

February 27, 2015

Phyllis Perry
Deputy Registrar in Bankruptcy
5th Floor, Summit Place
1601 Lower Water Street

Dear Ms. Perry,

Subject: Tour Tech. East Limited ("Tour Tech") – Estate No. 51-1963560

Please find enclosed the Proposal Trustee's report relating to the Tour Tech motion to be heard on March 4, 2015 at 9:30am by Registrar Creagan.

Deloitte met with representatives of J.W. Capital Inc., the proposed debtor in possession lender, earlier today and anticipate receiving a revised term sheet on Monday, March 2, 2015. We will file the revised term sheet with the Court and provide to the service list when received.

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 First Report)

c: Service List

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**

**First 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 operates its sound stage business out of a 40,445 square foot commercial facility located at 170 Thornhill Drive, Dartmouth, Nova Scotia.. This property is currently the subject of a purchase and sale agreement scheduled to close on June 30, 2015.
- 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, 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 ("RTP") notices from the Canada Revenue Agency ("CRA"), copies of which are attached as **Appendix A**.
- 1.6 On January 28, 2015, Tour Tech received a notice of default on outstanding amounts owing and a notice to enforce security from Roynat Lease Finance ("Roynat"), a copy of which is attached as **Appendix B**.
- 1.7 On February 19, 2015, Tour Tech received a demand for repayment of outstanding amounts owing and a notice to enforce security from TD, a copy of which attached as **Appendix C**.
- 1.8 On February 19, 2015, Tour Tech received a demand, for both Tour Tech and 3258042 Nova Scotia Limited, for repayment of outstanding amounts owing and a notice to enforce security from the Business Development Bank of Canada ("BDC"), a copy of which is attached as **Appendix D**.
- 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. A copy of the Certificate of the NOI as issued by the Office of the Superintendent of Bankruptcy ("OSB") is attached as **Appendix E**.

- 1.10 On February 27, 2015, 3258042 Nova Scotia Limited filed a NOI pursuant to Section 50.4 of the BIA. Deloitte was appointed as the Proposal Trustee. A copy of the Certificate of the NOI as issued by the Office of the Superintendent of Bankruptcy ("OSB") is attached as **Appendix F**.

2. TERMS OF REFERENCE

- 2.1 In preparing this report ("the Report"), Deloitte has relied upon financial information of the Company, and discussions with the Company's management ("Management") and Boyne Clarke, the Company's legal counsel.
- 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 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 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 Report. Any use which any party makes of the Report, or any reliance or decisions to be made on the Report, is the sole responsibility of such party.
- 2.4 All dollar amounts identified in the Report are expressed in or converted to Canadian dollars.
- 2.5 The purpose of the Report is to inform this Honourable Court on the status of:
- i. The financial position of the Company and the causes of its financial difficulties;
 - ii. The status of the 13-week projected cash flows of the Company;
 - iii. The Company's preliminary efforts to develop a restructuring plan;
 - iv. The Company's request for an interim financing charge order; and
 - v. The Company's request for an administrative charge order.

3. FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY

- 3.1 Tour Tech reported the following financial position in their December 31, 2014 internal financial statements:

Category	\$ 000's
Current assets	315
Fixed assets	9,198
Current liabilities	2,563
Long-term liabilities	4,234
Shareholder's equity	2,716

Tour Tech's fixed asset balance includes the facility located at 170 Thornhill Drive, Dartmouth, Nova Scotia which is currently subject to a sales agreement.

3.2 Tour Tech experienced financial success in the past; however, performance has declined year-over-year since 2010 as follows:

(\$ 000's)	2010	2011	2012	2013	2014*
Revenue	5,883	5,070	4,602	4,381	4,264
EBITDA	1,570	1,001	606	548	286
Net income before taxes	676	40	(355)	(441)	(567)

*2014 represents the 11-months ended November 30, 2014

The information presented above was taken from the Company's financial statements which were reviewed by an independent accounting firm. Financial statements for fiscal 2013 as well as internal year-to-date financial statements for 2014 are attached as **Appendix G**.

3.3 Management attributes the causes of financial difficulty to:

- i. Declining revenues since fiscal 2010 attributable to a reduction in concerts and entertainment events in the local region and increased regional competition;
- ii. A surplus of underutilized assets with continued carrying costs;
- iii. The additional carrying costs associated with the purchase of 180 Thornhill Drive by 3258042 Nova Scotia Limited in October 2011 to allow for business expansion;
- iv. Unanticipated costs associated with leasehold improvements on the premises owned by 3258042 Nova Scotia Limited;
- v. Cash purchase of additional equipment required to maintain competitiveness in the market;
- vi. Negative impact related to the foreign exchange rate between Canada and the United States of America; and
- vii. Reduction in the available borrowing capacity under the TD operating line of credit.

3.4 On February 5, 2015, Tour Tech opened a bank account with the Royal Bank of Canada ("RBC") in response to the RTP issued against the TD operating bank account. Activity in the RBC account since inception is summarized in **Appendix H**.

3.5 On February 20, 2015, in response to the demands for repayment and notices of intention to enforce issued by its secured lenders, Tour Tech filed a NOI to obtain creditor protection and allow the Company sufficient time to present a proposal to its creditors.

4. CASH FLOW PROJECTIONS

4.1 Cash flow projections prepared by the Company for the 13-week period ending May 22, 2015 ("NOI Cash Flow") and were filed with the OSB on February 27, 2015. A copy of the NOI Cash Flow is attached as **Appendix I**.

4.2 The NOI Cash Flows were prepared based on the following assumptions:

- i. Customers, specifically event promoters, will continue to support the Company through the restructuring process;

- ii. Suppliers will continue to support the Company through the restructuring process on a cash on delivery basis;
- iii. No payments will be made to creditors during the restructuring process outside of cash payments for post-filing purchases; and
- iv. The Company will receive interim financing in the form of debtor-in-possession financing (“DIP Financing”) to provide sufficient liquidity to fund the Company’s operations.

5. PRELIMINARY RESTRUCTURING PLAN

5.1 The ability of the Company to file a viable proposal will largely be dependent on the following:

- i. Continued support from customers and suppliers during the NOI period;
- ii. Availability of debtor-in-possession financing; and
- iii. Management’s ability to implement a restructuring plan.

5.2 The Company, in conjunction with the Proposal Trustee has taken the following steps in respect of the Company’s restructuring:

- i. Held discussions with existing lenders and a various short-term operating lenders regarding the possibility of obtaining debtor-in-possession financing to support the Company’s restructuring;
- ii. Held preliminary discussions with the proposed DIP lender concerning a post-filing equity investment;
- iii. Held preliminary discussions with a potential going-concern purchaser; and
- iv. Engaged Castle Appraisals Ltd. (“Castle”) to perform an inventory and valuation of the Company’s existing equipment base in support of potential asset sales.

6. DIP FINANCING

6.1 In order to address the Company’s financing needs during these restructuring proceedings, the Company has negotiated DIP financing agreements with various lenders. The recommended debtor-in-possession lender will commit to provide senior secured super-priority DIP term loan of \$0.6 million (the “DIP Facility”). The final terms and conditions of the DIP Facility have not yet been determined. The Company anticipates access to the DIP Facility for the duration of the NOI period.

6.2 The proceeds of the DIP Facility will only be used to fund working capital requirements in accordance with the Company’s NOI Cash Flow in support of its proposal and shall not be used to repay any indebtedness outstanding prior to the date of the NOI.

6.3 The Company has advised that they urgently require financing to continue operating which will preserve value for the benefit of various stakeholders thereby increasing enhancing the likelihood of a viable proposal being made to creditors.

6.4 The amount borrowed by the Company under the DIP Facility is proposed to be secured by, among other things, a court-ordered charge on the Company’s property ranking in priority over all present and future mortgages, charges, security interest, liens, pledges, hypothecs, capital leases, or other security arrangements of any kind, with the exception of the real property located at 170 Thornhill Drive (the “Excluded Assets”), as well as a subordinated security against the assets of 3258042 Nova Scotia Limited, a related entity, subject only to the Administrative Charge.

6.5 Tour Tech, in conjunction with the Proposal Trustee, held discussions with four potential short-term financing lenders as well as the existing secured lenders in regards to providing the Company with a DIP Facility.

- 6.6 Tour Tech received two expressions of interest from short-term lenders to provide a DIP Facility. Based on its analysis of the proposed terms the Company wishes to proceed with the interim financing as offered by JW Capital Inc., a copy of which is attached as **Appendix J**.
- 6.7 The Proposal Trustee reviewed the expressions of interest and noted that the cost of the facilities was materially the same. Management believes that JW Capital is a good strategic fit for the Company as they have expressed interest in providing exit financing.
- 6.8 An appraisal was conducted by Castle in March 2014 at which time the fair market value and forced sale values of the equipment were estimated at \$8.5 million and \$5.9 million respectively. A copy of the March 2014 appraisal is included as **Appendix K**.
- 6.9 Castle has been engaged to provide a current appraisal which is expected to be available in the near future.
- 6.10 Given the significant value of appraised assets, the Proposal Trustee does not believe that any existing secured creditor will be materially prejudiced by the granting of a DIP charge. The Proposal Trustee has assumed that the DIP charge would be shared pari-passu between the existing and known secured creditors.
- 6.11 The Proposal Trustee reviewed the NOI Cash Flows prepared by the Company and concludes that a DIP charge of \$0.6 million is required to fund the operations of the Company during the NOI period. Based on the foregoing, the Proposal Trustee supports the Company's application for an Order providing for DIP Financing.

7. ADMINISTRATION CHARGE

- 7.1 A preliminary analysis of the Company's financial situation concluded that filing an NOI was the only available strategy to stabilize the Company and generate a recovery for its stakeholders.
- 7.2 Tour Tech requires the services of its legal counsel, the Proposal Trustee and the Proposal Trustee's legal counsel (the "Insolvency Professionals") to assist in the NOI proceedings. With the exception of a small retainer provided to its legal counsel, Tour Tech was unable to provide the Insolvency Professionals with a deposit for fees for its services as it did not have the cash resources available at the start of these proceedings to cover these costs.
- 7.3 Pursuant to Subsection 64.2(1) of the BIA, this Honorable Court may order security or a charge to cover certain costs.
- 7.4 The Proposal Trustee understands that Tour Tech is requesting from this Honorable Court that an order be granted that provides for a charge that ranks in priority over the claim of any secured creditor or persons in these proceedings (the "Proposed Administrative Charge Order") with the exception of the real property located at 170 Thornhill Drive (the "Excluded Assets").
- 7.5 Tour Tech is requesting that the Proposal Trustee, counsel to the Proposal Trustee and Tour Tech's counsel, as security for the professional fees and disbursements incurred both before and after the granting of the Proposed Administration Charge Order, shall be entitled to the benefits of a charge on all of the property of Tour Tech, with the exception of the Excluded Assets, which charge shall not exceed an aggregate amount of \$0.1 million as security for their professional fees and disbursements incurred at the normal rate and charges of the Proposal Trustee, the Proposal Trustee's legal counsel and legal counsel of the company, both before and after the marking of this Proposed Administration Charge Order in respect of these NOI proceedings.
- 7.7 Tour Tech believes it is critical to the success of their restructuring to have such a charge in place to ensure that the Insolvency Professionals are protected with respect to its fees and costs.

