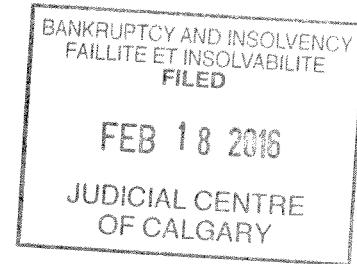


Deloitte.



COURT FILE NUMBER 25 - 2078600
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
DOCUMENT FIRST REPORT OF THE TRUSTEE UNDER THE NOTICE OF INTENTION TO FILE A PROPOSAL OF STEALTH ACOUSTICAL & EMISSION CONTROL INC.
DATED FEBRUARY 17, 2016
PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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APPENDICES

Appendix A – Statement of Projected Cash Flow for the Nine Week Period Ending March 25, 2016

Appendix B – Statement of Actual Versus Projected Cash Flow for the Three Week Period Ended February 12, 2016

Appendix C – Updated Statement of Projected Cash Flow for the Nine Week Period Ending April 15, 2016

Introduction and Background

Introduction

1. On January 20, 2016 (the "**Date of Filing**"), Stealth Acoustical & Emission Control Inc. ("**SAEC**" or the "**Company**") filed a Notice of Intention to File a Proposal (the "**NOI**") under Section 50.4(1) of the *Bankruptcy and Insolvency Act* and Deloitte Restructuring Inc. ("**Deloitte**") was appointed as Trustee under the NOI (the "**Trustee**"). A copy of the NOI and other information regarding the NOI proceedings can be accessed on the Trustee's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/Stealth-Acoustical-and-Emission-Control-Inc.-.aspx>
2. The Trustee's independent legal counsel, McCarthy Tétrault LLP ("**McCarthy's**"), has conducted an independent review of the validity and enforceability of the security of three of the secured creditors that hold general security agreements and/or secured guarantees as against the Company and has opined, subject to standard assumptions, qualifications and limitations, that each security is valid and enforceable and ranks in priority to the unsecured creditors of SAEC and to any subsequently appointed trustee in bankruptcy (each a "**Security Opinion**").

Notice to Reader

3. In preparing this report, the Trustee has relied on unaudited financial information, the books and records of the Company and discussions with management of the Company ("**Management**"), interested parties and the stakeholders of the Company. Deloitte has not performed an independent review or audit of the information obtained and does not express an opinion or any other form of assurance on the information presented herein. The Trustee may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report.
4. The Trustee has not reviewed all of the assets of the Company, and has relied to a significant degree upon information provided by Management.
5. Certain of the information referred to herein consists of financial forecasts, projections and/or estimated net realizations on assets. The financial forecasts included in this first report of the Trustee (the "**First Report**") are the responsibility of Management. Management's responsibility extends beyond ensuring that the individual assumptions used to prepare the financial forecasts are appropriate in the circumstances to ensuring that the assumptions as a whole are appropriate. The Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the financial forecasts, or relied upon by it in reporting on the financial forecasts.

6. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this First Report. Any use that any party makes of this First Report, or any reliance on or decisions to be made based on it is the responsibility of such party.
7. All amounts in this First Report are in Canadian dollars unless otherwise indicated.

Background and Structure

8. SAEC is a Canadian Corporation that was incorporated in 2006. According to a Government of Alberta corporation search Mr. Colin Davison is the sole director and shareholder of the Company (the "**Shareholder**"). However, the Trustee is advised by Mr. Davison that the corporate registry is not up to date and that the Stealth Family Trust (the "**Family Trust**") is in fact the sole shareholder of the Company. The Trustee understands that the Shareholder and his family members are the beneficiaries of the Family Trust.
9. SAEC designs, engineers and fabricates modular process and electrical processing plants and equipment packages, primarily serving the pipeline and oil and gas industries. The Company provides turn-key modular packages that enclose various OEM products which include: variable frequency drives, pump stations, liquid filtration systems, electrical service houses and power generation packages. The Company has sold modular packages in Canada, United States, Kazakhstan, Russia, Peru, Mexico and Australia.
10. At the Date of Filing, the Company employed approximately 100 full-time staff and operated from the following three different production facilities in Calgary, Alberta:
 - a) The main office, shop and yard space (the "**Main Facilities**") leased from a third party, H&M 9595 Developments Inc. ("**H&M**"); and
 - b) A secondary warehouse, office space and storage yard along with a separate lay-down yard that are all owned by Stealth Consulting Inc. ("**SC**") and leased to SAEC (the "**Secondary Facilities**").
11. The Company has continued to operate in the normal course since the Date of Filing but has laid off certain employees temporarily and/or permanently depending on work flows and timing requirements.
12. SC is an Alberta corporation that was incorporated in 2005. SC and SAEC are related entities inasmuch as Mr. Davison is the sole director of both SC and SAEC and both SC and SAEC are wholly owned by the Family Trust. SC is a holding company which owns real estate and some equipment which is in turn leased to SAEC. SC also charges a management fee to the Company for management services provided.
13. The reasons for the financial difficulties of SAEC are generally a result of the downturn in the oil and gas industry, however we note the following more specific issues impacting the Company were as follows:

