

# 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

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**TRUSTEE'S FOURTH REPORT ON THE STATE OF THE INSOLVENT PERSON'S BUSINESS AND  
FINANCIAL AFFAIRS**  
(Pursuant to 50.4(7)(b)(ii), 50.4(9) and 50.6 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:

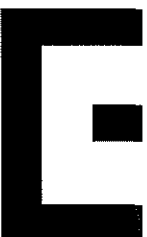
## I. NOTICE OF INTENTION

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 ("DIP Facility"). Under the terms of this credit agreement, the obligations under this DIP Facility were to mature on January 21, 2015.
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,

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2014 to November 7, 2014, which included the major assumptions used in the preparation of the 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 Delay to Make 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. On November 5, 2014, the Court granted an Order extending the deadline to file a proposal to December 19, 2014.
6. On December 15, 2014 the Debtor filed a Motion to Extend the Delay to Make a Proposal to its creditors until January 30, 2015 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 December 19, 2014 to January 30, 2015. Concurrently therewith, the Trustee filed its report on the reasonableness of the forecast in accordance with Section 50.4(2)(b) of the Act. On December 17, 2014, the Court granted an Order extending the deadline to file a Proposal to January 30, 2015.
7. On January 19, 2015, the Debtor filed a Motion to Extend Interim Financing Orders to January 30, 2015. On January 21, 2015, the Court granted an Order extending the Interim Financing to January 30, 2015.
8. On January 28, 2015 the Debtor filed two Motions:
  - A Motion to Extend the Delay to Make a Proposal to its creditors until February 27, 2015;
  - A Motion to Extend Interim Financing Orders to February 27, 2015.

## II. BACKGROUND AND OPERATIONS OF THE DEBTOR

9. As noted in the Trustee's Reports dated November 3, 2014 and December 15, 2014, the Debtor, through its subsidiaries, designs, develops, manufactures and markets specialized highly efficient and reusable filters for commercial, industrial, agricultural and transportation applications.
10. Since the filing of the Notice of Intention, the Debtor and its operating subsidiaries continue to carry on their respective commercial operations.
11. The actual results for the period October 7, 2014 to January 23, 2015 are submitted as **Exhibit "A"**. The actual results to date have been consistent with the forecasts previously submitted to the Court. 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. SOLICITATION PROCESS

12. 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.
13. The Trustee's Report dated December 15, 2014 provides a detailed summary of the solicitation process administered by Richter.
14. Richter requested that offers be submitted by December 5, 2014 to which various offers were received.
15. Richter and the Debtor are in the final stages of negotiations with the potential purchaser to conclude the terms and conditions of the sale of all the assets of the Debtor. In addition, as an important condition to the sale transaction, the Debtor and the potential purchaser are in discussions with the landlord regarding the assignment of the lease at the Debtor's Boucherville premises.

### IV. MOTIONS

16. 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, conclude a transaction with the bidder by the end of February 2015. Once the transaction is concluded and 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 February 27, 2015.
17. The Debtor is also filing a motion to the Court requesting an extension of the DIP Facility until February 27, 2015. The Debtor continues to borrow, repay and re-borrow funds as envisaged under the DIP Facility while it finalizes its agreement to a successful closing of a sale transaction and assesses the possibility of filing a proposal to its creditors as part of its restructuring efforts.
18. Third Eye Capital Corporation has agreed to extend the DIP Facility until February 27, 2015 under the same terms and conditions as previously accepted by the Debtor. This will be documented by an amendment to the DIP credit agreement.
19. The Debtor has prepared an additional cash flow forecast for the period January 23, 2015 to February 27, 2015 which is annexed hereto as **Exhibit "B"**. The cash flow indicates that the Debtor will not surpass the maximum authorized DIP Facility of \$2 million. This Exhibit B includes the Statement of Projected Cash Flow covering the period from January 23, 2015 to February 27, 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.

20. The Debtor's request for a further delay to file a proposal and an extension of the DIP Facility until February 27, 2015 will not cause any prejudice to the other creditors.
21. The Debtor has been acting in good faith and has been dealing diligently with its affairs.
22. In the event that the extension to file a proposal is not granted and a bankruptcy ensues, the piecemeal disposition of the Debtor's assets would 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 a transaction for the sale of its assets as a going concern.
23. Given the foregoing, the Trustee hereby recommends that the Court grant the extension to file a proposal to its creditors and the extension of the DIP Facility both to February 27, 2015.

DATED AT MONTRÉAL, Province of Québec, this 28<sup>th</sup> day of January 2015.

