

Superintendent of Bankruptcy Estate Number
25-2239263 and 25-2239270
Court File Number 1701-05884

**IN THE COURT OF THE QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSAL OF
SEAIR INC. AND SEAIR DIFFUSION SYSTEMS INC.
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA**

**SUPPLEMENTAL REPORT TO THE FORM 40
REPORT OF TRUSTEE ON PROPOSAL
(Section 59(1) and paragraph 58(d) of the Act)
DATED MAY 8, 2017**

May 17, 2017

A. INTRODUCTION

1. On April 10, 2017 (the “**Filing Date**”), Seair Inc. and Seair Diffusion Systems Inc. (“**Seair Diffusion**”) (collectively “**Seair**” or the “**Companies**”) lodged a proposal (the “**Proposal**”) pursuant to Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) with FTI Consulting Canada Inc.
2. On the same day, FTI Consulting Canada Inc. filed the Companies’ Proposal with the Superintendent of Bankruptcy. FTI Consulting Canada Inc. was appointed as the Trustee under the Proposal (in such capacity, the “**Proposal Trustee**”).
3. On April 26, 2017, at the first meeting of creditors of Seair (the “**Meeting**”), the Proposal was accepted by the required majorities of creditors in both classes of creditors.
4. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/Seair>.

B. PURPOSE OF THIS REPORT

5. The purpose of this report, the supplemental report to the Form 40 – Report of Trustee on Proposal (the “**Supplemental Report**”), is to provide the Court with the following:
 - (a) a copy of a letter received by the Proposal Trustee on May 17, 2017 (the “**Letter**”) from Micheal A. Loberg Professional Corporation regarding certain concerns of a group of Seair concerned shareholders and creditors (the “**Concerned Shareholders**”); and
 - (b) the comments of the Proposal Trustee with respect to certain of the matters identified by the Concerned Shareholders in the Letter.

C. TERMS OF REFERENCE

6. In preparing the Supplemental Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Companies' management, the Companies' books and records, other information available to the Proposal Trustee and discussions with various parties (collectively, the "**Information**").
7. Except as described in the Supplemental Report:
 - (a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
 - (b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
8. Future oriented financial information reported or relied on in preparing the First Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
9. The capitalized terms used but not otherwise defined in the First Report are defined in the Proposal and the Report of the Proposal Trustee on the Proposal (the "**Proposal Report**").
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

D. LETTER FROM MICHAEL A. LOBERG PROFESSIONAL CORPORATION

11. On May 17, 2017, the Proposal Trustee received the Letter from Michael A. Loberg Professional Corporation, counsel for a group of “Concerned Shareholders” in regards to the events leading up to the Meeting. Mr. Loberg advises that the Letter was sent to the Proposal Trustee so that it “will consider all material facts presented to [the Proposal Trustee] and represented within the above report when you report to the Court in this matter on May 18, 2017.” A copy of the Letter is attached as Appendix A to the Supplemental Report.
12. In the Letter, the Concerned Shareholders state a number of facts and make certain allegations, some of which, to the Proposal Trustee’s knowledge, are simply false. Many of the facts and allegations have been raised with the Proposal Trustee by the Concerned Shareholders in the past, and the Proposal Trustee has already responded to those persons in respect of those issues.
13. The Proposal Trustee has determined that it is neither practical nor appropriate to respond to every allegation or stated fact in the Letter. Rather, the Trustee has identified what it believes to be the Concerned Shareholders’ key allegations that the Proposal Trustee is in a position to respond to given its role.
14. Following are what the Proposal Trustee believes to be the Concerned Shareholders’ key allegations:
 - (a) The value of the Companies’ assets, including specifically that of its intellectual property (the “IP”), is greater than was estimated by the Proposal Trustee in the Proposal Report. This assertion is evidenced by: (i) the secured creditors’, i.e. 197 and the Debenture Holders (collectively the “**Secured Creditors**”), willingness to convert their debt to equity; and (ii) a “project pipeline” that has projected \$10 million to \$30 million revenues in the next twelve to eighteen months as at February 2017 (the “**Project Pipeline**”).

