3 million which have not been exchanged, which I will describe shortly.

[12] No other noteholder has brought forward an objection to the proposed Plan. This, in part, is explained by what I have been advised was a proposal brought forward by a majority group of noteholders in March or April 2024. They proposed to exchange their existing notes with a new set which would have a higher interest rate of 6% upon completion of the separation as envisioned by the proposed Plan and with a maturity that extends to the end of April 2030.

[13] This led to Lions Gate issuing a supplemental indenture, which, among other things, led to new notes for the majority group being issued and amendments being made to the Indenture in May 2024. The new noteholders provided exit consents removing certain covenants applicable to the existing notes. The amendments were approved by a majority of the noteholders. The amendments were in the view of Lions Gate pursuant to and consistent with the terms of the Indenture. I have been advised that the Indenture is governed by the laws of New York and that the forum for disputes is specified as the New York courts.

[14] In light of this debt exchange and supplemental indenture, CPPIB initiated a suit in the New York State Supreme Court in August 2024, asserting that the Indenture had been breached. The remedies sought include: a declaration that the Indenture was breached; that the supplemental indenture be declared null and void; that CPPIB is entitled to declare all principal premium and interest on its notes are due and payable and that LG Holdings is obligated to perform its payment obligations to CPPIB; damages for the difference between the market value of its notes immediately before the issuance of the new notes and their market value on the date the complaint was filed; and a permanent order enjoining LG Holdings and Lions Gate from consummating the separation transaction.

[15] I am advised that with the exception of some limited document disclosure no further steps have been taken by CPPIB in furtherance of the litigation. I am further advised that Lionsgate on December 30, 2024, filed an application to have the suit dismissed. That hearing is scheduled to be heard later this month on May 15. Lionsgate advises that it is vigorously defending against this suit.

[16] CPPIB, in opposing the present application, describes the Plan as unlawful and eviscerates the rights, protections, and payment guarantees Lionsgate and its affiliates owe CPPIB and other similarly situated creditors, though there are no other creditors that are a part of this opposition, but I do note that there is one other party involved in the suit brought in New York, in addition to CPPIB.

[17] CPPIB argues that Lionsgate wants to sever any link between its Studio business and the notes, leaving them guaranteed by only a much less valuable digital and linear subscription business that has been referred to as Starz. CPPIB argues that the only outcome of approving the Plan will be to create financial chaos when CPPIB prevails in the New York litigation, which cannot possibly be in the best interests of Lionsgate shareholders and other stakeholders. It submits that the Plan is neither fair, nor reasonable, and should not be approved by this Court. Its alternative position is that this application be adjourned until the mentioned litigation in New York is either resolved by the parties or decided by the New York courts.

### **Discussion**

[18] The leading authority applicable is *BCE Inc. v. 1976 Debentureholders*, 2008 SCC 69 which dealt with similar provisions under the *Canada Business Corporations Act* to those under the *Act* here. It states that the approval process focuses on whether the arrangement, viewed objectively, is fair and reasonable. Its purpose is to permit major changes in corporate structure to be made while ensuring that individuals whose rights may be affected are treated fairly, and its spirit is to achieve a fair balance between conflicting interests. The onus is on the corporation to establish that (1) the statutory procedures have been met; (2) the application has been put forth in good faith; and (3) the arrangement is “fair and reasonable”.

[19] The case further states that to approve a plan of arrangement as fair and reasonable, courts must be satisfied that (a) the arrangement has a valid business purpose, and (b) the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way. Whether these requirements are met is determined by taking into account a variety of relevant factors, including the necessity of the arrangement to the corporation's continued existence, the approval, if any, of a majority of shareholders and other security holders entitled to vote, and the proportionality of the impact on affected groups.

[20] The decision also observed that the purpose of s.192 suggests that only security holders whose legal rights stand to be affected by the proposal are envisioned. It is the fact that the corporation is permitted to alter individual rights that places the matter beyond the power of the directors and creates the need for shareholder and court approval. However, in some circumstances, interests that are not strictly legal could be considered. The fact that a group whose legal rights are left intact faces a reduction in the trading value of its securities generally does not, without more, constitute a circumstance where non-legal interests should be considered on a s.192 application.

