

RICHTER

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 NOTICE OF
INTENTION OF:

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

Debtor

Richter Advisory Group Inc.

Trustee

**TRUSTEE'S SECOND REPORT ON THE STATE OF THE INSOLVENT PERSON'S BUSINESS AND
FINANCIAL AFFAIRS**
(Pursuant to 50.4(7)(b)(ii) and 50.4(9) of the *Bankruptcy and Insolvency Act*)

I, Raymond Massi, CPA, CA, CIRP of Richter Advisory Group Inc. ("Richter"), Trustee, with respect to the Notice of Intention to Make a Proposal ("Notice of Intention") filed by Noveko International Inc. (the "Debtor"), an insolvent person, do hereby report to the Court the following:

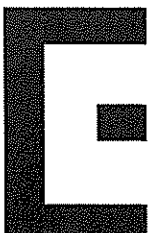
I. NOTICE OF INTENTION

1. On October 7, 2014, the Debtor filed a Notice of Intention to Make a Proposal in accordance with the *Bankruptcy and Insolvency Act* ("the Act").
2. On October 10, 2014, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention.
3. The Debtor's principal secured lender is Third Eye Capital Corporation and all of its assets as well as those of its subsidiaries are pledged to Third Eye Capital Corporation. On October 16, 2014, the Court issued an order, authorizing a \$2 million interim credit facility secured by a first ranking charge in favour of Third Eye Capital Corporation.
4. On October 17, 2014, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from October 7, 2014 to November 7, 2014, which included the major assumptions used in the preparation of the

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Montréal, Toronto



afore-noted forecast. Concurrently therewith, the Trustee filed its report on the reasonableness of the forecast in accordance with Section 50.4(2)(b) of the Act.

5. On November 3, 2014, the Debtor filed a Motion to Extend the Deadline for Filing a Proposal to its creditors until December 19, 2014 and filed with the Official Receiver a Statement of Projected Cash Flow together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from November 3, 2014 to December 19, 2014. Concurrently therewith, the Trustee filed its report on the reasonableness of the forecast in accordance with Section 50.4(2)(b) of the Act.
6. On November 5, 2014, the Court granted an Order extending the deadline to file a proposal to December 19, 2014.
7. On December 15, 2014 the Debtor filed a Motion to Extend the Deadline for Filing a Proposal to its creditors until January 30, 2015 ("Motion").

II. BACKGROUND AND OPERATIONS OF THE DEBTOR

8. As noted in the Trustee's Report dated November 3, 2014, the Debtor, through its subsidiaries, designs, develops, manufactures and markets specialized highly efficient and reusable filters for commercial, industrial, agricultural and transportation applications.
9. Since the filing of the Notice of Intention, the Debtor and its operating subsidiaries continue to carry on their respective commercial operations.
10. The actual results for the period October 7, 2014 to December 12, 2014 are submitted as **Exhibit "A"**. The actual results to date have been consistent with the two forecasts previously submitted to the Court at the time of the filing for protection and the first extension and the Debtor has been paying its suppliers and employees, on a timely basis, subsequent to the date of the filing of the Notice of Intention.

III. SALE PROCESS

11. In addition to the appointment of Richter as Trustee, the Debtor retained the services of Richter to administer and oversee a solicitation process to seek purchasers, strategic partners and/or investors and to acquire some or all of the Debtor's assets on a going concern basis or to invest in the Debtor and/or its subsidiaries, including Noveko Filtration Inc. and/or Noveko Inc., and/or the shares or assets of these subsidiaries, including without limitation, any of its intellectual property and that of its subsidiaries.
12. As part of its mandate, Richter prepared a virtual data room to assist any interested parties in assessing this business opportunity. The data room included the following information:
 - Corporate background and history
 - Organizational chart

- Historical financial information
- Projected financial information
- Key contractual agreements
- Patent information
- Other relevant information and documents

13. Richter also prepared the following documents:

- Summary information ("Teaser")
- Non-Disclosure Agreement
- General Terms and Conditions governing the sale of the assets or shares

14. Richter performed a thorough research in order to identify parties that may have interest in this business opportunity and management of the Debtor provided their input to identify potential purchasers for the business units. A total of approximately 150 potential investors or purchasers were identified ("Potential Purchasers").

15. During the week of November 10, 2014 the Teaser was sent to the Potential Purchasers.

16. Following the mailing of the Teaser, in order to accelerate the process, Richter contacted various potential investors/purchasers to follow up on their level of interest.

17. A number of conference calls were organized by Richter allowing potential purchasers and management of the Debtor to discuss the business opportunity.