7.8 Based on the foregoing, the Proposal Trustee recommends that the Proposed Administrative Charge Order pursuant to s. 64.2(1) of the BIA be granted by this Honorable Court and it believes that it is appropriate under all of the circumstances.

8. SUBSEQUENT EVENT

8.1 On February 22, 2015 the property located at 180 Thornhill Drive suffered a partial collapse of its roof as a result of heavy snow loads. A major tenant of 3258042 Nova Scotia Limited suffered damages; however, Tour Tech's operating assets were not impacted by the collapse. Management does not believe that the collapse will have an impact on the Company's operations or its ability to service customers as contemplated in the NOI Cash Flow.

All of which is respectively submitted to this Honourable Court this 4th day of March, 2015.

DELOITTE RESTRUCTURING INC.

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

Per:

A handwritten signature in black ink, appearing to read 'J. Foran', is written over a faint circular stamp.

James Foran, CA, CIRP
Vice President

APPENDIX A: CRA REQUIREMENT TO PAY NOTICES



3906-150220088

**REQUIREMENT TO PAY
DEMANDE FORMELLE DE PAIEMENT**

IMPORTANT - SEE REVERSE / IMPORTANT - VOIR AU VERSO

Date JAN 13 2015		TSO BSF
National Collections/Compliance Centre		1290
Contact - Personne-ressource M. Talastas (1221)	Tel. - Tél (866) 634-0910	Ext. - Poste
Reference number - Numéro de référence	Toll Free - Sans frais 1 866-634-0910	

TD Canada Trust (RTP)
Creekside BKS - Legal Demands
3rd Floor
4720 Tahoe Boulevard
Mississauga
ON L4W 5P2

TOUR TECH EAST LIMITED
180 THORNHILL DRIVE
DARTMOUTH
NS B3B 1V3

Account number Numéro de compte	105331516RT0001
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Pursuant to subsections 317(1),(2) and/or (6) of the Excise Tax Act, you are hereby required to pay to the Receiver General on account of the above-named debtor's liability:

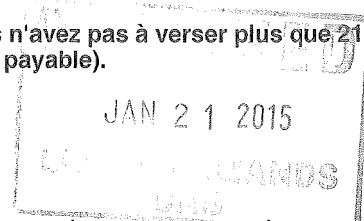
- (1) **forthwith**, the moneys otherwise and immediately payable to the debtor which you are required to pay;
- (2) all other moneys otherwise payable to the debtor which you will be, within one year, liable to pay, as and when the moneys become payable;
- (3) where the moneys referred to in (1) and (2) include interest, rent, remuneration, a dividend, an annuity or other periodic payment, all such payments to be made by you to the debtor at any time during or after the one year period until the liability is satisfied;

En vertu des paragraphes 317(1),(2) et/ou (6) de la Loi sur la taxe d'accise, il est exigé par les présentes que vous versiez au receveur général au titre de l'obligation du débiteur susmentionné:

- (1) **immédiatement**, les sommes autrement et alors payables au débiteur que vous devez payer;
- (2) toutes les autres sommes autrement payables au débiteur que vous devrez payer dans un délai d'un an, au fur et à mesure que ces sommes deviendront payables;
- (3) lorsque les sommes dont il est question aux points (1) et (2) comprennent des intérêts, un loyer, une rémunération, un dividende, une rente ou un autre paiement périodique, tous ces paiements que vous devez faire au débiteur à toute échéance pendant ou après le délai d'un an, jusqu'à ce que l'obligation soit respectée;

but do not pay hereunder more than \$214,939.87 (the maximum payable).

mais vous n'avez pas à verser plus que 214,939.87\$ (le maximum payable).



Please make cheques or money orders payable to the Receiver General and remit them with one of the enclosed Remittance Vouchers or with the debtor's name, address, account and reference number as well as the remitter's name in the enclosed addressed envelopes.

Veillez libeller les chèques ou mandats à l'ordre du receveur général et les faire parvenir dans les enveloppes-réponses ci-jointes avec une des pièces de versement fournies, ou avec les nom, adresse et numéro de compte et de référence du débiteur y compris le nom du payeur.

Failure to pay the Receiver General the amounts required above renders you personally liable to pay those amounts to Her Majesty.

À défaut de verser au receveur général les sommes exigées ci-dessus, vous serez personnellement redevable du paiement de ces sommes à Sa Majesté.

Collections Contact Officer

Agent des contacts pour le recouvrement

3906-15022092

**REQUIREMENT TO PAY
DEMANDE FORMELLE DE PAIEMENT**

IMPORTANT - SEE REVERSE / IMPORTANT - VOIR AU VERSO

TD Canada Trust (RTP)
Creekside BKS - Legal Demands
3rd Floor
4720 Tahoe Boulevard
Mississauga
ON L4W 5P2

Date JAN 13 2015		TSO BSF
National Collections/Compliance Centre		1290
Contact - Personne-ressource M. Talastas (1221)	Tel. - Tél (866) 634-0910	Ext. - Poste
Reference number - Numéro de référence	Toll Free - Sans frais 1 866-634-0910	

TOUR TECH EAST LIMITED
180 THORNHILL DRIVE
DARTMOUTH
NS B3B 1V3

Account number Numéro de compte	105331516RP0001
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You are hereby required to pay to the Receiver General on account of the above-named tax debtor's liability under one or more of the following Acts (see reverse):

- (1) **forthwith**, the moneys otherwise and immediately payable to the tax debtor which you are required to pay;
- (2) all other moneys otherwise payable to the tax debtor which you will be, within one year, liable to pay, as and when the moneys become payable;
- (3) where the moneys referred to in (1) and (2) include interest, rent, remuneration, a dividend, an annuity or other periodic payment, all such payments to be made by you to the tax debtor at any time during or after the one year period until the liability is satisfied;

La présente exige que vous versiez au receveur général au titre de l'obligation du débiteur fiscal mentionné ci-dessus, en vertu d'une ou de plusieurs des lois énoncées au verso:

- (1) **immédiatement**, les sommes autrement et alors payables au débiteur fiscal que vous devez payer;
- (2) toutes les autres sommes autrement payables au débiteur fiscal que vous devrez payer dans un délai d'un an, au fur et à mesure que ces sommes deviendront payables;
- (3) lorsque les sommes dont il est question aux points (1) et (2) comprennent des intérêts, un loyer, une rémunération, un dividende, une rente ou un autre paiement périodique, tous ces paiements que vous devez faire au débiteur fiscal à toute échéance pendant ou après le délai d'un an jusqu'à ce que l'obligation soit respectée;

but do not pay hereunder more than \$69,271.66 (the maximum payable).

mais vous n'avez pas à verser plus que 69,271.66\$ (le maximum payable).

Please make cheques or money orders payable to the Receiver General and remit them with one of the enclosed Remittance Vouchers or with the tax debtor's name, address, account and reference number as well as the remitter's name in the enclosed addressed envelopes.

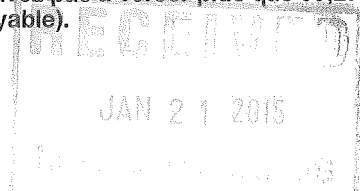
Veillez libeller les chèques ou mandats à l'ordre du receveur général et les faire parvenir dans les enveloppes-réponses ci-jointes avec une des pièces de versement fournies, ou avec les nom, adresse et numéro de compte et de référence du débiteur fiscal y compris le nom du payeur.

Failure to pay the Receiver General the amounts required above renders you personally liable to pay those amounts to Her Majesty.

À défaut de verser au receveur général les sommes exigées ci-dessus, vous serez personnellement redevable du paiement de ces sommes à Sa Majesté.

Collections Contact Officer

Agent des contacts pour le recouvrement



APPENDIX B: ROYNAT LEASE FINANCE DEMAND NOTICE

Roynat > LEASE FINANCE™

5075 Yonge Street
Toronto, ON M2N 6C6
877.340.1881
416.590.8038 / 877.340.8038 Fax
www.roynat.com

DEMAND FOR PAYMENT

January 28, 2015

TOUR TECH. EAST LIMITED
180 THORNHILL DRIVE
DARTMOUTH ON
B3B 1V3

**Re: Lease Contract between Roynat Lease Finance (AS LESSOR) TOUR TECH. EAST LIMITED
(AS LESSEE)
Contract 365255
Default: \$78,482.64**

Pease be advised that the above Lease is \$78,482.64 in default. Attempts to resolve this matter has been without result.

In the event you fail to remedy your account and actions within TEN (10) days from the above-mentioned date, we shall be obliged to take such lawful steps, as we may consider necessary or appropriate to enforce our rights under the lease contract. These steps may include repossessing the leased equipment. In the case of the asset being reposed and liquidated the proceeds are applied to the remaining balance and we look to you for any shortfall. Cost incurred by the Bailiff or legal fees will be added to your account.

We sincerely hope that we will receive payment and that it will not be necessary to take legal action.

Yours truly,


Jennifer Kyle

Collection Manager Central Region

5075 Yonge Street, 2nd Floor Toronto, ON M2N 6C6

Tel: 416-590-8192 direct Tel: 877-340-1881 Ext. 8192ac Fax: 877-340-8038

email: jennifer.kyle@roynat.com

Roynat > LEASE FINANCE™

A SCOTIABANK COMPANY

FORM 115
NOTICE OF INTENTION TO ENFORCE SECURITY
SECTION 244(1) OF the Bankruptcy and Insolvency Act

TOUR TECH. EAST LIMITED
Insolvent persons

Take notice that:

1. **Roynat Inc. o/a Roynat Lease Finance**, a secured creditor, intends to enforce its security on the property of the insolvent persons described below:
AUDIO PRODUCTION EQUIPMENT SERIAL NUMBER: 00492, 00494, 00495
2. The security that is to be enforced is in the form of Agreement # 365255
3. The total amount of indebtedness secured by the security is \$78,482.64 together with interest, that continues to accrue per day.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10 day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

Dated at Toronto this 27TH day of January, 2015


Jennifer Kyle | Senior Collections Manager, Central Region

ROYNAT LEASE FINANCE | 20 Adelaide Street East Suite 601 | Toronto ON | M5C 2T6

T: 416-519-4047 | 416-933-5548 | F: 416-933-2500 | jennifer.kyle@roynat.com

www.roynat.com

Roynat Lease Finance is a business name used by Roynat Inc.

ROYNAT INC.