[21] In terms of the statutory procedures requirement, the materials set out in details how the proposal constitutes an arrangement under s. 288(1)(g) and that the requirements under s. 291 of the *Act* with respect to the notice and the conduct of the shareholder meetings in Lions Gate and LG Studios as ordered have been met.

[22] In terms of voting results:

- (1) The arrangement resolution and the Lionsgate transaction proposal were passed by 99.82% of the votes cast by all Lionsgate Class A shareholders, present or represented by proxy at the Lionsgate meeting, which is more than the required 66 and two-thirds of the votes required;
- (2) The Arrangement Resolution and the Lionsgate Transaction Proposal passed by 99.27% of the votes cast by the Lionsgate Class B shareholders, present or represented by proxy at the meeting, which is more than the required 66 and two-thirds per cent of the votes required;

- (3) The Studios Arrangement Resolution and the LG Studios' reorganization proposal was passed by 99.99% of the votes cast by all LG Studios' shareholders, present in person or represented by proxy at the LG Studios' meeting, which is more than the required 66 and two-thirds of the votes required.

[23] CPPIB, while not conceding this requirement was met, did not raise issues in regard to the requirements, and I am satisfied that the statutory requirements have been met.

[24] Turning then to the remaining requirements, they relate to the lack of good faith of the application and the failure of the applicant to demonstrate the Plan is fair and reasonable. The deficiencies or issues raised by CPPIB, largely reflected through the affidavit of its principal Mr. Bach, are:

- (a) Lions Gate collaborated with the owners of the bare majority noteholders, (the favoured noteholders) to bypass the Indenture through the exchange agreement and supplemental indenture which removed various protections that were contained in the Indenture;
- (b) the Plan purports to eviscerate the rights, protections, and payment guarantees owed to CPPIB and other similarly situated creditors (as I have noted, no other creditors have expressed opposition to this application before me).
- (c) Lions Gate has failed to provide an explanation for how it assessed the proposed exchange and the resulting agreement;
- (d) that the exchange agreement was not offered to CPPIB. It only received notice of the agreement late on May 2;
- (e) there is no information provided that indicates how the new noteholders were selected;
- (f) the Plan will lead to a loss in value for its notes. Reliance is placed on Mr. Bach, who deposed that at the time of the exchange agreement on April

17, 2025, prior to its announcement, the notes were trading at \$0.77 and that as of April 22, 2025, when he swore his affidavit, the price had fallen to \$0.728 according to the Bloomberg BVAL pricing screen;

(g) the guarantees backing the notes will be lessened by the Plan because a lesser segment of the companies will be available because of the restructuring which lessens the security from the present circumstances; and

(h) that the separation of the business lines contemplated in the Plan is a particularly “egregious example” of a liability management plan.

[25] CPPIB also submits that in the absence of an urgent circumstance such as the viability of the company the court is required to scrutinize the proposed Plan stringently. It was submitted in this case that the highest level of scrutiny is required.

[26] The applicant counters the CPPIB position by relying upon the views found in *BCE, supra*, and other cases such as *Run of River Power Inc. (Re)*, 2014 BCSC 1397; *Telus Corporation (Re)*, 2012 BCSC 1919; *Protiva Biotherapeutics Inc. v. Inex Pharmaceuticals Corp.*, 2007 BCCA 161, and *Aastra Technologies Limited (Re)*, 2014 ONSC 246.

[27] The points include that where legal rights are left intact by the arrangement, as in the present case, it is argued that CPPIB has only an economic interest as the Plan does not affect its legal rights, and therefore consideration is not required unless extraordinary circumstances exist, which are not present in this case, and do not include the reduction in trading value on a standalone basis.