- (b) That in April 2017, Seair paid the debt of a senior secured creditor (the “**Senior Secured Creditor**”) which was in excess of \$300,000. Additionally (and perhaps in contradiction to the foregoing) that at the Meeting, Christopher Morris, a director of Seair Inc. and a principal of 197, allegedly stated he purchase the debt of the Senior Secured Creditor as a director of Seair.
- (c) That the Companies and certain of the Secured Creditors colluded to dissuade VenX Ltd. (“**VenX**”) from making an investment in the Companies and supporting the Concerned Shareholders’ proposed amendments to the Proposal.
- (d) Ultimately, it is alleged that the Secured Creditors and management conspired to seize the IP for their personal benefit at the expense of Seair Shareholders.

E. COMMENTS OF THE PROPOSAL TRUSTEE ON THE LETTER

15. With respect to the valuation of the companies’ assets, the Proposal Trustee maintains that, as set forth in the Proposal Trustee’s report to the court dated April 13, 2017 (the “**Report on the Proposal**”), any realizable value is ultimately limited to the book value of the IP, including for the following reasons:

- (a) According to the 2017 Q2 consolidates financial statements, Seair had negative shareholders’ equity of \$9,806,035 as at February 28, 2017 and an accumulated deficit of \$35.6 million. Furthermore, the consolidated financial statements indicate Seair incurred net losses for the last 30 months as set out below.

Balance sheets	Audited 31-Aug-15	Audited 31-Aug-16	Unaudited 28-Feb-17
Current Assets	344,874	344,874	280,998
Long term Assets	218,398	187,296	213,741
Total Assets	563,272	532,170	494,739
Liabilities	7,952,301	7,952,301	10,300,774
Shareholders' equity	(7,389,029)	(7,389,029)	(9,806,035)
	563,272	563,272	494,739

Source: Consolidated financial statements per Sedar

Condensed income statement	Audited 31-Aug-15	Audited 31-Aug-16	Unaudited 28-Feb-17
	<i>12 mos</i>	<i>12 mos</i>	<i>6 mos</i>
Revenues	416,169	294,514	138,606
Expenses	3,525,912	2,788,585	1,848,373
Net income (loss)	(3,109,743)	(2,494,071)	(1,709,767)

Source: Consolidated financial statements per Sedar

- (b) Seair has consistently had significant losses from operations evidenced by the chart below showing significant operating losses for the past two years on a quarterly basis indicating an inability to effectively monetize its IP.

	Quarterly results for the last 2 years							
	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	61,000	131,000	19,000	-	221,000	237,000	6,000	143,000
Net loss	(697,000)	(750,000)	(854,000)	(320,000)	(653,000)	(667,000)	(676,000)	(1,034,000)

Source: MD&A filed on Sedar (Feb 28/17)

- (c) In the first two quarters on Fiscal 2017, Seair generated revenue of \$149,000. The Proposal Trustee confirmed with Seair's management that Seair received only one executed purchase order during that period, which generated the aforementioned revenue. The net loss in the first two quarters of Fiscal 2017 was \$1,709,767.

- (d) The table below shows the cash receipts by Seair from March 1, 2017 to the Filing Date and the cash receipts subsequent to the Filing Date. The Proposal Trustee notes that of the \$411,543 received since March 31, 2017, approximately \$263,000 relates to bridge and interim financing from 197 and \$148,000 relates to the purchase order noted above.

Cash receipts	\$
March to filing	214,910
During filing	<u>196,633</u>
Total	<u>411,543</u>

- (e) Subsequent to the Filing Date, Seair received one additional purchase order which will result in \$604,000 revenue when complete, however the completion of such purchase order will require continued financing of working capital and the revenue will not be sufficient to make Seair cash flow positive.
- (f) The Proposal Trustee is not aware of any other outstanding contracts or purchase orders at this time other than the two order discussed above which total approximately \$750,000. Specifically, the Proposal Trustee has seen no evidence of a confirmed “project pipeline” in the form of contracts or even purchase orders projected to generate revenues of between \$10 million and \$30 million over 12 to 18 months.