APPENDIX C: TORONTO DOMINION BANK DEMAND NOTICE

Our File: SK-128881

February 19, 2015

SENT BY EMAIL AND BY COURIER

Tour Tech. East Limited
c/o Peter G. Hendrickson
180 Thornhill Drive
Dartmouth, NS B3B 1V3

Dear Sir:

**Re: The Toronto-Dominion Bank - Tour Tech. East Limited – Outstanding
Credit Facilities**

We are counsel to The Toronto-Dominion Bank (the "Bank") in connection with this matter. We write to you in your capacity as President of Tour Tech. East Limited (the "Company").

We refer to the Letter of Offer (the "Offer") extended by the Bank to the Company and dated July 9, 2014, which was accepted by the Company on July 11, 2014. The Company is currently indebted to the Bank as regards the following credit facilities:

- (i) an Operating Line of Credit, which had an outstanding balance of \$366,308.44 as of February 12, 2015;
- (ii) a Term Loan having a balance of \$49,263.10 as of February 12, 2015. Interest accrues thereafter at the daily rate of \$8.25;
- (iii) a Term Loan having a balance of \$160,685.02 as of February 12, 2015. Interest accrues thereafter at the daily rate of \$23.15;
- (iv) a corporate VISA account, which had a balance of \$49,698.36 as of February 12, 2015 (plus applicable interest and any transactions not yet then posted); and
- (v) an Administration Fee of \$5,000.00.

The Company's Bank debts are secured by a General Security Agreement (the "GSA") granted by the Company to the Bank on November 5, 2007, a Financing Statement for which was recorded pursuant to the *Personal Property Security Act* as Reg. No. 13179916 (as amended and renewed).

The Company's Bank debts are further supported by the personal Guarantee of Peter G. Hendrickson (the "Hendrickson Guarantee") dated March 5, 2012.

We understand that the Company is in default of its obligations to the Bank pursuant to the Offer and its various credit agreements, such defaults including but not being limited to:

- (i) default in payment;
- (ii) failure to pay all taxes, assessments and the government charges as they come due;
- (iii) failure to maintain its required borrowing base ratio; and
- (iv) failure to provide timely financial reporting.

The Bank is not prepared to allow this situation to continue indefinitely. Accordingly, please be advised that in the event that payment in the full amount of **\$630,955.42** (plus the Bank's costs on enforcement and all accrued interest) is not received in our office by way of certified cheque, bank draft or solicitor's trust cheque made payable to "McInnes Cooper in trust" on or before **4:30 PM on Tuesday, March 3, 2015**, legal action will be undertaken to enforce the Company's Bank debts.

In the event legal action becomes necessary, the Bank's claim will be for the full principal debts, all accrued interest and all available legal costs. The Bank may also seek to enforce the GSA and/or the Hendrickson Guarantee.

We enclose a Notice of Intention to Enforce Security issued pursuant to the *Bankruptcy and Insolvency Act*.

We hope that the Company will take this opportunity to resolve this matter at this stage.

Yours very truly,

McINNES COOPER


Stephen Kingston

cc: The Toronto-Dominion Bank
cc: Peter G. Hendrickson

Enclosure

**NOTICE OF INTENTION TO ENFORCE SECURITY (SEC. 244(1)) OF
THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3**

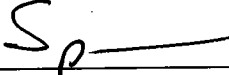
TO: Tour Tech. East Limited

INSOLVENT PERSON

TAKE NOTICE THAT:

1. The Toronto-Dominion Bank, a secured creditor, intends to enforce its security on the property of the Insolvent Person located at 180 Thornhill Drive, Dartmouth, Nova Scotia.
2. The security that is to be enforced is in the form of:
 - (a) A General Security Agreement dated November 5, 2007 and recorded pursuant to the Nova Scotia *Personal Property Security Act* as Number 13179916.
3. The total amount of the indebtedness secured was **\$630,955.42** as of February 12, 2015.
4. The secured creditor will not have the right to enforce the security until after the expiry of the 10-day period following the sending of this Notice, unless the Insolvent Person consents to an earlier enforcement.

DATED at Halifax, Halifax Regional Municipality, Province of Nova Scotia, this 19th day of February, 2015.



STEPHEN KINGSTON
MCINNES COOPER
PO Box 730
Purdy's Tower II
1300-1959 Upper Water Street
Halifax, NS B3J 2V1
Counsel to The Toronto-Dominion Bank

Tour Tech. East Limited hereby waives the 10-day notice period provided for in this Notice, and consents to the immediate enforcement of the security held by The Toronto-Dominion Bank.

Tour Tech. East Limited

Per: _____
Name:
Office:

Witness

Our File: SK-128881

February 19, 2015

Mr. Peter G. Hendrickson
180 Thornhill Drive
Dartmouth, NS B3B 1V3

Dear Sir:

**Re: The Toronto-Dominion Bank - Tour Tech. East Limited – Personal
Guarantee**

We are counsel to The Toronto-Dominion Bank (the "Bank") in connection with this matter.

Tour Tech. East Limited (the "Company") is indebted to the Bank pursuant to a Letter of Offer dated July 9, 2014 and the various credit facilities referenced therein. The Company is also indebted pursuant to a TD Visa Business Card Agreement.

The Company's Bank debts totalled \$630,955.42 as of February 19, 2015.

The Company is in default of its obligations to the Bank. The Bank accordingly made demand for payment upon the Company by way of letter dated February 17, 2015 and issued a Notice of Intention to Enforce Security (the "Notice"). We attach a copy of the demand letter and Notice for your ease of reference.

On March 5, 2012 you executed a personal Guarantee (the "Guarantee") pursuant to which you promised to make payment on demand of all debts and liabilities owed by the Company to the Bank to a maximum principal amount of \$750,000.00, plus interest and costs.

The Bank has requested that we make formal demand for payment upon you pursuant to the Guarantee. Accordingly, please be advised that in the event that payment in the full amount of **\$630,955.42** (plus accrued interest and the Bank's costs on enforcement) is not received in our office by way of certified cheque, solicitor's trust cheque or bank draft made payable to "McInnes Cooper in trust" on or before **4:30 PM on Tuesday, March 3, 2015**, legal action will be undertaken to enforce the Guarantee.

In the event legal action becomes necessary, the Bank's claim will be for the full principal debt, all accrued interest and all available legal costs.

We hope that you will take this opportunity to resolve this matter at this stage.

Yours very truly,

McINNES COOPER


Stephen Kingston

cc: The Toronto-Dominion Bank

Enclosures

SK / id

(19374497_3.docx)

APPENDIX D: BUSINESS DEVELOPMENT BANK OF CANADA DEMAND NOTICE



REGISTERED MAIL: 79 619 616 970

February 19, 2015

Mr. Peter Hendrickson
Tour Tech. East Limited and 3258042 Nova Scotia Limited
180 Thornhill Drive
Dartmouth, NS B3B 1V3

Re: BDC Loans 064470-01 & 064470-02

Dear Mr. Hendrickson:

You are in DEFAULT under the terms of the security for the subject loan and BDC hereby invokes the acceleration clause contained in the security and demands the repayment of the loans in full.

The amount due and payable on the date of this letter is:

	Loan 064470-01	Loan 064470-02
Principal	\$3,371,763.00	\$2,655,295.00
Interest	\$42,596.81	\$44,972.21
Fees	\$1,200.00	N/A
TOTAL	\$3,415,559.81	\$2,700,267.21
Daily interest	\$475.26	\$504.19

Daily interest is required up to and including the date of payment. Interest is compounded monthly and the daily interest amount will increase as a result.

If the sum is not received within 10 days from the date of this letter, BDC shall take such action as may be necessary to enforce its rights as set out in the security.

We enclose the Form 86 Notice of Intention to Enforce Security pursuant to Subsection 244(l) of the *Bankruptcy and Insolvency Act*.

Yours truly,

Karalee Allain
Analyst, Business Restructuring
Phone: (506) 851-7849
Karalee.allain@bdc.ca

Robert Boily
Assistant Vice President, Business Restructuring

Encl.

CC: Tour Tech America LLC



FORM 86

***Notice of Intention to Enforce a Security
(Rule 124)***

To: **Tour Tech. East Limited and 3258042 Nova Scotia Limited**, an insolvent person.

Take notice that:

1. Business Development Bank of Canada, a secured creditor, intends to enforce its security on the insolvent person's property described below:

Land and building located at 170 Thornhill Drive, Dartmouth NS

Land and building located at 180 Thornhill Drive, Dartmouth NS

All personal property of the insolvent person except consumer goods.

2. The security that is to be enforced is in the form of a General Security Agreement and Mortgages of Land and First registered general assignment of rents.

Multiple 01

3. The total amount of the indebtedness secured by the security is \$3,415,559.81 as at February 19, 2015, with interest thereafter at the Bank's floating base rate plus 0.25% per annum compounded monthly and all costs and charges of enforcement.

Multiple 02

4. The total amount of the indebtedness secured by the security is \$2,700,267.21 as at February 19, 2015, with interest thereafter at the Bank's floating base rate plus 2.00% per annum compounded monthly and all costs and charges of enforcement.
5. The secured creditor will not have the right to enforce the security until after the expiration of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

Dated at Moncton NB., this 19th day of February, 2015.

BUSINESS DEVELOPMENT BANK OF CANADA

Karalee Allain
Analyst, Business Restructuring
Phone: (506) 851-7849
Karalee.allain@bdc.ca

Robert Boily
Assistant Vice President, Business Restructuring



CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the above Form 86 Notice;
2. Waives the ten day period of notice required under Section 244 of the Bankruptcy and Insolvency Act; and
3. Consents to the immediate enforcement by Business Development Bank of Canada of the Security referred to in the above Form 86 Notice.

DATED at _____, _____, this ____ day of _____, 201__.

Per: _____
Authorized Signatory



REGISTERED MAIL: 79 619 616 966

February 19, 2015

Mr. Peter Hendrickson
1 Prince Street, Apt. #708
Dartmouth, NS
B3B 1V3

**Re: Tour Tech. East Limited and 3258042 Nova Scotia Limited
BDC Loans 064470-01 & 064470-02**

Dear Mr. Hendrickson:

We enclose herewith a copy of our notice of our demand addressed to the above named borrower, which you will find self-explanatory.

As you are aware, BDC holds guarantees from yourself as underlying security for the above loans. We remind you that pursuant to the terms of the guarantees, BDC is not required to realize on the assets of the borrower mortgaged to BDC before making demand for payment upon you as the guarantor.

This letter constitutes demand upon you for the satisfaction of your guarantee obligation, concurrent with BDC's demand upon the company, and, if the indebtedness to BDC is not settled within 10 days from date of this letter, we propose to take such action as may be necessary for collection thereof.

	Loan 064470-01	Loan 064470-02
Guarantee Principal Amount	\$500,000.00	\$500,000.00
Guarantee Amount Now Due	\$500,000.00	\$500,000.00
Daily interest on the guarantee amount	\$66.54	\$90.75

Daily interest is required up to and including the date of payment. Interest is compounded monthly and the daily interest amount will increase as a result.