- a) SAEC was unable to effectively downsize its operations and reduce its fixed costs in order to match its reduced revenue levels and cash flow was negatively impacted as a result;
 - b) SAEC over invested in capital assets and infrastructure based on an assumption of ongoing sales growth; and
 - c) SAEC faced increased pricing pressure from customers and certain projects were not profitable.
14. SAEC's day to day operations and working capital requirements are funded by a \$3.5 million operating line facility with the Toronto-Dominion Bank ("**TD**"). Subsequent to the Date of Filing, TD reduced the operating line limit to \$1.5 million effective January 29, 2016. The Company has been operating within the reduced TD operating line limit since that time.
15. SC has multiple term credit facilities with the Business Development Bank of Canada ("**BDC**") which has financed the real estate and equipment owned by SC which is in turn leased to and used by SAEC in its day-to-day operations. SAEC has guaranteed the obligations of SC to BDC (the "**BDC Guarantee**") up to certain amounts and has provided BDC with a general security agreement (the "**BDC GSA**") over all of its property to secure its obligations to BDC under the guarantee.
16. This First Report is being filed in support of the Company's application to this Honourable Court on February 19, 2016 (the "**February 19 Application**") seeking the following:
- a) Approval of the current stay of proceedings under the NOI for a further 24 days until March 14, 2016 (the "**Stay Extension**").

Sale Process and Proposal to Creditors

17. The Shareholder had been seeking a sale of the Company since 2014 and on May 29, 2014, SAEC formally retained Deloitte & Touche Corporate Finance Canada Inc. ("**Deloitte Corporate Finance**") to act as financial advisor in connection with a proposed sale of the Company. Deloitte Corporate Finance was retained on a success fee basis to provide these services but was only ever paid a work fee of \$60,000 plus out of pocket expenses.
18. Deloitte Corporate Finance worked with Management and undertook several activities as part of the sales process which included the following more significant items:
 - a) Preparation of a detailed confidential information memorandum;
 - b) Targeting of the assets to a select and relevant group of qualified purchasers; and
 - c) Completion of various due diligence with four parties, including assisting with site tours and negotiations.
19. During the sale process marketing period from October 1, 2014 to January 30, 2015, Deloitte Corporate Finance contacted over 100 companies in Canada and 45 companies in the United States seeking expressions of interest in acquiring the Company's shares or its assets. Of the parties contacted and invited to perform some limited due diligence, none submitted expressions of interest or letters of intent. The reasons cited mainly revolved around the general economic environment in Alberta and uncertainties surrounding the oil and gas industry.
20. In October 2015, SAEC contacted additional potential purchasers directly and negotiated, executed, and delivered an asset purchase agreement between SAEC and a purchaser (the "**Purchaser**") that was executed on January 19, 2016 (the "**APA**"). The APA was at a significantly reduced valuation compared to what was originally sought by the Shareholder due to what the Trustee understands to be a growing uncertainty around the oil and gas industry and the ability for the Company to continue operating as a going-concern.
21. The transaction contemplated by the APA (the "**Transaction**") was essentially for the sale of all of the Company's assets to the Purchaser in exchange for cash and the assumption of certain secured indebtedness of SAEC, including the debts with TD and BDC. The Trustee understands that the Purchaser was an arms-length party who was going to carry on the Company's operations and assume the existing contracts and employee group, among other things.