[28] Further, CPPIB was not entitled to vote on the Plan as a creditor. CPPIB as a noteholder is only a minority noteholder relative to the remaining non-favoured noteholders. Insofar as collaboration, the applicant points to Mr. Tobey’s evidence, senior counsel for Lions Gate, who indicates that it was the group of majority noteholders who made the proposal to Lions Gate and that the core of the issues that CPPIB has raised will be dealt with in the suit that they have before the Supreme Court of the State of New York, and that the Plan does not affect the legal

rights of CPPIB. It is also noted that the most recent Bloomberg BVAL screen price for May 5 of the notes showed them at a bid of \$0.78052 and in Nasdaq \$0.78708.

[29] Insofar as the necessity of the arrangement, the level of scrutiny is based upon a careful review of the circumstances and the degree of the interest at stake. The necessity attracting scrutiny is informed by the strength or validity of the business purpose, which Lions Gate submits has strong validity.

### **Was the Application Made in Good Faith?**

[30] A non-exhaustive list of factors for assessing whether an application has been made in good faith can be seen from the cases such as *Telus (Re)*, *Aastra Technologies*, and *Run of River Power (Re)*. They include:

- whether the arrangement is the result of an extensive and robust process;
- the underlying business rationale, including whether the plan is intended to affect the rights of any creditor or creditors;
- the existence of any special committees of the board addressing the change;
- whether any special committee or the board passed any resolutions to the effect that if approved by the court the plan would be implemented; and
- whether any relevant fairness opinions from financial advisors were obtained.

[31] Lions Gate and LG Studios say they have put forward this application in good faith following a detailed review of the factors and potential benefits and risks of the arrangement and with the approval of the overwhelming majority of Lions Gate and LG Studios' shareholders obtained in accordance with the interim orders. They point to the meeting materials and the affidavit material in these proceedings which describe the extensive and robust process leading to the Arrangement Agreement, the reasoning of the Lionsgate special committee, the Lionsgate board, and the LG Studios board, in making their respective recommendations that their shareholders vote in favour of the Plan.

[32] They note that:

(a) The application is the result of a nearly three-year process that can be described only as thorough and extensive. The Lionsgate board was engaged in a meaningful way throughout the process beginning in November of 2021 and from the outset had the benefit of investment and financial advisors in considering alternatives.

(b) The Plan does not seek to arrange the legal rights of any creditors, including CPPIB. In particular, nothing in the Plan seeks to alter or impair CPPIB's litigation rights in any way in the event that its claims prove to be successful. Nothing that Lionsgate seeks in the final order here will impair or interfere with CPPIB's ability to prosecute its claims in the New York litigation and if its claims succeed, to obtain remedies that are consistent with its rights under the Indenture and applicable New York law for breaches of contractual obligations.

(c) Even though it was not required to do so, the Lionsgate board considered the interests of the noteholders, including CPPIB. The deficiencies in the explanations said to be required and how the exchange agreement came to be are better left to be dealt with in the litigation in New York.

(d) The Lionsgate board considered whether Starz would remain solvent and financially viable upon completion of the Plan and to assist in this regard included a condition in the Arrangement Agreement requiring the delivery of a solvency opinion. They engaged Houlihan Lokey to provide that opinion and received it prior to the Lionsgate meeting, which it is submitted demonstrates that the Lionsgate board considered all of the shareholders' interests in addition to creditors such as CPPIB.

(e) The Lionsgate board established the Lionsgate Special Committee to consider the elimination of the dual-class share structure and, in particular, whether it was fair from a financial point of view to each of the Class A and Class B shareholders of Lionsgate. The special committee recommended the

transaction to the Lionsgate board with the benefit of a fairness opinion from Kroll to the effect that the transaction was fair from a financial point of view to the Lionsgate Class A shareholders and a fairness opinion from Houlihan Lokey to the effect that the transaction was fair from a financial point of view to the Class B shareholders.

(f) The joint proxy statement in the evidence of Mr. Tobey adduced in support of these petitions leaves no doubt that the arrangement has a number of valid business purposes which are described in the fair and reasonable analysis contained in the materials in submissions.

[33] I am satisfied upon being taken through the analysis in the materials that the applicant has demonstrated good faith in bringing the application. The process was robust, detailed, and relatively long. These types of processes are financially expensive and require a heavy investment of resources. I do not see the utilization of resources here as being focused on eviscerating the rights of CPPIB. There is evidence that even though they did not have to consider the interests of the noteholders, that the board did. It is apparent from the materials that Lions Gate and LG Studios have been deeply focused on optimizing its structure to achieve legitimate business imperatives.