Yours truly,

Karalee Allain
Analyst, Business Restructuring
Phone: (506) 851-7849
karalee.allain@bdc.ca

Robert Boily
Assistant Vice President, Business Restructuring

Encl.



REGISTERED MAIL: 79 619 616 952

February 19, 2015

Mr. Peter Hendrickson
Tour Tech America, LLC
170 Thornhill Drive
Dartmouth, NS
B3B 1S3

**Re: Tour Tech. East Limited and 3258042 Nova Scotia Limited
BDC Loans 064470-01 & 064470-02**

Dear Mr. Hendrickson:

We enclose herewith a copy of our notice of our demand addressed to the above named borrower, which you will find self-explanatory.

As you are aware, BDC holds a corporate guarantee from the company as underlying security for the above loans. We remind you that pursuant to the terms of the corporate guarantee, BDC is not required to realize on the assets of the borrower mortgaged to BDC before making demand for payment upon the company.

This letter constitutes demand upon you for the satisfaction of your corporate guarantee obligation, concurrent with BDC's demand upon the company, and, if the indebtedness to BDC is not settled within 10 days from date of this letter, we propose to take such action as may be necessary for collection thereof.

	Loan 064470-01	Loan 064470-02
Guarantee Principal Amount	Full loan outstanding	Full loan outstanding
Guarantee Amount Now Due	\$3,415,559.81	\$2,700,267.21
Daily interest on the guarantee amount	\$475.26	\$504.19

Daily interest is required up to and including the date of payment. Interest is compounded monthly and the daily interest amount will increase as a result.

Yours truly,

Karalee Allain
Analyst, Business Restructuring
Phone: (506) 851-7849
Karalee.allain@bdc.ca

Robert Boily
Assistant Vice-President, Business Restructuring

Encl.

**APPENDIX E: TOUR TECH NOTICE OF INTENTION TO FILE A PROPOSAL
CERTIFICATE**



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Nova Scotia
Division No. 01 - Halifax
Court No. 38848
Estate No. 51-1963560

In the Matter of the Notice of Intention to make a
proposal of:

Tour Tech East Limited
Insolvent Person

DELOITTE RESTRUCTURING INC/RESTRUCTURATION
DELOITT
Trustee

Date of the Notice of Intention: February 20, 2015

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 23, 2015, 08:31

E-File/Dépôt Electronique

Official Receiver

Maritime Centre , 1505 Barrington Street, 16th Floor, Halifax, Nova Scotia, Canada, B3J3K5, (877)376-9902



APPENDIX F: 3258042 NOVA SCOTIA LIMITED NOTICE OF INTENTION TO FILE A PROPOSAL CERTIFICATE



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Nova Scotia
Division No. 01 - Halifax
Court No. 38866
Estate No. 51-1965976

In the Matter of the Notice of Intention to make a
proposal of:

3258042 Nova Scotia Limited
Insolvent Person

DELOITTE RESTRUCTURING INC/RESTRUCTURATION
DELOITT
Trustee

Date of the Notice of Intention: February 27, 2015

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 27, 2015, 13:10

E-File/Dépôt Electronique

Official Receiver

Maritime Centre , 1505 Barrington Street, 16th Floor, Halifax, Nova Scotia, Canada, B3J3K5, (877)376-9902

Canada

APPENDIX G: TOUR TECH FINANCIAL STATEMENTS

TOUR TECH. EAST LIMITED

**Consolidated Financial Statements
(Unaudited)**

December 31, 2013

TOUR TECH. EAST LIMITED

Table of Contents December 31, 2013 (Unaudited)

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Review Engagement Report	
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Consolidated Balance Sheet	2
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Consolidated Schedule of Expenses	14



Review Engagement Report

To the Shareholders of Tour Tech. East Limited

We have reviewed the consolidated balance sheet of **Tour Tech. East Limited** as at **December 31, 2013** and the consolidated statements of income and retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

The financial statements of Tour Tech. East Limited for the year ended December 31, 2012, were reviewed by Horwich Rossiter. The partners and staff of Horwich Rossiter joined Grant Thornton LLP subsequent to March 1, 2014.

Grant Thornton LLP

Halifax, Nova Scotia
May 23, 2014

Chartered Accountants

TOUR TECH. EAST LIMITED

Consolidated Statement of Income and Retained Earnings For the year ended December 31, 2013 (Unaudited)

	2013	2012
Revenue	\$ 4,380,895	\$ 4,602,917
Direct costs (Schedule 1)	<u>2,715,890</u>	<u>2,841,120</u>
Gross profit	1,665,005	1,761,797
Expenses (Schedule 2)	<u>2,078,620</u>	<u>2,103,674</u>
Loss from operations	<u>(413,615)</u>	<u>(341,877)</u>
Other expenses		
Loss on sale of property, plant and equipment	13,027	16,615
Loss on foreign exchange	<u>2,435</u>	<u>1,346</u>
	<u>15,462</u>	<u>17,961</u>
Loss before income taxes	<u>(429,077)</u>	<u>(359,838)</u>
Income tax (recovery)		
Current	-	2,071
Future	<u>(73,180)</u>	<u>(152,243)</u>
	<u>(73,180)</u>	<u>(150,172)</u>
Loss	(355,897)	(209,666)
Retained earnings, beginning of year	3,895,416	4,219,482
Dividends paid	<u>(114,400)</u>	<u>(114,400)</u>
Retained earnings, end of year	<u>\$ 3,425,119</u>	<u>\$ 3,895,416</u>

(The accompanying notes are an integral part of these financial statements)

TOUR TECH. EAST LIMITED

Consolidated Balance Sheet As at December 31, 2013 (Unaudited)

	2013	2012
Assets		
Current		
Accounts receivable (Note 3)	\$ 421,645	\$ 298,614
Inventory (Note 4)	184,138	177,881
Prepaid expenses	<u>135,004</u>	<u>51,837</u>
	740,787	528,332
Advances to 3258042 Nova Scotia Limited (Note 6)	126,163	161,523
Property, plant and equipment (Note 7)	9,377,890	9,612,927
Deferred lease deposits	<u>2,891</u>	<u>2,822</u>
	<u>\$ 10,247,731</u>	<u>\$ 10,305,604</u>
Liabilities		
Current		
Bank indebtedness (Note 8)	\$ 4,084	\$ 26,714
Accounts payable and accrued liabilities (Note 9)	1,276,820	795,610
Customer deposits	106,384	137,268
Promissory note payable (Note 10)	-	75,000
Operating line of credit	560,000	550,000
Private loan from related party (Note 11)	2,352	38,318
Income taxes payable	-	5,321
Long-term debt, current portion (Note 13)	413,649	711,606
Capital lease obligation, current portion (Note 14)	<u>171,906</u>	<u>207,942</u>
	2,535,195	2,547,779
Advances from director (Note 12)	456,260	487,172
Long-term debt (Note 13)	2,909,134	2,206,236
Capital lease obligation (Note 14)	145,990	308,328
Future income taxes	564,127	637,306
Deferred government assistance (Note 15)	<u>111,856</u>	<u>123,317</u>
	<u>6,722,562</u>	<u>6,310,138</u>
Shareholders' equity		
Capital stock (Note 16)	50	50
Contributed surplus	100,000	100,000
Retained earnings	<u>3,425,119</u>	<u>3,895,416</u>
	<u>3,525,169</u>	<u>3,995,466</u>
	<u>\$ 10,247,731</u>	<u>\$ 10,305,604</u>

Approved on behalf of the board

_____ Director

_____ Director

(The accompanying notes are an integral part of these financial statements)

TOUR TECH. EAST LIMITED

Consolidated Statement of Cash Flows For the year ended December 31, 2013 (Unaudited)

	2013	2012
Cash flows from (used in) operating activities		
Loss	\$ (355,897)	\$ (209,666)
Adjustments for		
Amortization	644,442	670,736
Amortization of deferred government assistance	(11,461)	(13,458)
Future income taxes	(73,180)	(152,243)
Loss on sale of property, plant and equipment	13,027	16,615
Non cash interest expense on ACOA loan	<u>6,275</u>	<u>14,098</u>
	223,206	326,082
Change in non-cash working capital items (Note 17)	<u>232,552</u>	<u>15,725</u>
	<u>455,758</u>	<u>341,807</u>
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(519,425)	(747,341)
Proceeds on disposal of property, plant and equipment	90,648	33,182
Deferred lease deposits	<u>-</u>	<u>3,667</u>
	<u>(428,777)</u>	<u>(710,492)</u>
Cash flows from (used in) financing activities		
Private loan from related party	(35,966)	38,318
Advances to related party	35,360	304,661
Advances from director	(30,912)	156,245
Repayment of long-term debt	(2,401,234)	(590,305)
Proceeds of long-term debt	2,806,175	300,000
Repayment of capital lease obligation	(209,114)	(315,006)
Proceeds of capital lease obligation	10,740	510,406
Promissory note payable	(75,000)	75,000
Dividends paid	<u>(114,400)</u>	<u>(114,400)</u>
	<u>(14,351)</u>	<u>364,919</u>
Decrease (increase) in bank indebtedness	12,630	(3,766)
Bank indebtedness, beginning of year	<u>(576,714)</u>	<u>(572,948)</u>
Bank indebtedness, end of year	<u>\$ (564,084)</u>	<u>\$ (576,714)</u>
Represented by:		
Bank indebtedness	\$ (4,084)	\$ (26,714)
Operating line of credit	<u>(560,000)</u>	<u>(550,000)</u>
	<u>\$ (564,084)</u>	<u>\$ (576,714)</u>

(The accompanying notes are an integral part of these financial statements)

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

1. Nature of operations

Tour Tech. East Limited was incorporated under the Nova Scotia Companies Act on September 4, 1984 and rents, sells and installs audio, lighting and video equipment used in the production of entertainment and other special events, as well as the provision of sound stage facilities to accommodate the music and film industries.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for private enterprises. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows.

(a) Consolidation

These consolidated financial statements include the amounts of the company and its 100% wholly-owned subsidiary, Tour Tech. America LLC.

(b) Revenue recognition

Revenue includes equipment and sound stage rentals and sales and installations of equipment. Sales are recognized at the time of delivery, rentals are recognized as services are provided and installations are recognized on a percentage of completion basis.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

(d) Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount and their tax bases. Future income tax assets are recognized for the benefit of any deductions or losses available to be carried forward to future periods for tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in the period of the change.