18. In total, 4 non-disclosure agreements were signed and those parties were granted access to the virtual dataroom.

19. Richter requested that offers be submitted by December 5, 2014 to which various offers were received.

20. Richter and the Debtor are currently assessing the offers received.

IV. MOTION

21. The Debtor is filing a motion to the Court requesting additional time to file a proposal to its creditors so that it can, with the assistance of Richter, assess the offers received and eventually conclude a transaction with one or more of the offerors some time in January 2015. As part of the Debtor's assessment, a decision will be made as to the feasibility of the Debtor filing a proposal to its creditors. Accordingly, the Debtor's motion is requesting an extension until January 30, 2015.

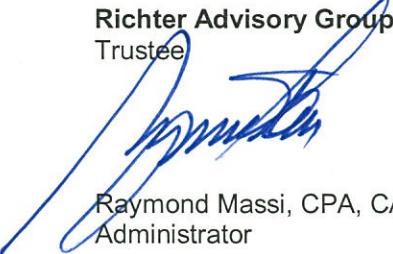
22. The Debtor has prepared an additional cash flow forecast which is annexed hereto as **Exhibit "B"**. This Exhibit B includes the Statement of Projected Cash Flow covering the period from December 15,

2014 to January 30, 2015, which details the major assumptions used in the preparation of the aforementioned forecast, the Trustee's report on the reasonableness of this forecast in accordance with Section 50.4(2)(b) of the Act and the Debtor's report pursuant to section 50.4(2)(c) of the Act.

23. Third Eye Capital Corporation has been advised of the Debtor's motion and does not oppose the extension sought herein.
24. The Debtor's request for a further delay to file a proposal will not cause any prejudice to the creditors.
25. The Debtor has been acting in good faith and has been dealing diligently with its affairs.
26. In the event that the extension is not granted and a bankruptcy ensues, the piecemeal disposition of the Debtor's assets would likely result in a substantial shortfall to the creditors, including Third Eye Capital Corporation who hold first ranking security against all the Debtor's assets as well as those of its subsidiaries. Consequently, the creditors' best opportunity to maximize recovery in this matter is to allow the Debtor time to conclude the solicitation process for the sale of its business activities/assets as a going concern.
27. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to January 30, 2015.

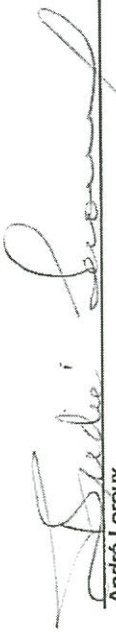
DATED AT MONTRÉAL, Province of Québec, this 15th day of December 2014.

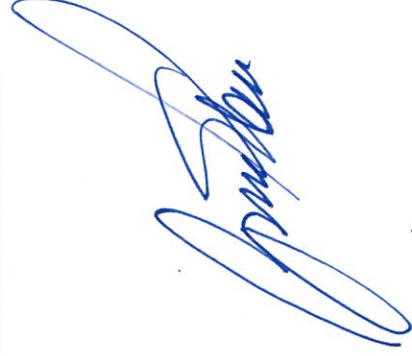
Richter Advisory Group Inc.
Trustee



Raymond Massi, CPA, CA, CIRP
Administrator

<p style="text-align: center;">Noveko International Inc. Projected Cash Flow versus Actual Results For the Period October 7 to December 12, 2014</p>				
	Actual Oct. 7 to Oct. 31	Actual Nov. 1 to Dec. 12	Total	
Receipts				
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	-
Receipts from Sales	32,573	105,931		138,505
Receipts from Subsidiaries (net)	16,867	654,916		671,784
Other Receipts	13,000	-		13,000
Total Receipts	62,441	761,000		823,441
Disbursements				
Salaries and Benefits	44,960	58,883		103,843
General and Administrative	51,799	79,694		131,492
Professional Fees	-	216,493		216,493
Interest	-	-		-
Disbursements to Subsidiaries (net)	131,124	420,867		551,991
Total Disbursements	227,883	775,937		1,003,820
Net cash inflow (outflow)	(165,442)	(15,089)		(180,531)
Bank Balance (Beginning)	-	-		-
Funding from Secured Lender	165,442	15,089		180,531
Bank Balance (Closing)	\$ -	\$ -		\$ -


André Leroux
Chairman of the Board and Chief Executive Officer
Noveko International Inc.



Noveko International Inc. Projected Cash Flow versus Actual Results For the Period November 3 to December 12, 2014				
	Actual	Projected	Variance	Notes
Receipts				
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	
Receipts from Sales	105,931	108,000	(2,069)	
Receipts from Subsidiaries (net)	654,916	127,000	527,916	1
Total Receipts	761,000	235,000	526,000	
Disbursements				
Salaries and Benefits	58,883	69,000	(10,117)	
General and Administrative	79,694	95,000	(15,306)	
Professional Fees	216,493	166,000	50,493	
Disbursements to Subsidiaries (net)	420,867	425,000	(4,133)	2
Total Disbursements	775,937	755,000	20,937	
Net cash inflow (outflow)	(15,089)	(520,000)	504,911	
Bank Balance (Beginning)	-	-	-	
Funding from Secured Lender	15,089	520,000	(504,911)	1
Bank Balance (Closing)	\$ -	\$ -	\$ -	

1. Approximately \$300K of the positive variance is the result of timing with the remaining positive variance a result of greater than anticipated sales.
2. The negative variance is the result of additional legal fees not projected.



