

**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**

**Material Adverse Change Report of the Proposal Trustee pursuant to sections 50.10(a)(i) and 50.(10)(a.1) 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.
- 1.3 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 “Court”) granted an order providing for an administrative charge and an interim financing charge in favor of BDC (the “DIP Order”).
- 1.12 The DIP Order was amended and restated by this Court on March 20, 2015 with effect from March 4, 2015.

- 1.13 On March 20, 2015, this Court granted an order approving an extension of time to make a proposal to and including May 7, 2015.
- 1.14 On May 7, 2015, this Court granted an order approving an extension of time to make a proposal to and including June 19, 2015.
- 1.15 On June 19, 2015, this Court granted an order approving an extension of time to make a proposal to and including July 14, 2015.
- 1.16 On July 14, 2015 the Company filed a proposal with the Official Receiver.

## **2. TERMS OF REFERENCE**

- 2.1 In preparing this report (“the Fifth 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 Fifth Report. Any use which any party makes of the Fifth Report, or any reliance or decisions to be made on the Fifth Report, is the sole responsibility of such party.
- 2.3. The purpose of the Fifth Report is to inform this 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 3 Unsecured Creditors unanimously approved the Proposal;
  - (ii) Class 2 Secured Creditors approved the Proposal; and
  - (iii) 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 private Receiver over substantially all of the assets of Tour Tech.
- 3.3 The Proposal Trustee has engaged in several discussions with representatives of PwC since its appointment. PwC has advised the Proposal Trustee that it is honoring various engagements of the Company for the time being.
- 3.4 In addition, 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. The Interested Party is known to the Proposal Trustee and has the financial capacity to complete the proposed transaction.

- 3.5 On August 11, 2015, the Proposal Trustee spoke with a representative of the Interested Party who confirmed the information provided by PwC to be accurate.
- 3.6 The Proposal Trustee has been in regular contact with representatives of the Interested Party since August 11, 2015 and was advised that an offer would be made to purchase BDC's security and to provide the necessary amounts to fund the Proposal.
- 3.7 We understand that the Interested Party submitted an initial offer to BDC on August 18, 2015 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.
- 3.8 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, along with delays in completing a transaction with the Interested Party, 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 21<sup>st</sup> day of August, 2015.

#### **DELOITTE RESTRUCTURING INC.**

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

Per:



Jean Goguen, CMA, CIRP  
Vice President