16. With respect to the payment to the Senior Secured Creditor, the Proposal Trustee investigated and confirmed that the payment did not originate from Seair or from Chris Morris as a director of Seair as suggested in the Letter. The payment originated from 197, via its legal counsel, and was in consideration for an assignment of the Senior Secure Creditor's debt and security to 197. The Proposal Trustee notes that this information was communicated by Christopher Morris at the Meeting and subsequently by the Proposal Trustee to the inspectors of the Seair estate at subsequent inspector meetings. One of the leaders of the group of Concerned Shareholders is also an inspector.
17. With respect to the Concerned Shareholders' allegations concerning the Companies' dealings with VenX:
 - (a) The Proposal Trustee confirms that it has seen a letter from VenX which was received by the Companies on April 10, 2017. In the letter, VenX sought the exclusive right to conduct due diligence of an unspecified period of time with a view to submitting a proposal for a capital investment of "at least C\$5 million".
 - (b) The Proposal Trustee has also seen a response from the Companies to VenX dated April 18, 2017 in which the Companies advise VenX that the Companies do not have sufficient funds to carry on operations for any period of time to permit VenX to conduct any due diligence, and in any event that the amount of the proposed investment was insufficient to even pay the Companies' debt let alone fund operations going forward. The Companies invited VenX "to make an unconditional offer of financing in an amount sufficient to pay out the Companies' existing creditors and fund ongoing operations".

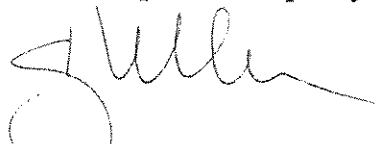
- (c) The Proposal Trustee has also been advised by the Companies that on April 19, 2017, VenX responded to the Companies' April 18, 2017 letter thanking the Companies for their swift response, requesting that they advise VenX if their circumstances change, and wishing the Companies luck in their future endeavours.
 - (d) The Proposal Trustee understands that, subsequent to the above-referenced exchange of correspondence, the Companies agreed with one of its Secured Creditors to seek to add Mr. Bertan Atalay, the principal of VenX, to the board of Seair Inc. upon implementation of the Proposal.
 - (e) On April 26, 2017, VenX delivered a letter "to whom it may concern", a copy of which is attached as Appendix "B", advising that VenX's April 7, 2017 expression of interest was non-binding and had expired on April 21, 2017.
 - (f) Apart from the foregoing, the Proposal Trustee knows of no correspondence between the Companies and VenX. Specifically, the Proposal Trustee has seen no evidence of any collusion among the Companies and any Secured Creditors to dissuade VenX from making an investment in the Companies or supporting the Concerned Shareholders' proposed amendments to the Proposal.
18. With respect to the Concerned Shareholders' allegation that the Secured Creditors and management conspired to seize the IP for their personal benefit at the expense of Seair Shareholders, the Proposal Trustee notes only that the alternative to the Proposal is the deemed bankruptcy of the Companies. In that event, as stated in the Report on the Proposal, it is the Proposal Trustee's expectation that there would be no recovery at all for unsecured creditors of the Companies, let alone shareholders.

19. In short, the retention of the Secured Creditors' interest in the Companies and the elimination of the shareholders' equity under the Proposal does not appear to the Proposal Trustee to be the result of a conspiracy, but rather a reflection of the practical reality of the situation, namely that the Companies' assets and business are of insufficient value to satisfy the claims of the Secured Creditors. For that reason, the Proposal Trustee remains supportive of the Proposal, including because it treats all stakeholders fairly with regard to their current financial interests in the Companies.
20. Including for the reasons set forth above, the Proposal Trustee's view of the Proposal has not changed as a result of the matters identified in the Letter.
21. All of which is respectfully submitted this 17th day of May, 2017.

FTI Consulting Canada Inc.

In its capacity as Proposal Trustee of
Seair Inc. and Seair Diffusion Systems Inc.
and not in its personal capacity

Per: _____


Deryck Helkaa – Sr. Managing Director

APPENDIX A

Michael A. Loberg Professional Corporation
Barrister & Solicitor

1000 Bankers Hall West Direct (403) 668-6561
888 – 3rd Street SW Office (403) 444-6935
Calgary, AB T2P 5C5 Fax: (403) 668-6505

May 17, 2017

By Fax: +1 403 232 6116

FTI Consulting Canada Inc.
Ernst & Young Tower
440 2nd Avenue SW, Suite 720
Calgary, AB, T2P 5E9

Attention: **Mr. Deryck Helkaa**

Dear Sir:

Re: Seair Inc. Proposal

We represent certain shareholders and creditors, collectively the Seair "Concerned Shareholders" group led by Mr. Triestino (Nino) Walter Plava, Mr. John Yannitsos and Ms. Barb Fraser, in respect of the Seair Inc. proposal who attended the Creditors Meeting on April 26, 2017 in Calgary seeking an adjournment of the meeting in order to present an amendment to the current proposal. Our clients have grave concerns regarding the events leading up to the Creditors Meeting as described herein.