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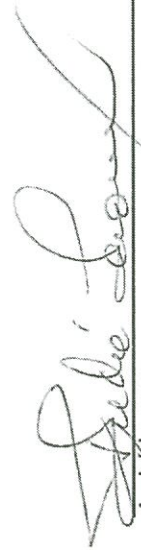


Noveko International inc.

État des projections sur l'évolution de l'encaisse

Pour la période du 15 décembre 2014 au 30 janvier 2015

Semaine se terminant le :	19-Dec-14	26-Dec-14	02-Jan-15	09-Jan-15	16-Jan-15	23-Jan-15	30-Jan-15	Total
Recettes								
Ventes des divers actifs (à déterminer)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recettes - ventes	-	-	18,000	-	47,000	-	-	65,000
Recettes des filiales (net)	20,000	-	-	-	72,000	-	-	92,000
Recettes - autres	-	-	-	-	-	-	-	-
Total des recettes	20,000	-	18,000	-	119,000	-	-	157,000
Déboursés								
Salaires et bénéfices	-	18,000	-	18,000	-	18,000	-	54,000
Frais d'exploitation	5,000	33,000	1,000	18,000	2,000	6,000	35,000	100,000
Honoraires professionnels	17,000	17,000	17,000	17,000	17,000	25,000	17,000	127,000
Intérêts	-	-	-	-	-	-	-	-
Déboursés des filiales (net)	-	41,000	195,000	208,000	-	30,000	32,000	506,000
Total des déboursés	22,000	109,000	213,000	261,000	19,000	79,000	84,000	787,000
Variation de l'encaisse	(2,000)	(109,000)	(195,000)	(261,000)	100,000	(79,000)	(84,000)	(630,000)
Solde bancaire (début)	-	-	-	-	-	-	-	-
Financement du créancier garanti	2,000	109,000	195,000	261,000	(100,000)	79,000	84,000	630,000
Solde bancaire (fermeture)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -


 André Leroux
 Président du conseil et chef de la direction
 Noveko International Inc.



District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047518-143
Estate No. 41-1919185

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Noveko International Inc.
Of the City of Montréal
In the Province of Québec

The attached statement of projected cash flow of Noveko International Inc, as of the 11th day of December 2014, consisting of the period from December 15, 2014 to January 30, 2015, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: ☒ the management and employees of the insolvent person or ☐ the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: ☒ management or ☐ the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 15th day of December 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:



Raymond Massi, CPA, CA, CIRP
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Montréal QC H3A 0G6
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District of: Quebec
Division No. 01 - Montréal
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FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Noveko International Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

Noveko International Inc. filed a Notice of Intention to Make a Proposal on October 7, 2014. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Noveko International Inc. (the "Company"), for the period from December 15, 2014 to January 30, 2015, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on December 11 2014 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from December 15, 2014 to January 30, 2015, considering the economic conditions that are considered the most probable by management. As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

- (a) Projected Cash Receipts
 - The projected cash receipts are estimated by management, based upon the collection experience of the Company.
- (b) Projected Cash Disbursements
 - The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;
 - The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.
 - The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 15th day of December 2014.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee
Per:



Raymond Massi, CPA, CA, CIRP
1881 avenue McGill College, 12e étage
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047518-143
Estate No. 41-1919185

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Noveko International Inc.
Of the City of Montréal
In the Province of Québec

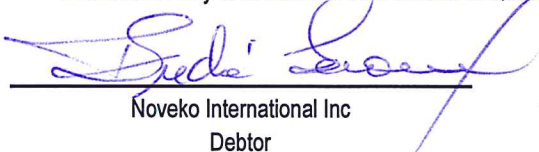
The management of Noveko International Inc, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 11th day of December 2014, consisting of the period from December 15, 2014 to January 30, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 15th day of December 2014.



Noveko International Inc
Debtor

André Leroux, Officer of the Corporation
Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047518-143
Estate No. 41-1919185

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Noveko International Inc.
Of the City of Montréal
In the Province of Québec

Purpose:

Noveko International Inc. filed a Notice of Intention to Make a Proposal on October 7, 2014. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Noveko International Inc. (the "Company"), for the period from December 15, 2014 to January 30, 2015, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on December 11 2014 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from December 15, 2014 to January 30, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

- The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

- The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;
- The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.
- The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 15th day of December 2014.


Noveko International Inc