

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 FIFTH 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:

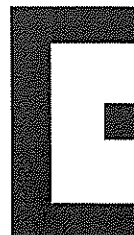
I. NOTICE OF INTENTION

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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Richter Advisory Group Inc.
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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 a Motion to Extend the Delay to Make a Proposal to its creditors until February 27, 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 January 23, 2015 to February 27, 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 January 29, 2015, the Court granted an Order extending the deadline to file a Proposal to February 27, 2015.
9. On January 28, 2015, the Debtor also filed a Motion to Extend Interim Financing Orders to February 27, 2015. On January 29, 2015, the Court granted an Order extending the Interim Financing to February 27, 2015.
10. On February 24, 2015 the Debtor filed two Motions:
 - A Motion to Extend the Delay to Make a Proposal to its creditors until April 6, 2015;
 - A Motion to Extend Interim Financing Orders to April 6, 2015.

II. BACKGROUND AND OPERATIONS OF THE DEBTOR

11. 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.
12. Since the filing of the Notice of Intention, the Debtor and its operating subsidiaries continue to carry on their respective commercial operations.
13. The actual results for the period October 7, 2014 to February 20, 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

14. 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.
15. The Trustee's Report dated December 15, 2014 provides a detailed summary of the solicitation process administered by Richter.
16. Richter requested that offers be submitted by December 5, 2014 to which various offers were received.
17. Richter and the Debtor are in the final stages of negotiations with the potential purchaser and certain key third parties to conclude the terms and conditions of the sale of all the assets of the Debtor. There remain several operational and organizational matters which Richter, the Debtor, the potential purchaser and those third parties are addressing, including the following:
 - The transfer of intellectual property currently held by the Debtor's foreign subsidiaries. The potential purchaser is working through the process by which to acquire certain of these patents which are critical in the ongoing operations of the Debtor;
 - Ongoing negotiations regarding the extension and assignment of the Debtor's leased Boucherville premises;
 - The renewal and assignment arrangements with several third party warehouses where a substantial amount of inventory owned by the Debtor's subsidiary, Noveko Inc. is held;
 - Advanced negotiations are under way regarding the assignment of certain important customer contracts to the Debtor's subsidiary, Noveko Filtration Inc.; and
 - Employment contracts with certain key management personnel who will join and assist the purchaser in running the ongoing company are currently being discussed.




18. The transfer of intellectual property and various contract assignments are an imperative condition to the successful closing of the sale transaction and future value of the company. As negotiations require the cooperation of various third parties, additional time is needed to conclude these discussions.

IV. MOTIONS

19. 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 beginning of April 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 April 6, 2015.
20. The Debtor is also filing a motion to the Court requesting an extension of the DIP Facility until April 6, 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.
21. Third Eye Capital Corporation has agreed to extend the DIP Facility until April 6, 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.
22. The Debtor has prepared an additional cash flow forecast for the period February 21, 2015 to April 10, 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 February 21, 2015 to April 10, 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. The Debtor's request for a further delay to file a proposal and an extension of the DIP Facility until April 6, 2015 will not cause any prejudice to the other creditors.
24. The Debtor has been acting in good faith and has been dealing diligently with its affairs.
25. 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 holds 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.
26. 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 April 6, 2015.

DATED AT MONTREAL, Province of Québec, this 24th day of February 2015.


Richter Advisory Group Inc.
Trustee

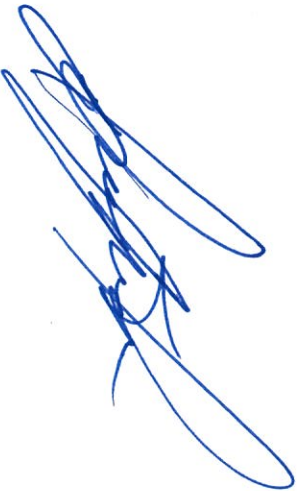


Raymond Massi, CPA, CA, CIRP
Administrator

Noveko International Inc.
 Projected Cash Flow versus Actual Results
 For the Period October 7, 2014 to February 20, 2015