22. The transaction was conditional on several items being fulfilled or performed on or before the closing date, the most significant of which was the assumption of certain debt from TD and BDC. As the Purchaser could not come to acceptable terms with these secured lenders or an alternative lender in a timely manner and the Transaction did not appear to be moving forward, the Company terminated the APA on February 15, 2016 and has returned the deposit to the Purchaser.
23. The Shareholder is currently exploring other options to restructure its operations, source an alternate lender to repay the TD operating line (of which the Trustee understands that discussions have already started), and refinance with the BDC in order to continue operations and fund a potential proposal to its creditors. The Company requires the Stay Extension in order to further explore these options. At the time of releasing this First Report, the Trustee understands from the Company that the BDC is supportive of the Stay Extension and is in discussions with the Company in regards to a restructuring and refinancing, but that the TD is not supportive.

Creditor Claims

24. As noted previously, TD is the principal secured creditor of SAEC and was owed approximately \$3.0 million as at December 31, 2015 and is currently owed approximately \$1.5 million as at February 16, 2016. TD holds a general security agreement (the "**TD GSA**") from the Company. The Security Opinion opines that the TD GSA is valid and enforceable.
25. BDC is the principal secured creditor of SC and was owed approximately \$9.6 million as at December 31, 2015. This debt includes a mortgage on the Secondary Facilities for approximately \$6.5 million (the "**BDC Mortgage Debt**") and various equipment leases and working capital loans for approximately \$3.1 million (the "**BDC Lease Debt**"). As noted previously, BDC holds the BDC Guarantee and the BDC GSA. Under the BDC Guarantee, the Trustee understands that the BDC has the ability to recover from SAEC up to \$1.4 million on any shortfall on the BDC Mortgage Debt and up to \$2.9 million on any shortfall on the BDC Lease Debt. McCarthy's has not yet reviewed the BDC security.
26. The Company also has several equipment and vehicle leases with third parties.
27. The Shareholder also has a registered security interest against SAEC and was owed approximately \$236,000 as at the Date of Filing (the "**Shareholder Loan**"). The Shareholder holds a GSA from the Company and the Security Opinion opines that the security held by the Shareholder is valid and enforceable.
28. SC also has a secured loan against SAEC for approximately \$1.5 million as at December 31, 2015 (the "**SC Loan**"). SC holds a GSA from the Company and the Security Opinion opines that the security held by SC is valid and enforceable.
29. SAEC's books and records at the Date of Filing indicated a debt owing to the Canada Revenue Agency ("**CRA**") in relation to payroll source deductions of approximately \$40,000 and GST of approximately \$60,000, however the Trustee understands that this is a timing difference and the Company has indicated that it is up to date with its payroll and GST filings and payments with CRA.
30. At the Date of Filing, SAEC employed approximately 100 employees each of whom would have preferred claims against SAEC for unpaid wages, vacation pay and, should SAEC cease operating, termination pay.
31. As at the Date of Filing, SAEC listed unsecured creditors with claims of approximately \$8.0 million. The Trustee understood that the Company was intending to file a proposal to its creditors if the Transaction closed. It is not certain at this time whether the Company can successfully refinance with BDC and if a proposal will be presented to the creditors.

32. At this preliminary stage in the restructuring, the Trustee has not yet conducted a review of any potential preferences or transactions at undervalue. The Trustee intends to conduct this review prior to the filing of a proposal by the Company.

Original Cash Flow Forecast and Monitoring

33. On January 29, 2016, the Company filed a statement of projected cash flow for the nine week period ending March 25, 2016 (the "**Cash Flow Projection**") on the assumption that the operations would continue in the normal course while the Transaction proceeded to close. The Cash Flow Projection is attached to this report as **Appendix A**.
34. The Monitor reports as follows with respect to the Cash Flow Projection:
- a) The Cash Flow Projection was prepared by Management for the purposes described in the notes contained therein (the "**Notes**") using the probable and hypothetical assumptions set out in Notes;
 - b) The Trustee's review consisted of inquiries, analytical procedures and discussion related to information supplied to it by Management and selected employees of the Company. Since hypothetical assumptions need not be supported, the Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. The Trustee also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the projection;
 - c) Based on its review, nothing came to the attention of the Trustee that causes it to believe that, in all material respects:
 - The hypothetical assumptions were not consistent with the purpose of the Cash Flow Projection;
 - As at the date of this First Report, the probable assumptions developed by Management are not suitably supported or do not provide a reasonable basis for the Cash Flow Projection, given the hypothetical assumptions; or
 - The Cash Flow Projection does not reflect the probable and hypothetical assumptions.
 - d) Since the Cash Flow Forecast was 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, the Trustee expresses no assurance as to whether the Cash Flow Projection will be achieved and the Trustee expresses no opinion or other form of assurance with respect to the accuracy of any financial information reported with respect to the Cash Flow Projection, or relied upon by it in reporting on the Cash Flow Projection; and