**Is the Arrangement Fair and Reasonable?**

[34] As stated the assessment of whether an arrangement is fair and reasonable the court is to be satisfied that (a) the arrangement has a valid business purpose; and (b) the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way. It is through this two-pronged framework that the court can determine whether a plan is fair and reasonable.

[35] With respect to a valid business purpose, considerations include:

(a) the positive value to the corporation that offsets the fact that rights are being altered or whether the arrangement furthers the interest of the corporation as a going concern;

- (b) the necessity of the arrangement to the continued operation of the corporation, taking into account market conditions, technology, the regulatory environment, and competitive factors;
- (c) the existence of alternatives; and
- (d) whether the arrangement is in the sole interest of any particular stakeholder.

[36] In *Telus Corporation (Re)*, Justice Fitzpatrick accepted that necessity includes enhancing a corporation's ability to compete in the marketplace. She determined that the elimination of the dual-share structure in that case would result in "an increase in the ability of Telus to attract investors and access capital on a level playing field with other single class competitors." She also relied on evidence of market reaction as to whether the arrangement served a valid business purpose. She further accepted that simplification of a share structure may also support the valid business purpose test.

[37] I am satisfied that the Plan meets various valid business purposes identified and discussed in the materials such as enhanced focus on strategic and operational drivers to accelerate revenue and profit growth, more efficient resource and capital allocation to pursue each company's strategic goals, targeted investment opportunities, creation of independent equity currencies, employee recruitment incentives and retention, and a stronger corporate governance.

[38] As pointed out by the applicant, the Plan will result in a separation of the LG Studios business from the Starz business, which is to enable the two resulting companies to more effectively pursue their distinct operating priorities and strategies and focus on strengthening their core businesses. The expectation being that the transaction will result in enhanced long-term performance of the businesses held by both Starz and New Lionsgate.

[39] The core benefit of the separation of Lionsgate into two distinct entities and the collapse of dual-share structures will both drive their respective new

corporations' competitiveness. The materials include various market analysts' reports which provide corroborating evidence as to the business validity of the proposed arrangement, which contradicts the evidence of Mr. Bach, that based on his experience he expected the value of the notes to further erode.

[40] Comments from the analysts include the following:

- (a) Trading at 14.3% and \$74 with Starz 5.5% 2029 offer compelling valuations in our view applying a 3.1 x EBITA business, which we think looks cheap for streaming distribution platforms with an FCF/debt of 12%.
- (b) There is compelling rationale for the underlying separation in that the complexity and uncertainty of the current ownership arrangement will be eliminated and the dual-class structure will be removed.
- (c) The split opens room for value creation. At the very least, eliminates an unfavourable structure for investors that drove apart a prior negative view... Profitability should benefit from Starz taking more ownership of its content relative to the current structure where economics were weighed more favourable to Studios given higher relative valuation.
- (d) The process of completing the separation as played out as others in the industry have moved in similar directions. Comcast, in particular, has made waves by creating a standalone company consisting of NBC Universal cable networks that spin off which is aiming to result in a newly publicly traded entity by the end of 2025 will relieve the main company's balance sheet of reclining linear assets and offer potential strategic opportunities facing similar headwinds. And its traditional business Warner Bros. Discovery restructured itself early this year in order to create separation between its linear TV holdings and its other assets.

[41] The applicant also notes that on April 30, 2025, a week after the overwhelming shareholder approval of the arrangement, Wells Fargo Equity Research Group estimated that the arrangement would result in a 20–30% increase of the prearrangement equity market capitalization, amounting to approximately, in US dollars, \$500–600 million dollars of incremental shareholder value.

[42] It is pointed out that the boards of the two public companies have endorsed the proposed arrangement and that two reputable investment dealers, Houlihan Lokey and Kroll, each have opined that the terms of the elimination of the dual-class structure are fair from a financial point of view to both classes of Lionsgate shareholders.