The following is a sequence of material events and facts compiled by Mr. Plava and Mr. Yannitsos as co-leads of the Concerned Shareholder group and unsecured creditors who attended the Seair Creditors Meeting on April 26, 2017 in Calgary. All representations made herein are the result of Mr. Plava and Mr. Yannitsos' direct investigation, direct conversations with all cited parties, and direct knowledge of the affairs of Seair Inc. ("Seair" or the "Corporation"). This knowledge is borne out of several years as shareholders and creditors of the Corporation, prior and subsequent to the Corporation being deemed insolvent and in default of the November 21, 2016 loan it accepted which gave cause for the Creditor Proposal voted upon on April 26, 2017.

For context, these events and facts must be considered against the backdrop of an uninterrupted history of shareholder support for the Corporation whenever the need arose for debt and equity financing, often on very short notice. It should also be considered within the context of what Mr. Plava and Mr. Yannitsos have come to know as aggressive (possibly coercive) attempts by the Creditor Proposal proponents, specifically the sitting Board, management and a Debenture Control Group, to directly and indirectly:

- (a) consolidate the first ranking security debt now held by 1979927 Alberta Ltd. ("197"), a company nominally owned and controlled by a current Director of Seair, R. Christopher Morris of RC Morris & Company, Vancouver, British Columbia ("Morris");

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- (b) consolidate support from resistant secured creditors, specifically Mr. John Gibson of Integral Wealth Securities Limited, on behalf clients holding Seair debentures (“**Integral Debenture Holders**”), to accept conversion of their debt to equity as called for within the Creditor Proposal;
- (c) solicit support from unsecured creditors to accept a discounted debt payout, several of which are large shareholders of Seair; and
- (d) dissuade Mr. Bertan Atalay of VenX. Ltd. and his partners (collectively “**VenX**”) from his continued support of the Concerned Shareholders’ amendments to the Creditor Proposal as presented to FTI Consulting as Creditor Trustee (“**Trustee**”) and the Corporation’s representatives at the April 26, 2017 creditor meeting.

As such the timeline and related facts we believe to be material to understanding the whole of the situation with respect to Seair are as follows:

1. Morris is a current Director of Seair and nominally the sole shareholder and director of 197 listed in the Creditor Proposal as first-ranking secured creditor, owed an aggregate of \$807,225, collectively by Seair and Seair Diffusion Inc.;
2. The November 21, 2016, loan 197 provided Seair as secured bridge financing in the amount of \$215,125 due February 21, 2017 (the “**197 Loan**”);
3. The 197 Loan was offered and accepted to bridge Seair in anticipation of receiving material purchase orders (the “**Orders**”), specifically one from Syncrude for approximately \$750,000, that would have allowed for repayment of the 197 Loan and provide several months of working capital; or at a minimum allow shareholders to finance, several of whom offered to do so;
4. As the 197 Loan approached maturity, shareholders called management in mid-January 2017 to determine if the Corporation needed money to repay the loan; the Seair CEO Jeff Seibert replied to one shareholder at that time. “No. We are fine”;
5. The Corporation stopped communicating with all outside parties soon thereafter (principally shareholders with a history of providing financing on short notice) but subsequent to certain shareholders being informed in calls and texts that the long-awaited Syncrude Order was received but not in the form expected (such Order was apparently separated into three phases rather than one);
6. The Board of Directors apparently attempted in January and February 2017 to negotiate an extension of the 197 Loan and \$4.572 million in debentures (“**Debentures**”) held by a small group of controlling debenture holders (the “**Debenture Control Group**”) but ultimately in the end based partially on representations by the Seair CEO that there was “nothing in the pipeline”, meaning no significant pending revenue to count on by the Corporation;