	Actual Oct. 7 to Oct. 31	Actual Nov. 1 to Dec. 12	Actual Dec. 13 to Jan. 23	Actual Jan. 24 to Feb. 20	Total
Receipts					
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts from Sales	32,573	105,931	48,534	32,652	219,691
Receipts from Subsidiaries (net)	16,867	654,916	85,305	167,101	924,189
Other Receipts	13,000	-	-	-	13,000
Total Receipts	62,441	761,000	133,839	199,753	1,157,033
Disbursements					
Salaries and Benefits	44,960	58,883	69,145	41,450	214,438
General and Administrative	51,799	79,694	28,155	43,310	202,958
Professional Fees	-	216,493	26,618	49,942	293,053
Disbursements to Subsidiaries (net)	131,124	420,867	407,214	97,693	1,056,897
Total Disbursements	227,883	775,937	531,131	232,395	1,767,346
Net cash inflow (outflow)	(165,442)	(15,089)	(397,292)	(32,642)	(610,465)
Bank Balance (Beginning)	-	-	-	-	-
Funding from Secured Lender	165,442	15,089	397,292	32,642	610,465
Bank Balance (Closing)	\$ -	\$ -	\$ -	\$ -	\$ -

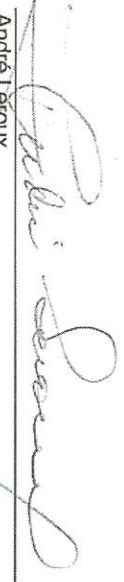

 André Lefroux
 Chairman of the Board and Chief Executive Officer
 Noveko International Inc.

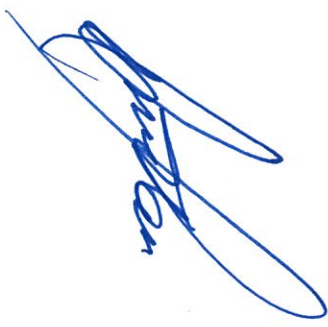


Noveko International Inc.
Projected Cash Flow versus Actual Results
 For the Period January 24 to February 20, 2015

	Actual	Projected	Variance	Notes
Receipts				
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	
Receipts from Sales	32,652	53,000	(20,348)	1
Receipts from Subsidiaries (net)	167,101	464,000	(296,899)	1
Total Receipts	199,753	517,000	(317,247)	
Disbursements				
Salaries and Benefits	41,450	36,000	5,450	
General and Administrative	43,310	22,000	21,310	
Professional Fees	49,942	98,000	(48,058)	2
Disbursements to Subsidiaries (net)	97,693	244,000	(146,307)	2
Total Disbursements	232,395	400,000	(167,605)	
Net cash inflow (outflow)	(32,642)	117,000	(149,642)	
Bank Balance (Beginning)	-	-	-	
Funding from Secured Lender	32,642	(117,000)	149,642	
Bank Balance (Closing)	\$ -	\$ -	\$ -	

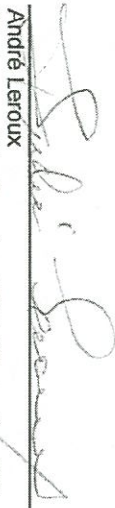
1. The negative variance is the result of timing.
2. The positive variance is the result of timing.


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



Noveko International Inc.
 Projected Statement of Cashflow
 For the period February 20 to April 10, 2015

Week ending:	27-Feb-15	06-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	03-Apr-15	10-Apr-15	Total
Receipts								
Sale of Assets (to be determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts from Sales	4,000	4,000	20,000	5,000	-	-	1,000	34,000
Receipts from Subsidiaries (net)	12,000	73,000	-	217,000	-	49,000	-	351,000
Other Receipts	-	-	-	-	-	-	-	-
Total Receipts	16,000	77,000	20,000	222,000	-	49,000	1,000	385,000
Disbursements								
Salaries and Benefits	-	21,000	-	21,000	-	21,000	-	63,000
General and Administrative	10,000	13,000	6,000	1,000	36,000	13,000	5,000	84,000
Professional Fees	26,000	11,000	11,000	11,000	11,000	51,000	11,000	132,000
Disbursements to Subsidiaries (net)	-	-	38,000	-	34,000	-	11,000	83,000
Total Disbursements	36,000	45,000	55,000	33,000	81,000	85,000	27,000	362,000
Net cash inflow (outflow)	(20,000)	32,000	(35,000)	189,000	(81,000)	(36,000)	(26,000)	23,000
Bank Balance (Beginning)	-	-	-	-	-	-	-	-
Funding from Secured Lender	20,000	(32,000)	35,000	(189,000)	81,000	36,000	26,000	(23,000)
Bank Balance (Closing)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -


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