[43] Finally, as in *Telus Corporation (Re)*, the positive vote by the shareholders contributes to the overwhelming evidence as to a valid business purpose in this case. It is noted that while nearly 100% of the voting shareholders in each company approved the arrangement; in *Telus Corporation (Re)*, the affirmative vote was in the range of 81%.

[44] Turning then to the second prong of the fairness test and the court's satisfaction that the objections of those whose legal rights are being arranged are being resolved in a fair and balanced way. In *BCE*, a number of factors that may be relevant to the second part of the test are identified:

- a) the vote by security holders of the arrangement;
- b) the impact of the rights of security holders;
- c) the approval of the arrangement by the corporation directors and presence of a fairness opinion; and
- d) the access of shareholders to dissent and appraisal remedies.

[45] I am also satisfied that this second prong has been met. The arrangement resolves potential objections of those whose rights are being arranged in a fair and balanced way as follows:

- (a) the Arrangement Agreement was the result of extensive discussions and negotiations between the companies to their mutual benefit;
- (b) the Lionsgate arrangement resolutions each passed respectively receiving nearly 100% of the votes cast by Class A and Class B shareholders;
- (c) the Studios' Arrangement resolution passed receiving nearly 100% of the votes;
- (d) intelligent and honest business people as members of each of the voting classes concerned and acting in their own self-interest reasonably approved the arrangement;

- (e) although it was not required to do so, the Lionsgate board considered the interests of CPPIB as an unsecured creditor. CPPIB's legal rights are not being arranged in the arrangement, nor are they affected by the arrangement;
- (f) Lionsgate obtained two fairness opinions. As I have already mentioned, the respective boards endorsed the arrangement and the terms and that the board has extensive experience and expertise; and
- (g) the shareholders of each company were provided with dissent and appraisal rights and to date none have been registered.

[46] In respect to CPPIB's legal rights not being arranged, there is the uncontroverted expert testimony of Professor Morrison and as well as that of Mr. Tobey, that the Plan will not impair or interfere with CPPIB's ability to prosecute its claims in the New York court action, and if its claims succeed, it will be able to obtain remedies that are consistent with its rights under the Indenture and applicable New York law for breaches of contractual obligations. As such, it ought not to be permitted to veto the Arrangement which has been overwhelmingly approved.

[47] I also note Professor Morrison's comment that transactions such as here are well recognized in the financial literature, and are not as unique as argued by CPPIB.

[48] As noted earlier, the reduction value of the notes as complained of by CPPIB have been countered by the most recent pricing information for the notes. The value has increased, though I do recognize that there may be other variables that can affect an enhanced price.

### **Conclusion**

[49] I note the overwhelming support of the shareholders for the Arrangement, that there is cogent evidence that the Arrangement will enhance enterprise value substantially, that there was a well-developed process leading to this application, a process that was over the course of three years, and that there were independent

fairness opinions that were obtained that support the Arrangement, as well as a solvency opinion that also assists in this assessment.

[50] While CPPIB raises grievances with the debt exchange, CPPIB is a minority debt holder. Though its holding is large, \$93 million, the total of unfavoured noteholders is \$325 million. No other noteholder has objected to the Plan.

[51] Moreover, it has available remedies under the suit it has initiated in the Supreme Court of New York, including, I might add, injunctive relief which it has not sought. And, as I have mentioned, contrary to CPPIB's argument, debt exchanges and consent exits are not uncommon and have been used in both distressed and non-distressed company situations.

[52] Further, as per the observation of Professor Morrison, the debt exchange mechanism is within the terms of the Indenture and that the interest of CPPIB is economic, and the latest evidence indicates again the value of the notes has risen above what they were before the announcement of the exchange.

[53] Having found the requirements set out under *BCE* have been satisfied, the order sought by the applicants approving the Plan is granted.

[54] As per the request of CPPIB, with no objection by the applicants, the resulting order is without prejudice to CPPIB's right to commence or continue legal proceedings for relief relating to the Exchange Agreement and supplemental Indenture No.10 and the separation transaction, including the New York suit.

[55] That concludes my ruling.

"Masuhara J."