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7. Apparent statements are made by certain parties to the Board of Directors making clear that default on the 197 Loan would also cause a cross-default of the Debentures that remained outstanding and matured at the end June 2017.
8. Consequently, on February 17, 2017 four of the six Seair Board members resign and are replaced, in part, with appointees Morris and his associate at RC Morris & Company, Bradley Meadows ("Meadows");
9. On February 24, 2017, Seair announces the default on the 197 Loan and consequential cross default of the Debentures;
10. 197 makes a further loan of \$100,000 to the Corporation subsequent to its debt and the Debentures being called into default (nominally for working capital purposes);
11. Just prior to the Board resignations and default on the 197 Loan, on February 14, 2017 Mr. Plava receives a management certified copy of the Corporation's "business plan summary" outlining a "project pipeline" that projected twelve to eighteen months revenues of between \$10 million and \$30 million with estimated 75-80% gross margins. The business plan document was received by Mr. Plava in connection with a submission he was undertaking for the Corporation to the Alberta Government in respect of available tax credits. A detailed analysis within the business plan summary set out the significant economic value to be realized by Seair's customers using the Corporation's technology (principally contained within de-oiling applications), inferring a materially substantive valuation of the Corporation's intellectual property;
12. A conference call is held on March 3rd 2017 between a group of Seair shareholders, a debenture holder who was not part of the Debenture Control Group, and the principal of VenX, to discuss what was being proposed by Directors Morris and Meadows as a restructuring of the Corporation to be offered to creditors. The debenture holder informed shareholders on that call that individuals within the Debenture Control Group had retained RC Morris & Company in the summer of 2016 in anticipation of the Corporation becoming insolvent, and that RC Morris & Company was being instructed by those Debenture Control Group individuals. The shareholders were also informed that the Debenture Control Group would provide \$3 million in new capital to the Corporation subsequent to completing the creditor-led restructuring, which was being prepared and executed by RC Morris & Company. In a subsequent call, the debenture holder and VenX also informed the Concerned Shareholders that the Seair CEO had informed them in a telephone call that the "project pipeline" referred to above was essentially intact.
13. RC Morris & Company states on their website that one of their specialties is hostile restructuring transactions;

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14. The Debenture Control Group includes two individuals working as a Vice-President and Portfolio Manager with CIBC Wood Gundy in Calgary; namely Mr. Wayne McNeill and Mr. Milan Cacic respectively. ;
15. Certain shareholders now come together to form the Concerned Shareholder group and retain counsel to seek legal advice as to their options. There was significant concern that certain creditors of the Corporation (individuals who were part of the Debenture Control Group) were carrying out a plan to unjustly seize control of the intellectual property assets of the Corporation without accounting to shareholders, and with an undisclosed plan and/or transaction as their motivation;
16. The Concerned Shareholders requisition a meeting of shareholders on March 31, 2017 in order to depose Morris, Meadows and Francis McKeever as Directors and to put in their place two representatives from the Concerned Shareholder group. The requisition makes reference to the possibility of an alternate financing plan; the new shareholder directors would give proper consideration to all alternatives for Seair. Under the *Business Corporations Act* (Alberta), in the face of a shareholder requisition, the directors of a company have twenty-one days to call a meeting. Subsequently, counsel to the Concerned Shareholders received a telephone call from counsel to Seair asking for clarity on the source and nature of the alternate financing referred to in the requisition;
17. The meeting of shareholders was never called by the Directors of Seair. When a telephone call inquiry was made by a shareholder to an Officer of Seair, the reason given was that Seair did not have any money to cover the expense of holding a shareholder meeting;
18. The white knight investor, VenX, submits a non-binding letter to Seair on April 10, 2017 requesting a period of due diligence with the view to providing a significant capital investment (the "VenX Letter") of at least \$5 million to the Corporation, as an alternative to the restructuring plan that was being discussed amongst creditors;
19. Also on April 10, 2017 Mr. Plava is informed by a secured creditor that the creditor had been invited to attend a meeting at CIBC offices in Calgary and subsequently offered a cash buy-out of his debt (which then constituted a majority of the Corporation's first ranking debt). The creditor to that point had resisted all attempts by Morris and the Debenture Control Group to agree to an equity conversion. Morris and members of the Debenture Control Group were in attendance at the meeting;
20. On April 11th Seair makes an announcement outlining the Creditor Proposal which contemplates secured creditors receiving shares for their debt in a private company that would control the Seair assets. Unsecured creditors would receive 10% of proven claims. Shareholders are not included in the Creditor Proposal;