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

2. Significant accounting policies, continued

(e) Foreign exchange

Monetary assets and liabilities of the company which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. The company provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Buildings	5% Declining balance
Technical equipment	10% Declining balance
Vehicles	30% Declining balance
Furniture and fixtures	20% Declining balance
Computer system software	45% Declining balance
Computer equipment & software	30% Declining balance
Fences	10% Declining balance
Dome tent	10% Declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

3. Accounts receivable

	<u>2013</u>	<u>2012</u>
Trade accounts receivable	\$ 423,155	\$ 308,567
Allowance for doubtful accounts	(3,899)	(12,342)
Investment tax credits (Note 7)	2,389	2,389
	<u>\$ 421,645</u>	<u>\$ 298,614</u>

4. Inventory

	<u>2013</u>	<u>2012</u>
Sales inventory	\$ 99,652	\$ 106,350
Service inventory	84,486	71,531
	<u>\$ 184,138</u>	<u>\$ 177,881</u>

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

5. **Investment tax credits receivable**

The company has recorded in its financial statements the income tax benefit of prior years' investment tax credits. These credits are available to reduce federal income taxes payable in future years.

6. **Advances to 3258042 Nova Scotia Limited**

3258042 Nova Scotia Limited is related to the company by virtue of common control. The company leases premises owned by 3258042 Nova Scotia Limited. Advances are non-interest bearing with no set terms of repayment. The following transactions occurred between the related parties:

Expenses - Rent	<u>\$ -</u>	<u>\$ 327,844</u>
-----------------	-------------	-------------------

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. **Property, plant and equipment**

	2013			2012
Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 288,750	\$ -	\$ 288,750	\$ 288,750
Buildings	1,320,952	759,511	561,441	590,990
Technical equipment	14,808,739	6,457,618	8,351,121	8,563,227
Vehicles	328,333	260,766	67,567	69,008
Furniture and fixtures	70,159	38,705	31,454	27,235
Leasehold improvements	63,455	3,348	60,107	51,965
Computer system software	65,904	64,483	1,421	2,583
Computer equipment & software	93,593	89,316	4,277	6,110
Fences	20,090	11,454	8,636	9,596
Dome tent	5,000	1,884	3,116	3,463
	<u>\$ 17,064,975</u>	<u>\$ 7,687,085</u>	<u>\$ 9,377,890</u>	<u>\$ 9,612,927</u>

Included in capital assets are leased assets with a net book value of \$482,963 (2012 - \$592,836).

8. **Operating line of credit**

The company has a bank operating line of credit with a maximum limit of \$500,000. When used, the loan bears interest at the bank's base rate plus 1.5%. As security the Company has provided an assignment of inventory, receivables, life insurance and specific equipment together with a general security agreement on all assets.

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

9. **Accounts payable and accrued liabilities**

	2013	2012
Trade payables and accruals	\$ 1,191,161	\$ 751,883
Government payroll remittances payable	21,687	32,574
HST payable	63,972	11,153
	\$ 1,276,820	\$ 795,610

10. **Promissory note payable**

The company has a promissory note payable in the amount of \$75,000 bearing interest at 6.0%. This was paid in full during the year.

11. **Private loan from related party**

Private loan from related party bears interest at 9.84% and has no specified terms of repayment. The lender is a sibling of the controlling shareholder of the Company.

12. **Advances from directors**

Advances from directors are non-interest bearing and have no specified terms of repayment.

13. **Long-term debt**

	2013	2012
BDC loan payable by seasonal monthly principal payments of \$18,860, secured by land and building with a carrying value of \$850,191, maturing December 2028, bearing interest at the bank's floating base rate plus 2.0%. Payments to commence April 2014.	\$ 2,806,175	\$ -
5.12% TD loan, payable in blended monthly payments of \$6,500. Principal moratorium began August 2013 and payments to commence February 2014 to maintain current amortization to March 2017.	227,565	259,883
5.79% TD Loan payable in blended monthly payments of \$9,850, maturing June 2015, secured by equipment with a carrying value of \$320,747. Principal moratorium began August 2013 and payments to commence February 2014 to maintain current amortization to June 2015.	160,398	205,594
Non-interest bearing repayable portion of financial assistance from Atlantic Canada Opportunities Agency payable in monthly payments of \$8,333 to June 2015.	127,848	188,036
2.99% Scotiabank loan payable in blended monthly payments of \$799, maturing January 2014, secured by a vehicle with a carrying value of \$9,863.	797	10,213
BDC loan payable by seasonal monthly payments of \$10,135, bearing interest at the bank's floating base rate secured by a charge on land and building. Paid in full during the year.	-	1,013,500
Carried forward	\$ 3,322,783	\$ 1,677,226

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

13. **Long-term debt, continued**

	2013	2012
Carried forward	\$ 3,322,783	\$ 1,677,226
BDC loan payable by seasonal monthly principal payments of \$12,600, bearing interest at the bank's floating base rate plus 1.00% secured by a charge on land and building. Paid in full during the year.	-	604,800
BDC loan payable by seasonal monthly payments of \$12,250, bearing interest at the bank's floating base rate plus 1% secured by a charge on land and building. Paid in full during the year.	-	367,500
BDC loan payable by seasonal monthly principal payments of \$4,640, bearing interest at the bank's floating base rate plus 0.75%. Paid in full during the year.	-	97,440
BDC loan payable by seasonal monthly principal payments of \$4,500, bearing interest at the bank's floating base rate plus 0.75%. Paid in full during the year.	-	90,000
BDC loan payable by monthly principal payments of \$1,755, bearing interest at the bank's floating base rate plus 1.00%. Paid in full during the year.	-	66,690
4.90% TD loan, payable in blended monthly payments of \$2,060, matured July 2013.	-	14,186
	3,322,783	2,917,842
Less current portion	413,649	711,606
Due beyond one year	\$ 2,909,134	\$ 2,206,236
Estimated future principal re-payments are as follows:		
2014	\$ 413,649	
2015	367,054	
2016	263,512	
2017	207,933	
2018	188,600	
Subsequent years	1,882,035	
	\$ 3,322,783	

As security for the BDC loan obtained during the year in the amount of \$2,806,175 the Company has provided a general security agreement with a first security interest in all present and future acquired property subject only to a chartered bank charge on equipment, inventory and receivables in support of the company's line of credit not exceeding \$800,000 and prior leasing charges. The charge on land and building is in the form of a first re-advanceable mortgage in the principal amount of \$3,000,000. The BDC floating base rate at December 31, 2013 was 5.00%.

14. **Capital lease obligation**

	2013	2012
--	-------------	-------------

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

14. **Capital lease obligation, continued**

National Lease capital lease obligation for equipment with a carrying value of \$6,807 pledged as security, repayable in monthly installments of \$291 plus HST including interest at 9.95% per annum with a maturity date of July 3, 2016 and a buyout option of \$10 at maturity.	\$	7,910	\$	10,453
Wells Fargo capital lease obligation for equipment with a carrying value of \$170,674 pledged as security, repayable in monthly installments of \$5,103 plus HST including interest at 5.9% per annum with a maturity date of August 1, 2016 and a buyout option of \$250 at maturity.		150,713		201,392
National Leasing capital lease obligation for equipment with a carrying value of \$9,666 pledged as security, repayable in monthly installments of \$510 plus HST including interest at 11.21% per annum with a maturity date of December 2011 and a buyout option of \$1,661 at maturity.		9,547		-
Wells Fargo capital lease obligation for equipment with a carrying value of \$75,134 pledged as security, repayable in monthly installments of \$2,986 plus HST including interest at 7.47% per annum with a maturity date of April 2015 and a buyout option of \$250 at maturity.		45,342		76,513
A & J Sharp Investments Inc. capital lease obligation with equipment with a carrying value of \$64,573 pledged as security, repayable in monthly installments of \$4,222 plus GST including interest at 12% per annum with a maturity date of July 30, 2014		28,405		72,725
Add Capital capital lease obligation for equipment with a carrying value of \$38,803 pledged as security, repayable in monthly installments of \$1,288 plus HST including interest at 14.54% per annum with a maturity date of February 1, 2017 and a buyout option of \$5,152 at maturity		39,049		48,104
Wells Fargo capital lease obligation for equipment with a carrying value of \$22,564 pledged as security, repayable in monthly installments of \$1,219 plus HST including interest at 7.5% per annum with a maturity date of June 2014 with a buyout option of \$250 at maturity		7,154		20,684
Wells Fargo capital lease obligation for equipment with a carrying value of \$94,742 pledged as security, repayable in monthly installments of \$5,061 plus HST including interest at 6.77% per annum with a maturity date of May 1, 2014 with a buyout option of \$250 at maturity		29,776		86,399
		317,896		516,270
Less current portion		171,906		207,942
Due beyond one year	\$	145,990	\$	308,328

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

14. Capital lease obligation, continued

Interest charges to the accounts of the company on the above during the year amounts to \$34,329 (2012 - \$18,072).

Estimated future principal re-payments are as follows:

2014	\$ 171,906
2015	87,612
2016	53,376
2017	<u>5,002</u>
	<u>\$ 317,896</u>

15. Deferred government assistance

In prior years, the company received government assistance in the amount of \$187,500 towards the construction of a sound stage. The assistance has been deferred and is being amortized on the same basis as the related asset is depreciated. Amortization in 2013 was \$4,400 (2012 - \$4,632).

In 2010 the company received an interest free loan from ACOA in the amount of \$500,000. A government assistance interest benefit in the amount of \$68,951 was recorded based on the market rate of interest for similar loans. This amount is being amortized on the same basis as the technical equipment purchased with the loan. Amortization in 2013 was \$7,061 (2012 - \$8,826).

16. Capital stock

	2013	2012
Authorized		
40,000 common shares with a par value of \$1 each		
100,000 preferred shares with a par value of \$1 each		
Issued		
50 common shares	<u>\$ 50</u>	<u>\$ 50</u>

Contributed surplus arose in a prior year from the redemption of preferred shares at nominal value.

17. Change in non-cash working capital items

	2013	2012
Accounts receivable	\$ (123,031)	\$ 97,521
Inventory	(6,257)	13,506
Prepaid expenses	(83,167)	1,712
Accounts payable and accrued liabilities	481,212	(145,588)
Customer deposits	(30,884)	49,212
Income taxes payable	<u>(5,321)</u>	<u>(638)</u>
	<u>\$ 232,552</u>	<u>\$ 15,725</u>

18. Financial instruments

Financial instruments consist of recorded amounts of accounts receivable which will result in future cash receipts, as well as a bank indebtedness, accounts payable, capital lease obligations and long-term debt

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

18. **Financial instruments, continued**

which will result in future cash outlays.

The company is exposed to credit risk by virtue of having accounts receivable from customers. Management mitigates this risk through timely collection of receivables and negotiating adequate payment terms on its installment contracts and other billings where possible. The company's history of bad debts relative to its level of accounts receivable has been minimal.

The company's exposure to interest rate fluctuations is with respect to the use of its operating line of credit and a portion of long term debt which bear interest at floating rates.

The company conducts part of its business in \$US currency and is subject to exchange rate risk on foreign currency fluctuations.

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

19. **Capital management**

The company manages its capital to ensure that it will be able to continue as a going concern while providing a return to its stakeholders. The company's overall strategy remains unchanged from December 31, 2011.

The capital structure of the business consists of equity attributable to common shareholders, comprised of issued capital stock, accumulated retained earnings and contributed surplus.

