

Estate No: 51-1965976
Court No: 38866
District No: 02
Division No: 01-Halifax

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF:

3258042 NOVA SCOTIA LIMITED

Material Adverse Change Report of the Trustee pursuant to sections 50.4(7)(b)(ii) and 50.4(9) of the Bankruptcy and Insolvency Act ("BIA")

1. INTRODUCTION AND BACKGROUND

- 1.1 3258042 Nova Scotia Limited ("3258042" or the "Company") was incorporated in Nova Scotia on October 20, 2011. The shares of 3258042 are 90% owned by Peter Hendrickson, President, and 10% owned by Robert Barrett.
- 1.2 3258042 is based in Dartmouth, Nova Scotia. The Company owns and operates a 213,389 square foot commercial facility located at 180 Thornhill Drive in Dartmouth (the "Property"). The Company has several tenants under lease for the usage of the facility, occupying approximately 173,500 square feet of the facility. As of April 30, 2015, approximately 50,000 square feet is vacant and available for lease.
- 1.3 The Company's major tenant, Tour Tech East Limited ("Tour Tech"), is a related entity which services the entertainment industry through the provision of professional audio, lighting and staging rentals installation and distribution, servicing Canada and the eastern United States. Tour Tech's operations occupy approximately 120,000 square feet of the Property. Historically, Tour Tech has not paid rent to the Company; however, Tour Tech has paid the operating costs of the Property. The Trustee has been advised that property taxes related to the Property have not been paid since 2013.
- 1.4 On February 19, 2015, 3258042 and Tour Tech received a demand for repayment of outstanding amounts owing and a notice of intention to enforce security from the Business Development Bank of Canada ("BDC"). The Property is financed with BDC.
- 1.5 On February 20, 2015, Tour Tech filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Section 50.4 of the BIA. Deloitte Restructuring Inc. ("Deloitte" or the "Proposal Trustee") was appointed as the trustee under the NOI.
- 1.6 On February 27, 2015, 3258042 filed a NOI pursuant to Section 50.4 of the BIA. Deloitte was appointed as the Proposal Trustee.
- 1.7 On March 20, 2015, the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (the "Court") granted an order approving an extension of time to allow the Company to work towards filing a proposal to its creditors to May 7, 2015.
- 1.8 On May 7, 2015, the Court granted an order approving an extension of time to allow the Company to work towards filing a proposal to its creditors to June 19, 2015.
- 1.9 On June 19, 2015, this Court granted an order approving an extension of time to make a proposal to and including July 14, 2015.
- 1.10 On July 14, 2015, the Company filed a proposal with the Official Receiver.

2. TERMS OF REFERENCE

- 2.1 In preparing this report (the “Fourth Report”), the Proposal Trustee has relied upon financial information of the Company and discussions with the Company’s management and Boyne Clarke, the Company’s legal counsel.
- 2.2 The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of the Fourth Report. Any use which any party makes of the Fourth Report, or any reliance or decisions to be made, is the sole responsibility of such party.
- 2.3 The purpose of the Fourth Report is to inform the Court on the status of:
- i. a material adverse change in the operations of the Company; and
 - ii. the Proposal Trustee’s intended course of action.

3. MATERIAL ADVERSE CHANGE

- 3.1 On August 4, 2015, the meeting of creditors was convened to consider the Proposal of the Company. The voting results from that meeting were as follows:
- (i) Class 2 Unsecured Creditors unanimously approved the Proposal;
 - (ii) Class 1 Secured Creditors rejected the Proposal.

As a result of the vote, the Proposal Trustee determined that the Proposal had been accepted, but was not binding on the Class 1 Secured Creditors.

- 3.2 On August 4, 2015, BDC appointed PwC Inc. (“PwC”) as Receiver over substantially all of the assets of 3258042 and Tour Tech.
- 3.3 Due to the appointment of PwC, the Company no longer has control over its assets as of the date of this report.
- 3.4 The Proposal Trustee has engaged in several discussions with representatives of PwC since its appointment.
- 3.5 PwC advised the Proposal Trustee that it is in discussions with an interested party (the “Interested Party”) surrounding a transaction whereby the party will purchase the security of BDC and inject the required capital to fund the Proposal.
- 3.6 On August 11, 2015, the Proposal Trustee spoke with a representative of the Interested Party who confirmed the information provided by PwC.
- 3.7 The Proposal Trustee has been in regular contact with representatives of the Interested Party since August 11, 2015 and has been advised that an offer would be made to purchase BDC’s security and to provide the necessary amounts to fund the Proposal.
- 3.8 We understand that on August 18, 2015, the Interested Party submitted an initial offer to BDC that was rejected. The Proposal Trustee has spoken with representatives of the Interested Party subsequent to the initial offer and is advised that a revised conditional offer will be submitted by August 21, 2015

3.9 A representative from Ellsworth Johnson Phillips, legal counsel to the Proposal Trustee, requested a date for a Court hearing regarding the Proposal. The hearing is scheduled for 1:30pm on September 10, 2015.

4. INTENDED COURSE OF ACTION

4.1 The Proposal Trustee is of the view that the appointment of PwC as Receiver by BDC is a material adverse change to the financial circumstances of the Company.

4.2 It is the Proposal Trustee's intended course of action to:

- (i) pursuant to subsection 50.(10)(a)(i) the BIA to file this report with the Official Receiver on August 21, 2015; and
- (ii) pursuant to subsection 50.(10)(a.1) of the BIA to distribute this report to the known creditors of the Company and post on the Proposal Trustee's website.

All of which is respectively submitted to this Court this 21st day of August, 2015.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee under the Proposal of
3258042 Nova Scotia Limited
and not in its personal capacity.

Per:



Jean Goguen, CMA, CIRP
Vice President