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21. On April 18, 2017, VenX receives a letter from the Corporation acknowledging receipt of the VenX Letter and imposing onerous terms VenX would be required to meet prior to April 21 in order for the VenX proposal to be considered;
22. On April 24, 2017, the secured creditor whom was previously approached about taking a cash payout for his debt confirms to Mr. Plava that he had received payment in excess of \$300,000 via a certified cheque issued by Seair;
23. On April 25th the Concerned Shareholders announce their intent to attend the Creditor Meeting as creditors to present an amendment to the Creditor Proposal (based upon alternate financing to be provided by shareholders and VenX) ("**Amendment Proposal**") and to call for the meeting to be adjourned;
24. Mr. Plava receives a call prior to the Creditor Meeting on April 26, from the principal of VenX informing him that Seair Directors were attempting to have VenX renounce Concerned Shareholder representations in the April 25th press release regarding its support of the Amendment Proposal to be presented at the Creditor Meeting later that day. VenX, instead, provided a letter that was more neutral in tone than the Corporation had asked for: essentially confirming that the VenX Letter had expired for Seair consideration as of April 21, 2017. Nevertheless, at the Creditor Meeting, counsel for Seair characterizes the letter provided by VenX to the Corporation as a blanket withdrawal of support for the Amendment Proposal;
25. The Shareholders raise questions at the Creditor Meeting on April 26th including how the Corporation was able to make a cash payment to a secured creditor in excess of \$300,000 (and in excess of the deemed value of Seair intellectual property set out in the Creditor Proposal) as it plead poverty with respect to calling a shareholder meeting as requisitioned in March.
26. Morris makes a statement in response that he had purchased the debt as a Director of Seair and avoids any further related questions; the Concerned Shareholders note that Seair did not file a material change report or press release in respect of the Director-purchased debt;
27. If the Creditor Proposal is approved by a Court, 197 will own between 15 and 20% of the restructured private corporation and the Debenture Control Group will own approximately 75%. Current shareholders of Seair will own nothing; and
28. Mr. Plava has since also come to learn that current management of Seair are to be granted a 5% to 10% equity interest in the newly formed Corporation for their support of the Creditor Proposal.

These facts and timeline are being provided to you in good faith so that you as Trustee will have a better understanding of the events that have occurred and why the Shareholders have felt that their interests, and those of the unsecured creditors, have been

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ignored and perhaps even further, that there has been collusion on the part of management, Morris, McNeill, Cacic and their agents to actually seize the intellectual property assets of the Corporation for their personal benefit at shareholder expense.

On its face, by any objective measure, especially when considered with what is outlined above, the Creditor Proposal appears to have been conceived, prepared and presented with a single objective and presumed outcome – to eradicate shareholder equity without consideration, obfuscate the true value of the Corporation's intellectual property ("IP"); and avoid shareholder approval for what ostensibly represents a hostile forced restructuring of Seair. The secured creditors' willingness, or one can even say enthusiasm, to convert their debt to equity implies greater value than is nominally attributed to the Corporation's in the Creditor Proposal. The resistance and outright avoidance of the proponents of the Creditor Proposal to allow any other alternative to be heard much less considered implies, at minimum, bad faith, and at worst an undisclosed transaction that is contingent on the surreptitious seizure and control the Corporation's IP assets.

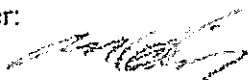
The Shareholders have and will continue to always be completely transparent with respect to their motives and the resultant actions they undertake; the same unfortunately cannot be said for the Creditor Proposal's proponents as they appear to have gone to great lengths to ensure no other outcome could be realized by the Corporation other than that which occurred in the April 26, 2017 creditor meeting.

These are the facts and information compiled by Mr. Plava and Mr. Yannitsos as co-leads of the Concerned Shareholder group, and we expect that as Trustee in this matter you will consider all material facts presented to you and represented within the above report when you report to the Court in this matter on May 18, 2017.

Yours truly,

Michael A. Loberg Professional Corporation

Per:



Michael A. Loberg

MAL/dd

File no. 47,106-001

APPENDIX B

VenX Ltd.

Berg Arra'at I

Curacao

Netherlands Antilles

Tel:+1 905 330 9294

bertan.atalay@venture-crossing.com

www.venture-crossing.com

26 April 2017

via e-mail

To whom it may concern:

Re: April 25 2017 Stock Watch Press Release

I have read the press release issued by Legal One Securities & Corporate Law ("Legal One") issued on April 25, 2017.

VenX's expression of interest dated April 7 2017 was non-binding. VenX required the company to source sufficient funding of its day to day operations in order for VenX to be allowed to conduct a due diligence process of approximately 60 days. No outside money was forthcoming. Further, in light of the company's financial circumstances, the company required VenX to produce a binding offer by April 21 2017, which for the aforementioned reasons VenX was unable to do. VenX expression expired on April 21 2017.

Kind regards,



E. Bertan Atalay
VenX Ltd.