- e) The Cash Flow Forecast was prepared solely for the purpose described in the Notes, and readers are cautioned that they may not be appropriate for other purposes.
- f) The above are collectively referred to as the "Cash Flow Disclaimers".
35. The Trustee has been monitoring the ongoing operating results of the Company and the Cash Flow Projection and there has been no overall material adverse change in the Cash Flow Projection for the three week period ended February 12, 2016 (the "**Monitoring Period**"). The comparison of the actual cash flow to the projected cash flow for the Monitoring Period is attached to this Report as **Appendix B**.
36. The Company's operating loan with TD was approximately \$1,461,529 as at February 12, 2016, which was approximately \$12,756 greater than projected (negative variance) in the Cash Flow Projection. The other more significant variances are as follows:
- a) Accounts receivable: During the Monitoring Period, the Company has collected approximately \$2.3 million in accounts receivable compared to a projected amount of \$2.5 million. The Trustee understands that this approximately \$200,000 negative variance is due to timing differences.
- b) Materials, supplies and services: During the Monitoring Period, the Company budgeted approximately \$851,000 in costs relating to materials, supplies and services that were required for ongoing projects and the actual amounts incurred were only approximately \$390,000. The Trustee understands that the Company reduced these expenditures to stay within the TD operating line limit and that part of the variance relates to timing differences that will reverse when additional funds are available. The Trustee also understands that this may impact the timing of future accounts receivable collections and this has been reflected in the Updated Cash Flow Projection (as defined later in this First Report).
- c) Employee payroll: During the Monitoring Period, the Company incurred approximately \$606,000 in payroll expenditures compared to a budgeted amount of approximately \$376,000. This negative variance of approximately \$230,000 is due mainly to the following:
- Approximately \$96,296 of the variance represents employee source deductions for the payroll period ended January 22, 2016 that were not included in the Cash Flow Projection in error. These amounts represent a deemed trust claim that would have been required to be paid in any event.
 - Approximately \$180,000 in cash was transferred to the Company's TD payroll account to fund payroll of approximately \$112,000 that is set to be automatically transferred to employees on February 19, 2016 (week four) of the Cash Flow Projection. This represents a timing variance and also has resulted in approximately \$72,000 of cash remaining in the Company's chequing account as at February 16, 2016.
- d) Accounting and legal: During the Monitoring Period, the Company incurred a total of approximately \$109,000 in accounting and legal expenses compared to a budget of \$50,000. This represents a

variance of approximately \$59,000 compared to the budgeted amount. These payments are detailed in paragraph 41 below and relate mainly to pre-filing fees related to the negotiation and execution of the APA with the Purchaser as well as legal and accounting work in relation to various statements of claim filed by creditors and preparing to file the NOI.