**Richter Advisory Group Inc.**  
Trustee

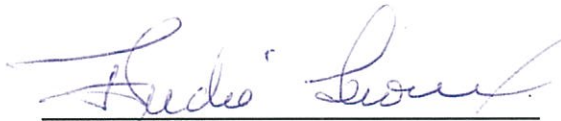


Raymond Massi, CPA, CA, CIRP  
Administrator



Noveko International Inc.  
 Projected Cash Flow versus Actual Results  
 For the Period October 7 2014 to January 23, 2015

	Actual Oct. 7 to Oct. 31	Actual Nov. 1 to Dec. 12	Actual Dec. 13 to Jan. 23	Total
<b>Receipts</b>				
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	\$ -
Receipts from Sales	32,573	105,931	48,534	187,039
Receipts from Subsidiaries (net)	16,867	654,916	85,305	757,088
Other Receipts	13,000	-	-	13,000
<b>Total Receipts</b>	<b>62,441</b>	<b>761,000</b>	<b>133,839</b>	<b>957,280</b>
<b>Disbursements</b>				
Salaries and Benefits	44,960	58,883	69,145	172,988
General and Administrative	51,799	79,694	28,155	159,647
Professional Fees	-	216,493	26,618	243,111
Disbursements to Subsidiaries (net)	131,124	420,867	407,214	959,204
<b>Total Disbursements</b>	<b>227,883</b>	<b>775,937</b>	<b>531,131</b>	<b>1,534,951</b>
<b>Net cash inflow (outflow)</b>	<b>(165,442)</b>	<b>(15,089)</b>	<b>(397,292)</b>	<b>(577,823)</b>
<b>Bank Balance (Beginning)</b>	-	-	-	-
Funding from Secured Lender	165,442	15,089	397,292	577,823
<b>Bank Balance (Closing)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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 December 13, 2014 to January 23, 2015				
	Actual	Projected	Variance	Notes
<b>Receipts</b>				
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	
Receipts from Sales	48,534	65,000	(16,466)	
Receipts from Subsidiaries (net)	85,305	92,000	(6,695)	
<b>Total Receipts</b>	<b>133,839</b>	<b>157,000</b>	<b>(23,161)</b>	
<b>Disbursements</b>				
Salaries and Benefits	69,145	57,000	12,145	
General and Administrative	28,155	63,000	(34,845)	
Professional Fees	26,618	85,000	(58,382)	1
Disbursements to Subsidiaries (net)	407,214	555,000	(147,786)	1
<b>Total Disbursements</b>	<b>531,131</b>	<b>760,000</b>	<b>(228,869)</b>	
<b>Net cash inflow (outflow)</b>	<b>(397,292)</b>	<b>(603,000)</b>	<b>205,708</b>	
<b>Bank Balance (Beginning)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Funding from Secured Lender	397,292	603,000	(205,708)	
<b>Bank Balance (Closing)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
1. The positive variance is the result of timing.				

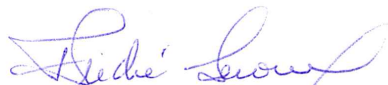
André Leroux  
Chairman of the Board and Chief Executive Officer  
Noveko International Inc.





Noveko International inc.  
 État des projections sur l'évolution de l'encaisse  
 Pour la période du 23 janvier au 27 février 2015

Semaine se terminant le :	<u>30-Jan-15</u>	<u>06-Feb-15</u>	<u>13-Feb-15</u>	<u>20-Feb-15</u>	<u>27-Feb-15</u>	<u>Total</u>
<b><u>Recettes</u></b>						
Ventes des divers actifs (à déterminer)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recettes - ventes	-	-	14,000	39,000	-	53,000
Recettes des filiales (net)	-	214,000	122,000	128,000	88,000	552,000
Recettes - autres	-	-	-	-	-	-
<b>Total des recettes</b>	<b>-</b>	<b>214,000</b>	<b>136,000</b>	<b>167,000</b>	<b>88,000</b>	<b>605,000</b>
<b><u>Déboursés</u></b>						
Salaires et bénéfices	-	18,000	-	18,000	-	36,000
Frais d'exploitation	12,000	8,000	1,000	1,000	32,000	54,000
Honoraires professionnels	29,000	47,000	11,000	11,000	19,000	117,000
Intérêts	-	-	-	-	-	-
Déboursés des filiales (net)	244,000	-	-	-	-	244,000
<b>Total des déboursés</b>	<b>285,000</b>	<b>73,000</b>	<b>12,000</b>	<b>30,000</b>	<b>51,000</b>	<b>451,000</b>
<b>Variation de l'encaisse</b>	<b>(285,000)</b>	<b>141,000</b>	<b>124,000</b>	<b>137,000</b>	<b>37,000</b>	<b>154,000</b>
Solde bancaire (début)	-	-	-	-	-	-
Financement du créancier garanti (remboursement)	285,000	(141,000)	(124,000)	(137,000)	(37,000)	(154,000)
<b>Solde bancaire (fermeture)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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