The company is subject to externally imposed capital requirements as follows:

- 1) Equity is to be maintained in the amount of \$3,716,648 or higher
- 2) The working capital ratio is to be maintained at 1.0:1 or better
- 3) The Term Debt to Tangible Equity ratio is not to exceed 2.0:1
- 4) Total Debt to Tangible Net Worth is not to exceed 2.5X
- 5) A debt service coverage is to be maintained of at least 105%

The equity requirement, working capital ratio and debt service coverage ratio were not met in 2013, however the Company believes they are compliant with all other covenant requirements. BDC, TD bank and ACOA could increase the rate of principal and interest payments based on the breach of covenant.

20. **Commitments**

As at December 31, 2012, the company has outstanding commitments under operating lease agreements for vehicles as follows:

2014	\$ 25,068
2015	18,368
2016	<u>70,202</u>
	<u>\$ 113,638</u>

21. **Contingent liabilities**

Under terms of the government assistance agreement, the Company may be required to repay funding if conditions of the agreement are not fulfilled.

22. **Income taxes**

For income tax purposes, the company has non-capital losses which can be applied to reduce future years' taxable income. These losses expire as follows:

2028	\$ 79,394
2029	275,275
2030	816,387
2031	<u>660,056</u>
	<u>\$ 1,831,112</u>

TOUR TECH. EAST LIMITED

Notes to the Consolidated Financial Statements For the year ended December 31, 2013 (Unaudited)

23. **Comparative amounts**

Certain prior year financial statement figures have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings

TOUR TECH. EAST LIMITED

Schedules to the Consolidated Financial Statements
For the year ended December 31, 2013
(Unaudited)

Consolidated schedule of direct costs	Schedule 1	
	2013	2012
Wages and benefits	\$ 1,002,263	\$ 1,106,554
Amortization	577,682	598,456
Materials	396,004	574,051
Freight	256,811	161,319
Equipment rentals	235,513	162,860
Sub-contracts	125,804	128,038
Supplies	105,293	93,542
Automotive	<u>16,520</u>	<u>16,300</u>
	<u>\$ 2,715,890</u>	<u>\$ 2,841,120</u>

Consolidated schedule of expenses	Schedule 2	
	2013	2012
Wages and benefits	\$ 991,519	\$ 830,567
Interest on long-term debt	206,144	188,286
Utilities	174,351	137,706
Interest and bank charges	115,967	97,292
Automotive	108,466	111,857
Property taxes	81,682	82,578
Travel	74,067	68,763
Amortization	55,299	58,822
Repairs and maintenance	53,343	48,171
Office	52,957	26,160
Insurance	51,659	52,566
Interest on capital lease obligation	34,329	18,072
Professional fees	34,261	24,487
Telephone and utilities	27,197	29,256
Advertising and promotion	17,379	962
Rent	-	327,844
Bad debts	<u>-</u>	<u>285</u>
	<u>\$ 2,078,620</u>	<u>\$ 2,103,674</u>

**Tour Tech East Limited and Tour Tech America
Consolidated Statement of Earnings
and Retained Earnings**

Nov 30, 2014

Revenue	4,264,495
Direct Costs (Schedule 1)	<u>3,266,153</u>
Gross Profit	998,342
Expenses (Schedule 2)	<u>1,082,487</u>
Income from Operations	<u>(84,145)</u>
Other Income	
Gain on Sale of property, plant and equipment	(489,357)
Foreign Translation Gain (loss)	6,932
Earnings (Loss) before income taxes	<u>(566,569)</u>
Income Taxes	
Current	0
Future	<u>0</u>
	<u>0</u>
Net Earnings / Loss	<u><u>(566,569)</u></u>
Retained Earnings, beginning of year	3,418,190
Dividends	<u>(105,600)</u>
Retained Earnings, end of year	<u><u>2,746,021</u></u>

**Tour Tech East Limited and Tour Tech America
Consolidated Balance Sheet**

Nov 30, 2014

Assets

Current

Cash	
Accounts Receivable	227,488
Inventory	181,686
Investment Tax Receivable	
Prepays	66,783
Deposit	22,410
	<u>498,367</u>

Property, plant and equipment	9,279,048
Deferred tax	-
Investment to 3258044 NS Ltd	143,022
Deferred lease deposits	5,565
	<u>9,926,001</u>

Liabilities

Current

Bank indebtedness	567
Accounts payable and accrued liabilities	2,266,151
Bank Operating Line	390,000
Customer Deposits	17,066
Income tax payable	-
Long-term debt, current portion	416,113
Capital lease obligation, current portion	112,625
	<u>3,202,523</u>

Advances from director, non-interest bearing, no set terms of repayment	403,538
Private Loan from related Party	14,616
Promissory Note payable	75,000
Long term Debt	2,567,012
Capital lease obligation	141,260
Future Income Tax	564,127
Deferred Government Assisatance	111,856
	<u>3,877,408</u>

Shareholders Equity

Capitol Stock	50
Contributed Surplus	100,000
Retained Earnings	2,746,021
	<u>2,846,071</u>
	<u>9,926,001</u>

**Tour Tech East Limited and Tour Tech America
Consolidated Schedule of Cost of Sales**

	As at 30-Nov-14
Materials	219,994
Wages and Benefits	1,438,541
Amortization	500,409
Rented Equipment	258,337
Supplies	159,914
Freight	271,845
Sub-contracts	288,683
Vehicle Rentals / Leases	99,727
Commissions	-
Equipment repairs	28,703
	<u>3,266,153</u>

Tour Tech East Limited and Tour Tech America Consolidated Schedule of Expenses

	As at 30-Nov-14
Advertising and Donations	6,208
Amortization	48,190
Bad Debts	-
Insurance	43,360
Interest and Bank Charges	117,293
Interest on Long Term Debt	185,220
Office	29,753
Office / Warehouse Lease	-
Professional Fees	44,941
Property Tax	76,799
Repairs and Maintenance	14,587
Telephones and Internet	22,339
Travel	49,450
Utilities	160,770
Wages and benefits	246,892
Group Benefits	35,301
Interest on Capital Lease Obligations	1,385
Miscellaneous Expense	-
	<hr/>
	<u>1,082,487</u>

**Tour Tech East Limited and Tour Tech America Consolidated
Long Term Debt
As at Nov 30, 2014**

Loan Institution	Opening Balance	Monthly Payments	Current	Long Term
LONG TERM DEBT				
BDC LOAN 064470-02	2,655,295.00	1,755.00	188,600.00	2,466,695.00
ACOA EQUIPMENT LOAN	88,991.75	8,333.00	88,991.75	-
TD LOAN RENO	171,198.81	5,700.42	70,882.00	100,316.81
TD Loan Video Wall	67,639.50	7,410.05	67,639.50	-
	2,983,125.06	23,198.47	416,113.25	2,567,011.81
CAPITAL LEASES OBLIGATIONS				
Wells Fargo (Vari Lite)	101,556.99	5,102.52	56,745.80	44,811.19
Wells Fargo (AVD/Yamaha)	14,656.17	2,986.21	14,656.17	-
ADD CAPITAL	29,510.27	1,287.88	11,941.27	17,569.00
National Lease	5,334.47	290.91	3,092.89	2,241.58
Roynat	63,878.66	1,705.27	13,633.80	50,244.86
NATIONAL LEASE ADAMSON	34,206.71	1,190.49	7,813.60	26,393.11
NATIONAL LEASE (DEHUMIDIFIERS)	4,741.25	494.78	4,741.25	-
	253,884.52	13,058.06	112,624.78	141,259.74
TOTAL	3,237,009.58	36,256.53	528,738.03	2,708,271.55

APPENDIX H: ROYAL BANK OF CANADA ACCOUNT RECONCILIATION

Appendix H: RBC Account Reconciliation

Estate No: 51-1963560

Court No: 38848

District No: 02

Division No: 01-Halifax

Period of February 5, 2015 to February 24, 2015

Cash receipts

Collection of outstanding accounts receivable	87,717
Collection of rental income	3,377
Collection of deposits	53,475
Proceeds on sale of equipment	34,424
Proceeds on sale of assets	4,980
	<u>183,972</u>

Cash disbursements

Payroll	79,969
Power	15,646
Other utilities	11,355
Legal retainer	10,000
External labour	9,746
Shareholder Loan Withdraw	3,750
Operating expenses	3,734
Equipment Appraisal	2,875
Bank Fees	212
	<u>137,287</u>

Balance, February 24, 2015

46,685

The information presented above is based on financial information provided by the Company. This information has not been audited, reviewed or otherwise verified by the Proposal Trustee.



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25 Feb 2015

CAD Chequing 01793-1010248

Show All Transactions for the last 30 days

Date	Description	Withdrawals	Deposits	Balance
25 Feb 2015	DEPOSIT		3,788.26	50,312.35
24 Feb 2015	CHEQUE - 007	80.50		46,524.09
24 Feb 2015	CHEQUE - 999180	80.08		
24 Feb 2015	DEPOSIT		36.80	
23 Feb 2015	CC 0000000000004	10,000.00		46,647.87
23 Feb 2015	CHEQUE - 999184	9,745.95		
23 Feb 2015	CHEQUE - 005	2,300.00		
23 Feb 2015	CHEQUE - 001	1,750.00		
23 Feb 2015	CHEQUE - 006	575.00		
20 Feb 2015	DEPOSIT		115.00	71,018.82
20 Feb 2015	CASH WITHDRAWAL	3,670.01		
19 Feb 2015	CHEQUE - 999182	567.81		74,573.83
19 Feb 2015	DEPOSIT		4,960.53	
18 Feb 2015	CHEQUE - 999177	2,043.95		70,181.11
18 Feb 2015	CHEQUE - 999183	2,000.00		
18 Feb 2015	CHQ PRINTING FEE -CHQ/DEP ORDER	166.20		
18 Feb 2015	DEPOSIT		32,890.00	
18 Feb 2015	WWW PAYMENT - 7358 -HERITAGE GAS	6,928.42		
18 Feb 2015	WWW PAYMENT - 7918 -N.S. POWER INC	4,096.98		
18 Feb 2015	WWW PAYMENT - 4107 -N.S. POWER INC	3,041.97		
18 Feb 2015	WWW PAYMENT - 8260 -HERITAGE GAS	1,730.26		
18 Feb 2015	WWW PAYMENT - 7868 -N.S. POWER INC	683.86		
17 Feb 2015	DEPOSIT		6,900.00	57,982.75
17 Feb 2015	WWW PAYMENT - 2764	3,166.14		
13 Feb 2015	INT E-TRF FEE	1.50		54,248.89
13 Feb 2015	CHEQUE - 999181	5,786.43		
13 Feb 2015	CHEQUE - 999178	2,043.95		
13 Feb 2015	CHEQUE - 999179	1,006.25		
13 Feb 2015	CHEQUE - 999176	966.26		
13 Feb 2015	CHQ PRINTING FEE -CHQ/DEP ORDER	24.31		
13 Feb 2015	INTERAC E-TRF- 0739	1,365.21		
13 Feb 2015	WWW PAYMENT - 6353 -TELUS MOBILITY	1,785.03		
13 Feb 2015	WWW PAYMENT - 9256 -EASTLINK	911.74		
12 Feb 2015	INT E-TRF FEE	1.50		68,139.57
12 Feb 2015	DEPOSIT		39,090.80	
12 Feb 2015	DEPOSIT		13,368.69	
12 Feb 2015	CASH WITHDRAWAL	16,300.00		
12 Feb 2015	CASH WITHDRAWAL	9,800.00		
12 Feb 2015	CASH WITHDRAWAL	7,822.81		
12 Feb 2015	INTERAC E-TRF- 3528	1,350.88		
12 Feb 2015	FUNDS TRANSFER FEE -TT GEAR-SOURCE	15.00		

