

May 6, 2015

Via email

Gina DiDiodato
Deputy Registrar of Bankruptcy
1601 Lower Water Street, 5th Floor
Halifax, NS B3J 3P6

Dear Ms. DiDiodato,

Subject: Tour Tech. East Limited – Estate No. 51-1963560; Court No. 38848

Please find enclosed the Proposal Trustee's Supplemental Report relating to the Tour Tech. East Limited motion to be heard on May 7, 2015 at 10:00am by Registrar Creagan.

We trust you will find the enclosed to be in order. If you have any questions please feel free to contact the undersigned at your convenience.

Sincerely,

DELOITTE RESTRUCTURING INC.
Acting in its capacity as Proposal Trustee of
Tour Tech. East Limited
and not in its personal capacity

Per:



James Foran, CA, CIRP
Vice President

Enclosure (Trustee's Supplemental Report)

Estate No: 51-1963560
Court No: 38848
District No: 02
Division No: 01-Halifax

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF:
TOUR TECH. EAST LIMITED**

**Supplemental Report to the Third 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 Tour Tech. East Limited (“Tour Tech” or the “Company”) was incorporated in Nova Scotia on September 4, 1984. The shares of Tour Tech are 90% owned by Peter Hendrickson, President, and 10% owned by Robert Barrett.
- 1.2 Tour Tech is based in Dartmouth, Nova Scotia. The Company services the entertainment industry through the provision of professional audio, lighting and staging rentals, installation and distribution, servicing Canada and the eastern United States. The Company also services the film industry through its two large sound stages, which provide acoustically optimized recording space.
- 1.3 Tour Tech owns and operates its sound stage business out of a 40,445 square foot commercial facility located at 170 Thornhill Drive, Dartmouth, Nova Scotia (the “Property”). The Company is currently attempting to dispose of the Property.
- 1.4 Tour Tech operates its production rental, installation, distribution and corporate operations out of a 213,389 square foot commercial facility located at 180 Thornhill Drive, Dartmouth, Nova Scotia. The property is owned and operated by 3258042 Nova Scotia Limited (“3258042”), a related entity.
- 1.5 On January 13, 2015, the Toronto Dominion Bank (“TD”), the operating lender for Tour Tech, received two Requirement to Pay notices from the Canada Revenue Agency.
- 1.6 On January 28, 2015, Tour Tech received a notice of default on outstanding amounts owing and a Notice of Intention to Enforce Security from Roynat Lease Finance.
- 1.7 On February 19, 2015, Tour Tech received a demand for repayment of outstanding amounts owing and a Notice of Intention to Enforce Security from TD.
- 1.8 On February 19, 2015, Tour Tech received a demand, for both Tour Tech and 3258042, for repayment of outstanding amounts owing and Notices of Intention to Enforce Security from the Business Development Bank of Canada (“BDC”).
- 1.9 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.
- 1.10 On February 27, 2015, 3258042 filed a NOI pursuant to Section 50.4 of the BIA. Deloitte was appointed as the Proposal Trustee.

- 1.11 On March 4, 2015, the Supreme Court of Nova Scotia in Bankruptcy and Insolvency (this "Honorable Court") granted an order providing for an administrative charge (the "Administrative Charge") and interim financing charge (the "DIP Financing") in favor of the BDC (the "DIP Order").
- 1.12 The DIP Order was amended and restated by this Honourable Court on March 20, 2015 with effect from March 4, 2015 (the "Amended DIP Order"). A copy of the Amended DIP Order is attached as Appendix A.
- 1.13 On March 20, 2015, this Honourable Court granted an order approving an extension of time to make a proposal (the "Extension Order") to and including May 7, 2015. A copy of this Extension Order is provided as Appendix B.

2. TERMS OF REFERENCE

- 2.1 In preparing this report ("the Supplemental Third Report"), the Proposal Trustee has relied upon financial information of the Company, and discussions with the Company's management ("Management"), Boyne Clarke, the Company's legal counsel and the Company's real estate broker.
- 2.2 The financial information of the Company has not been audited, reviewed or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Supplemental Third Report may not disclose all significant matters about the Company. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, the Proposal Trustee does not express an opinion or provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of the Supplemental Third Report.
- 2.3 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 Supplemental Third Report. Any use which any party makes of the Supplemental Third Report, or any reliance or decisions to be made on the Supplemental Third Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Supplemental Third Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Supplemental Third Report is to provide this Honourable Court with information supporting the sale of the Property.

3. SALE OF THE PROPERTY:

- 3.1 In the Proposal Trustee's report dated May 4, 2015 (the "Third Report"), the Proposal Trustee provided this Honourable Court with information as to the activities of the Company related to a disposition of the Property.
- 3.2 On May 4, 2015, the Company received an accepted offer (the "Agreement") for the Property from the Financial Partner as defined in the Third Report. A copy of the Agreement is attached as Confidential Appendix A. The Proposal Trustee requests that the Confidential Appendix should be sealed by order of this Honourable Court.

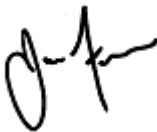
- 3.3 In addition to the information contained in the Third Report, the Proposal Trustee advises this Honorable Court that the Company had engaged Cushman Wakefield ("CW"), a real estate brokerage firm, in the spring of 2013 to market the Property for disposition.
- 3.4 The Company, through CW, received several offers on the Property and in several instances had the Property under agreement. However, due to circumstances outside the control of the Company, only one of these was executed and none were closed.
- 3.5 Business Development Bank of Canada ("BDC") is the affected creditor through its DIP Financing charge and its first mortgage security on the Property. The sales proceeds, less priority claims and selling costs, will prove insufficient in extinguishing the debt owing to BDC.
- 3.6 The Company and the Proposal Trustee have kept BDC advised of all activities relating to the disposition of the Property. BDC has advised the Company, its legal counsel and the Proposal Trustee that it supports the Company's acceptance of the Agreement.
- 3.7 In its previous reports the Proposal Trustee has identified that closing a sale of the Property is an integral element of the Company's restructuring plan and its ability to file a viable proposal.
- 3.8 The Proposal Trustee advises this Honorable Court that at the date of this report, with the exception of current vacation entitlement accruing, there are no amounts payable under subsection 136(1)(d) of the BIA if the Company were to become bankrupt.
- 3.9 The Proposal Trustee is of the opinion that the Company engaged in a robust sales process since 2013. Based on the magnitude of offers received during this process, and taking into account the fact only one was executed and none were closed, the Proposal Trustee is of the opinion that the disposition of the Property is more beneficial to creditors than a disposition under a bankruptcy.
- 3.10 Based on the foregoing, the Proposal Trustee supports the Company's application for an Order authorizing the sale of the Property.

All of which is respectively submitted to this Honourable Court this 6th day of May, 2015.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee under the Proposal of
Tour Tech East Limited
and not in its personal capacity.

Per:



James Foran, CA, CIRP
Vice President