

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO. 01-MONTREAL
COURT NO. 500-11-047518-143
ESTATE NO. 41-1919185

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE BANKRUPTCY
OF:

Noveko International Inc.,
in the city of Montreal,
in the Province of Quebec

Bankrupt

Richter Advisory Group Inc.

Trustee

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On October 7, 2014, Noveko International Inc. (the "Bankrupt") filed a Notice of Intention to make a Proposal ("Notice of Intention") in accordance with the *Bankruptcy and Insolvency Act* ("BIA") of Canada. The Bankrupt failed to file a proposal within the statutory period following the filing of the Notice of Intention or within any Court-granted extension and was therefore deemed to have made an assignment of its assets pursuant to the provisions of the BIA.

Consequently, on April 7, 2015, Richter Advisory Group Inc. (the "Trustee") was named trustee of the estate of the Bankrupt by the Official Receiver.

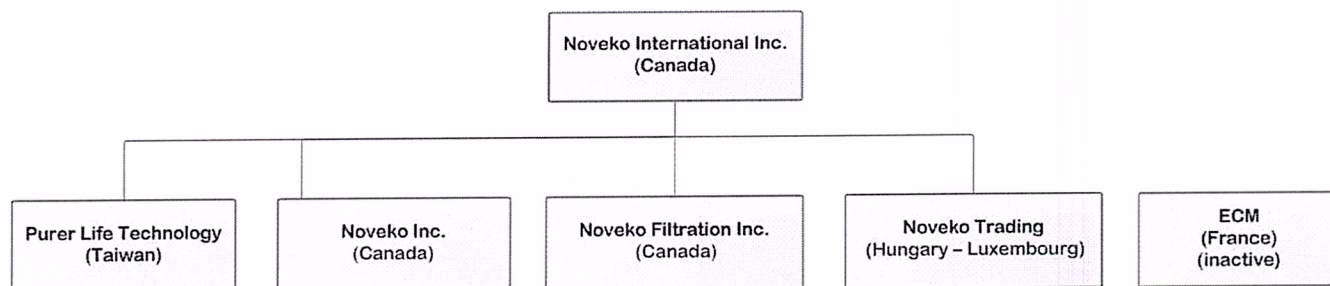
The purpose of this report is to inform all interested parties about our preliminary administration and our findings.

The information contained in this report has been prepared from the available books and records of the Bankrupt. The books and records have not been audited or verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained in this report.

I. INTRODUCTION

The Bankrupt, through its subsidiaries, designed, developed, manufactured, and marketed specialized highly efficient and reusable air filters for commercial, industrial, agricultural and transportation applications.

The corporate structure below identifies each of the Bankrupt's subsidiaries and affiliated companies.



The Bankrupt, Noveko International Inc. was the parent company and was the only entity that filed for protection under the BIA. Noveko Filtration Inc. designs, develops, and manufactures air filters and Noveko Inc. sells antimicrobial masks, hand sanitizers and other antimicrobial products. The other subsidiaries are not active but hold various patents.

The Bankrupt operated out of leased facilities at 149 J.-A. Bombardier, in Boucherville, Québec. Its head office was located at 1 Place Ville Marie, suite 2101, Montréal, Québec.

The Bankrupt's default on its lending facilities and the continuous operating losses incurred over the past several years were the main reasons for its financial difficulties which resulted in significant cash flow deficiencies and its ultimate bankruptcy.

II. EVENTS POST FILING OF THE NOTICE OF INTENTION

On October 7, 2014, the Bankrupt retained the services of Richter to assist in its efforts to sell the assets used in the commercial activities of the Noveko group of companies.

On March 18, 2015 as a result of the sale process, one offer, a credit bid received from the principal secured lender, Third Eye Capital Corporation ("TEC"), for the purchase of all assets of the Bankrupt's including the shares of its subsidiaries was accepted. TEC reserved the right to transfer and assign its offer as well as up to \$10 million of its secured debt which totalled \$15.5 million, to a newly incorporated entity, Protair-X Technologies Inc. ("Protair-X" or the "Purchaser"), which completed the sale with the Bankrupt in lieu of TEC. The Superior Court of Québec approved the transaction on March 20, 2015.

III. STATEMENT OF AFFAIRS

In accordance with the BIA, a statement of affairs showing the Bankrupt's assets and liabilities as at the date of bankruptcy was prepared from the information supplied by André Leroux, president of the Bankrupt, pursuant to the sworn declaration.

A) Assets

As per the books and records, the Bankrupt no longer holds any assets following the sale transaction described above.

B) Liabilities

It is important to note that the exact amount of the Bankrupt's liabilities as at April 7, 2015, will only be determined once all proofs of claim have been submitted by the creditors and have been compiled and analyzed by the Trustee. Nonetheless, the following is a summary of the Bankrupt's liabilities based upon preliminary information:

Noveko International Inc. Statement of Affairs As at April 7, 2015	
Secured Creditors	-
Preferred Creditors	-
Unsecured Creditors	\$ 9,678,632

Secured Creditors

The Bankrupt's principal secured lender was TEC which assigned its rights to Protair-X which now has security over all of the Bankrupt's assets. The statement of affairs indicates that there were no known secured creditors as at the date of bankruptcy. However, a proof of claim in the amount of \$6.5 million has been received by the Trustee from Protair-X, who is asserting a secured claim in the amount of \$5.5 million and an unsecured claim of \$1.0 million. The price offered for the purchase of all the assets of the Bankrupt was less than the actual secured debt and thus, leaving a remaining balance that has been claimed by Protair-X.

The Trustee retained McMillan LLP, as independent legal counsel, to opine on the validity and enforceability of the security that was issued in favor of TEC and which was subsequently assigned to Protair-X. McMillan's opinion concludes that the secured lender hold validity perfected security interests in the Bankrupt's assets.

Preferred Creditors

According to the statement of affairs, there are no known preferred creditors. The Trustee is not aware of any amounts owing to any government authorities which would be considered a priority. Notice has been sent to all employees and other possible preferred creditors and the ultimate amount of this category of claims will only be subsequently determined once any proofs of claims are received.

Unsecured Creditors

According to the statement of affairs, unsecured ordinary creditors total approximately \$9.7 million. A proof of claim in the amount of \$6.5 million has been received by the Trustee from Protair-X, including a secured claim of \$5.5 million and an unsecured claim of \$1.0 million. However, as of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

IV. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

A) Books and Records, Security and Protective Measures

Given that all the assets of the Bankrupt, including its books and records were covered by the sale transaction noted above, the Purchaser retained custody of the books and records. The Trustee has made the necessary arrangements with the Purchaser to have full and unfettered access to the books and records and any other information requested for the purposes of completing its administration.

B) Reviewable Transactions and Preferential Payments


The Trustee will perform a review of the payments to creditors preceding the date of the bankruptcy which may be reviewable, preferential or undervalued as defined within the meaning of the BIA. The Trustee, upon completion of the review, will discuss any relevant findings with the Inspectors to be appointed at the first meeting of the creditors.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

Pursuant to the Court approved sale transaction, no assets remain with the Bankrupt and all proceeds from the sale were used to repay the secured lender in part. As such, no dividends will be available to the preferred (if any) and/or ordinary creditors.

Dated at Montreal, this 27th day of April 2015

Richter Advisory Group Inc.
Trustee



Raymond Massi, CPA, CA, CIRP
Administrator of the Bankruptcy