12 Feb 2015	FUNDS TRANSFER CR -TT GEAR-SOURCE		34,423.65	
11 Feb 2015	INT E-TRF FEE	1.50		16,546.62
11 Feb 2015	DEPOSIT		920.00	
11 Feb 2015	CASH WITHDRAWAL	9,800.00		
11 Feb 2015	INTERAC E-TRF- 1836	1,247.01		
10 Feb 2015	INT E-TRF FEE	1.50		26,675.13
10 Feb 2015	DEPOSIT		46,115.00	
10 Feb 2015	DEPOSIT		1,075.25	
10 Feb 2015	CASH WITHDRAWAL	9,800.00		
10 Feb 2015	CASH WITHDRAWAL	8,760.00		
10 Feb 2015	INTERAC E-TRF- 2493	1,989.45		
9 Feb 2015	DEPOSIT		1,417.83	35.83
9 Feb 2015	CASH WITHDRAWAL	1,400.00		
6 Feb 2015	DEPOSIT		218.50	18.00
6 Feb 2015	CASH WITHDRAWAL	240.00		
5 Feb 2015	CREDIT MEMO		2,439.50	39.50
5 Feb 2015	CASH WITHDRAWAL	2,400.00		

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APPENDIX I: TOUR TECH NOI CASH FLOW

Appendix I: NOI Cash Flow

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

Tour Tech East Limited
Summary Cash Flow
 Prepared as of February 20, 2015

Week ended	1	2	3	4	5	6	7	8	9	10	11	12	13
	Feb-27	Mar-06	Mar-13	Mar-20	Mar-27	Apr-03	Apr-10	Apr-17	Apr-24	May-01	May-08	May-15	May-22
Opening Cash	71,019	36,861	385,714	337,658	395,211	319,691	342,729	298,241	345,683	335,489	353,347	333,278	304,471
Operating Inflows													
Existing AR	26,311	724	11,004	68	1,500	2,772	2,438	-	-	4,249	-	-	-
New sales	14,438	75,415	40,787	130,396	22,238	53,003	55,860	99,747	85,271	75,328	65,635	27,300	60,232
Total Operating Inflows	40,750	76,139	51,791	130,464	23,738	55,775	58,298	99,747	85,271	79,577	65,635	27,300	60,232
Operating Outflows													
Cost of goods sold	-	15,945	9,747	25,787	6,427	18,707	19,219	27,074	24,483	14,859	13,124	6,262	12,157
Operating expenses	17,295	5,970	3,250	25,525	12,913	2,995	3,150	17,025	13,113	3,820	3,675	14,375	18,150
Compensation	47,613	3,867	75,354	4,200	72,750	3,867	73,250	1,038	50,700	30,106	51,507	28,303	51,377
Professional fees	10,000	57,003	11,496	17,399	7,168	7,168	7,168	7,168	7,168	12,918	17,399	7,168	7,168
HST payable	-	-	-	-	-	-	-	-	16	-	-	-	-
Total Outflows	74,908	82,785	99,848	72,911	99,258	32,737	102,786	52,305	95,464	61,719	85,705	56,108	88,851
Operating cash flow	(34,158)	(6,646)	(48,056)	57,553	(75,520)	23,038	(44,488)	47,442	(10,193)	17,858	(20,069)	(28,807)	(28,619)
Closing cash (before DIP)	36,861	30,214	337,658	395,211	319,691	342,729	298,241	345,683	335,489	353,347	333,278	304,471	275,852
DIP funding	-	355,500	-	-	-	-	-	-	-	-	-	-	-
Closing cash (after DIP)	36,861	385,714	337,658	395,211	319,691	342,729	298,241	345,683	335,489	353,347	333,278	304,471	275,852
Projected DIP position	-	401,569	401,569	403,138	404,708	406,295	407,883	409,471	411,058	412,671	414,284	415,896	417,509

APPENDIX J: JW CAPITAL FINANCING TERM SHEET

J. W. CAPITAL INC.
2001-1969 Upper Water Street
Purdy's Tower Two
Halifax NS B3J 3R7

February 18, 2015

Tour Tech. East Limited
180 Thornhill Drive
Dartmouth, Nova Scotia
B3B 1V3

Dear Sirs:

Re: Debtor in Possession Financing

The following is an offer of Debtor in Possession (DIP) financing for the account of Tour Tech. East Limited ("Tour Tech"). Any obligation on us as lender is subject to our due diligence and the attainment of all the conditions stated herein.

J. W. Capital Inc. (the "Lender") is prepared to make a DIP loan to Tour Tech (the "Borrower") during the Term in the amount of Six Hundred Thousand Dollars (Can\$600,000) to assist it in the successful completion of a Division 1 Proposal under the Bankruptcy and Insolvency Act, with Deloitte Restructuring Inc. as trustee, on the Advance Schedule and the interest rates as defined herein. Advances under the DIP facility shall be subject to borrowing base calculations and margin formulas as determined by the Lender in due diligence.

1. Term

The purpose of the loan is to provide DIP financing and working capital. The term of the loan (the "Term") is six (6) months. The DIP facility can be repaid in full at any time without penalty. Pre-payment shall not reduce the interest payable on the DIP Facility. The DIP Facility may, with consent of the DIP Lender, be extended beyond the Term on a 30 day basis.

2. Advance Schedule

The DIP Facility shall be advanced on the following tranches:

- a) \$400,000 upon placement of all security provided for herein to the satisfaction of the Lender, and court approval on terms satisfactory to the Lender to provide to the Lender the priorities provided for herein, from which the Lender shall deduct the 3% restructuring fee and the Holdback;
- b) \$100,000 per draw thereafter on an as-needed basis as required by the Cash Flow Projections approved by the Trustee under the Proposal.

3. Interest

Interest on the DIP Facility shall accrue at the rate of 20.4% per annum calculated daily and compounded monthly based on the balance of the DIP Facility. Interest shall be calculated daily for the actual number of days elapsed in the period during which it accrues based on a year of 365/366 days, as applicable.

The interest shall be deferred and paid in full at the end of the Term or upon any date of prepayment in full of the DIP Facility.

Interest after default or after the Term shall accrue at the rate of 24% per annum, calculated monthly.

The DIP Facility shall be subject to a minimum guaranteed interest income to the Lender of 1.7% per month for six months on the full DIP Facility (\$600,000) or \$61,200.

4. Fees

A restructuring fee of 3%, non-refundable, will be payable from the first advance. The Borrowers shall be responsible for all out-of-pocket expenses, for which a holdback of 8% (the "Holdback") will be maintained. Each draw shall be subject to a \$500 administration fee, to be deducted from the advance.

5. Repayment

The loan is repayable (i) as set out herein; (ii) at any time after the Term on thirty (30) days prior written notice if extended by the Lender as outlined herein; or (iii) on demand based on a default, as described herein, that is not waived by the Lender.

Repayment of the DIP facility is expected from refinancing by the Borrower, new equity investments, excess cash flow or liquidation of assets of the Borrower.

Principal repayments, as per the attached Cash Flow Projections, will be required based on a percentage of excess cash flow, as provided for in the attached Cash Flow Projections. The DIP Facility is to have been reduced to an amount not in excess of \$150,000 by the end of the Term. Principal, once paid, will not be re-advanced.

Any proceeds from the sale of capital equipment, as approved by the Lender, shall be used to repay the Lender.

6. Default

The DIP Facility may be called at the discretion of the DIP Lender, including in the event of:

- a) Any material adverse change in the circumstances of the Borrower or its industry, or the Guarantor;
- b) Any material negative deviation from the Cash Flow Projections as filed with the court. Not to limit the discretion of the Lender, a negative deviation of 15% shall be deemed material in closing cash, as contained in the Cash Flow Projections;
- c) Any failure by the Borrower to make principal repayments during the Term;
- d) Any loss by the Lender of the priorities provided for herein;
- e) Any breach by the Borrower of its covenants herein or in the DIP Charge documents;
- f) The Supreme Court of Nova Scotia or any other applicable court lifting the stay of proceedings for any other creditor; and
- g) Any other circumstance which the Lender deems to make its position insecure.

7. Security

The security for the DIP facility (the "DIP Charge") shall be the following:

- a) First Charge General Security Agreement;
- b) First Charge General Assignment of Accounts Receivable;
- c) Guarantee from 3258042 Nova Scotia Limited (the "Guarantor"), secured by a second charge real property mortgage on land and fixtures at 180 Thornhill Drive, Dartmouth, Nova Scotia.

The Lender acknowledges that the priority of its charges against the Borrower may be subject to an Administration Charge not to exceed \$100,000. The Lender is not liable for payment of any amount of the Administration Charge, or any component thereof.

8. Borrower Covenants

The Borrower agrees:

- a) To pay all sums of money under this Agreement;

- b) To use advances under the DIP Facility only for purposes as contemplated in the Cash Flow Projections, as contained herein;
- c) To file all tax and required returns which are or will be required to be filed to pay or make provision for payment of all material taxes (including interest and penalties);
- d) Not to make any intercompany, shareholder or related party transfers or loans without our prior written consent.
- e) Not to make any capital expenditure or acquisitions or incur additional debt without our prior written consent;
- f) Not to change its name or merge, amalgamate or consolidate with any other corporation without our prior written consent;
- g) To give us prompt notice of any event of default or of any event which, with lapse of time, would constitute an event of default under this or any other agreement;
- h) Any sale of equipment is approved by the Lender and the proceeds go to the Lender.

9. Conditions Precedent

The obligations of the Lender to make the DIP facility available, and to make advances thereunder, shall be subject to and conditional upon the following:

- a) The Borrower shall provide a detailed equipment list, together with any encumbrances thereon, on or before February 27, 2015. The Lender shall have the right to inspect the equipment at any time that amounts under the DIP Facility remain outstanding;
- b) Satisfactory due diligence to be completed by us;
- c) The Borrower has obtained an Order from the Supreme Court of Nova Scotia on or before February 27, 2015, or such later date as the Lender may agree in writing, that provides for the creation of the DIP Charge in accordance with the terms and priorities contained herein;
- d) Our security interest ranking first over all assets of the Borrower, except for an Administration charge not to exceed \$100,000;
- e) Such registrations of the security, in all relevant jurisdictions, in form acceptable to us and our legal counsel.

- f) Satisfactory insurance confirming adequate coverage with loss payable to the DIP Lender in accordance with its priority;
- g) Satisfactory opinions from counsel for the Lender.

10. Borrower Reporting

The Borrower shall report weekly with an aged listing of the accounts receivable, accounts payable, a copy of the cheque run, a borrowing base certificate (to be developed during due diligence), evidence of payment of all government remittances, a comparison of actual results to the Cash Flow Projections and internally prepared financial statements, including balance sheet, income statement and cash flow statement, all in a form acceptable to Lender.

11. General

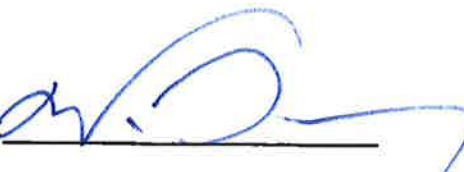
All costs incurred by us, including legal fees, professional fees, search and registration fees are for the account of the Borrower and shall be paid from the Holdback and, thereafter, by the Borrower.

While we have attempted to include all necessary security, reporting and other specific requirements, we reserve the right to include in any final security agreement such other terms and conditions as result from the due diligence as specified above.

If you wish to proceed with this DIP facility, please sign below and return a copy of this document, on or before February 27, 2015, after which date this offer is void.

Yours truly,

J. W. CAPITAL INC.

Per 

We accept this Term Sheet and agree to provide any and all information requested.

Dated at Dartmouth, this 17th day of February, 2015.

TOUR TECH. EAST LIMITED

Per: *Peter*

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APPENDIX K: CASTLE EQUIPMENT APPRAISAL (MARCH 2014)



CASTLE APPRAISALS LTD.
66 Castlewood Drive • Dartmouth, NS • B2V 2R3
Phone: (902) 209-0057 • Fax: (902) 435-1652 • E-Mail: coffman@ns.sympatico.ca



Equipment Appraisal Report
(Fair Market Value & Forced Sale Value)

of

Tour Tech East Limited
180 Thornhill Dr., Dartmouth, N.S. B3B 1V3

Prepared For:

Craig Whynot

Prepared By:

Elliot Offman A.A.
Castle Appraisals Valuation Services
March 18, 2014

Member:
Canadian Association of Personal Property Appraisers



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CASTLE APPRAISALS LTD.

66 Castlewood Drive • Dartmouth, NS • B2V 2R3
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To: Craig Whynot
Accountant, Tour Tech East Limited
180 Thornhill Dr.,
Dartmouth, N.S. B3B 1V3

From: Elliot Offman

Subject: Tour Tech East Limited
Rental Equipment Appraisal

18/03/2014

Dear Mr. Whynot:

This report is in response to your request for an independent appraisal of the equipment belonging to the above operation. The appraised value is based on our on-site inspection of the equipment on Friday, March 14 and Tuesday, March 18, 2014; and, an investigation into the equipment used to present concerts and shows in the entertainment industry. The appraised values are based on facts, figures and our professional judgement.

Of the several available methods used to determine appraised value two are most appropriate in this particular instance. The first is what is known as the "Fair Market Value" or the most probable price accommodating chattels (equipment) should bring in a fair and open market, under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably where the buyer and seller are typically motivated and price represents the normal consideration for assets sold unaffected by special or creative financing or sales concessions by anyone associated with the sale. The second is the "Forced Liquidation Value" or the most probable price estimated in Canadian currency which could be typically realized at a properly advertised and conducted public auction sale or tender, taking place in a short period of time usually within thirty days and under present day economic trends as of the effective date of this appraisal report. Conclusions taken into consideration are physical location, difficulty of removal, adaptability, specialization, marketability, over-all appearance and psychological appeal. All items are to be sold on a piece meal basis "as is, where is" with the purchaser responsible for the removal of the assets at his own risk and expense. Any deletions to the total amount appraised would affect the psychological and/or monetary appeal to gain the price indicated. The reader should note, there are additional costs associated with this method such as advertising and sales fees or auction commissions. However, in order to most accurately determine an appraised value the following factors have been examined in preparing a valuation of the equipment. 1) Whether and at what cost is equipment available which is a suitable replacement or substitute for that in place. 2) Whether a market exists for the equipment should it be necessary to liquidate.

The attached listing, "Current Equipment", contains a complete breakdown of the rental equipment used most of the time. The estimated "Fair Market Value" of the listed equipment is \$6,931,450.00 and the estimated "Forced Sale Value" is \$4,852,020.00. A second listing provided by the company, "Dated Equipment" consists of older rental equipment. We have taken into consideration age, condition and changes in technology in order to value these items. We have not broken down this listing individually but have placed an overall value of approximately 20% of the original cost as an estimated "Fair Market Value" or \$1,550,000.00. The "Forced Sale Value" is estimated at \$1,000,000.00.

In summary the total estimated "Fair Market Value" of the rental equipment is \$8,481,450.00 and the "Forced Sale Value" is \$5,852,000.00. Both these lists are items that the company has not put up for sale.

APPROACHES TO VALUES:

Comparison Sales Approach: The primary intent of this approach is to determine the desirability of the asset and recent sales offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the asset being appraised. If the comparable sales are not exactly similar to the assets being appraised, adjustments must be made to bring them as closely in line as possible with the subject property.

Cost Approach: This approach is based on the proposition that the informed purchaser would pay no more for an item than the cost of producing a substitute item with the same utility as the subject item. It considers that the maximum value of the item to a knowledgeable buyer would be the amount currently required to construct or purchase anew asset of equal utility. When the subject asset is not new, the current cost must be adjusted for all forms of depreciation as of the effective date of the appraisal.

Income Approach: This approach considers the value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income. This approach is the least common approach used in the valuation of machinery because it is difficult to isolate income attributable to such assets.

Depreciation: defines as the actual loss in value or worth of equipment from all causes including those resulting from physical deterioration, functional obsolescence, and economical obsolescence.

Physical Deterioration: A form of depreciation where the loss in value or usefulness of an asset is attributed solely to physical causes such as wear and tear and exposure to the elements.

Functional Obsolescence: A form of depreciation where the loss in value is due to factors inherent in the equipment itself and due to change in design, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, or excess operating cost.

Economical Obsolescence: A form of depreciation or loss in value, caused by unfavorable external conditions. These can include such things as the economics of the industry, availability of financing, loss of material or labor source, passage of new legislation, and change in ordinances.

METHODOLOGY, CERTIFICATION, ASSUMPTIONS & LIMITING CONDITIONS:

In the course of analysis, Castle Appraisals Limited performed the following procedures.

- 1) Physically inspected the Company's machinery and equipment to determine the age and condition of the designated assets with information listings supplied by the company.
- 2) Conducted discussions with the Company's representative concerning the use, maintenance, condition of the designated assets and financial data. Information provided by them has been assumed to be correct for the purposes of this report and no responsibility is taken for the accuracy of the same.
- 3) Analyzed the Company's designated assets to determine the resale market potential.
- 4) Considered physical deterioration, useful life, functional obsolescence and economic obsolescence in our valuation of the designated assets.
- 5) As in most appraisals, the sales comparison approach has been utilized. It is that in which recent auction and private liquidation sales of similar machinery and equipment are analyzed to arrive at an indication of the most probable selling price of the assets being sold. The logic behind the sales comparison approach is the principal of substitution, which addresses the theory that a reasonable and prudent buyer will not pay more for the equipment than the cost of acquiring a similar piece of equipment at a lower price. The market consists of used dealers, auctions, public and private sales. The appraiser gathers data on sales of comparable assets and analyses the nature and condition of each sale, making logical adjustments for dissimilar characteristics. Typically, a common denominator is found such as similar make, model and date of manufacture.

All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. This report has been prepared in conformity with the "Standards and Practices of the Canadian Association of Personal Property Appraisers" and reflects the best judgment of the appraiser.

No responsibility is assumed for matters of a legal nature, which might affect the assets that is the subject of this appraisal. In particular, but without limiting the generality of the foregoing, the annexed appraisal assumes that the assets are not subject to any liens, encumbrances, or impediments to its free transferability and that such assets conform to all statutes, regulations and codes that might relate to or affect use, sale, or other disposition of such assets.

The opinions as to the value stated in this report are premised upon the specific methods of sale discussed herein and must not be used in conjunction with any other proposed method of disposition.

The appraiser is not an attorney at law. The reader is advised to consult with his/her attorney on general rules of law as they apply to the assets in question.

The appraisal is based upon the value of the assets as of the date of this report and is subject to change, among other things including changes in the market or the composition of the assets, which could have a significant effect upon the value. Castle Appraisals Limited assumes no responsibility for economic or physical factors occurring subsequent to the date of this report.

Elliot Offman and Castle Appraisals Limited have no present or prospective interest in the property that is the subject of this report and the appraiser has no personal interest or bias with respect to the parties involved.

Elliot Offman is an accredited member in good standing of the Canadian Association of Personal Property Appraisers and has prepared this report in compliance with their standards and practices. This report is subject to review by the Canadian Association of Personal Property Appraisers or by their duly authorized committee.

Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

All opinions as to the value are presented as the appraiser's considered opinion, based on the facts and data set forth in the report. The values reported herein are an opinion only and not a warranty or a representation of fact. No responsibility is assumed for any inability to sell the assets at the values projected herein. Other than stated herein, no representation, warrant, or statement is made as to the value or marketability of the assets. Neither all nor any part of the contents of this appraisal shall be conveyed to other parties without written consent of Castle Appraisals Limited.

The opinions expressed herein are valid only for the express and stated purpose of providing information and assistance to the parties to whom this report is specifically addressed and to their counsel in connection with the proposed financing and are not in any way, implied or expressed, to be construed, used, circulated, quoted, relied upon, or otherwise referred to for any other purpose.

The appraiser's opinion of machinery and equipment condition is derived from a limited visual inspection and/or discussion with maintenance personnel or operators, if available. The equipment was not tested under power for defects. The values reported assume the equipment is operational and serviceable unless otherwise stated in this report.

The fee for this appraisal does not cover attendance at hearings, judicial or otherwise. Any work subsequent to this report will be billed at a separate rate, to be determined as applicable. Digital pictures are available upon request. Please feel free to contact us should you require additional information.

Comments & Recommendations:

A third listing has also been supplied by the company. The listing contains items that the company has put up for sale. The price \$596,015.00, in our opinion, is too high. We estimate the realistic value to be between \$275,000.00 and \$325,000.00. With regards to the "Dated Equipment" schedule, we would suggest that should these assets not be used on a continual basis, these assets should be sold as well.

Thank you,

A handwritten signature in blue ink, appearing to read 'E. Offman', with a long horizontal flourish extending to the right.

Elliot Offman A.A.

Appraiser

Castle Appraisal Limited