37. During the Monitoring Period, the Company made a payment of approximately \$85,000 to SC which the Trustee understands relates to the lease payments due to SC for the month of February 2016.
38. At the Date of Filing the Company had outstanding wages and salaries and vacation pay owing to 84 of the Company's employees for the pre-filing period from January 18 to January 20, 2016 in the amount of approximately \$80,000 (the "**Pre-Filing Wage Claims**"). The Company requested that the Trustee allow these amounts to be paid. The Trustee notes as follows with regards to these claims:
 - a) Outside of a bankruptcy or receivership, the employees would be entitled to a statutory priority over all security other than purchase money security interests in the amount of \$7,500 each pursuant to the Alberta Employment Standards Code;
 - b) In a bankruptcy or receivership, the employees would be entitled to approximately \$4,000 in employment amounts pursuant to the Wage Earner Protection Program; and
 - c) In a proposal under the BIA, all amounts owing to the employees that they would be eligible to receive if the Company became bankrupt on the Filing Date are required to be paid as a term of any proposal.
39. As the amount of the Pre-Filing Wage Claims did not exceed the amounts outlined above for any one employee, the Trustee was supportive of the Pre-Filing Wage Claims being paid on February 8, 2016.
40. The Trustee was also made aware that \$11,168 in cheques cleared the payroll account that related to wages incurred prior to the Filing Date. These amounts relate to one contractor and five employees who do not receive their wages through direct deposit and stop payments were not made on these cheques. The Trustee understood that all outstanding cheques at the Filing Date had stop payments applied, but these cheques did not. As for the Pre-Filing Wage Claims, none of these amounts for any one employee (assuming that severance obligations are to be covered by the Purchaser as outlined in the APA) exceeded the amounts these employees would have been entitled to in any event. The contractor payment was for engineering consulting works and amounted to \$1,280, of which only \$560 was for services rendered during the pre-filing period.
41. In addition to the Pre-Filing Wage Claims, the Trustee notes that the Company has made the following payments after the Filing Date in relation to goods or services provided before the Filing Date:
 - a) \$6,111 to Lockhart LLP for accounting services in relation to the APA and the Transaction;
 - b) \$14,372 to Monet Investments for consulting services in related to the APA and the Transaction;
 - c) \$2,958 to Fillmore Riley LLP for legal work in relation to various statements of claim filed by creditors and preparing to file the NOI;

- d) \$36,752 to the Trustee for services rendered with respect to reviewing the restructuring and refinancing options available to SAEC and SC for the period November 23, 2015 to January 15, 2016;
 - e) \$47,991 to Bennett Jones LLP for services rendered with respect to the APA and the filing of the NOI; and
 - f) \$48,591 to TD for the outstanding balances on the Company's credit cards. The Trustee understands that these credit cards are used by the Company's employees to purchase miscellaneous supplies and materials required on a cash-on-delivery basis and that the TD GSA covers any credit card indebtedness with the Company.
42. The pre-filing payments outlined above directly relate to steps taken in furtherance of the NOI proceedings, including the APA, the Transaction, and the filing of the NOI.

Updated Cash Flow Forecast

43. The Company has prepared an updated statement of projected cash flow for the nine week period ending April 15, 2016 (the "**Updated Cash Flow Projection**") on the assumption that the operations will continue on a scaled down basis going forward while the Company tries to restructure and refinance with the BDC and find an alternate lender for the TD. The assumptions are included in the Notes to the Updated Cash Flow Projection which is attached to this Report as **Appendix C**.
44. The same Cash Flow Disclaimers apply to the Updated Cash Flow Projection as with the Cash Flow Projection.
45. The Trustee will continue to monitor actual results as compared to the Updated Cash Flow Projection.

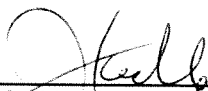
Estimated Net Realizable Value of Assets

46. The Trustee prepared an analysis of the Net Realizable Value ("**NRV**") of the Company's assets in a liquidation scenario as at December 31, 2015 (the "**NRV Analysis**") in order to assess the Transaction and the impact on the creditors. The assumption was that the assets of SAEC would be liquidated through a court-appointed receiver. In the low liquidation scenario (the "**Low NRV Scenario**") it was assumed that the operations of SAEC would be discontinued and any ongoing projects would not be completed by the Receiver. In the high scenario (the "**High NRV Scenario**") it was assumed that certain projects with remaining value would be completed and delivered with the cooperation of the former employees and the Shareholder. Equipment would be liquidated through an auction as there are not likely any en-bloc buyers based on the sales process undertaken by the Company.
47. As part of the NRV Analysis, the assets and liabilities of SC had to be considered due to the guarantee that BDC holds against SAEC and the fact that it was assumed that in a liquidation BDC would pursue SAEC for any shortfall from its security as against SC.
48. The other assumptions included in the liquidation analysis and the related calculations were detailed further in the NRV Analysis, a copy of which has only previously been shared with TD and the BDC. If the Company files a proposal to its creditors, an updated NRV analysis will be provided to the creditors.
49. The NRV Analysis estimated that there would likely be a surplus in SAEC after the payment of the TD Debt in both the Low NRV Scenario and the High NRV Scenario. However, in both scenarios there would nevertheless be a material shortfall to BDC on account of the BDC Guarantee and no recovery on either the Shareholder Loan or the SC Loan. As a result, it is estimated that the unsecured creditors of the Company would not realize anything on their debts in either liquidation scenario.

Conclusion

50. As a result of the foregoing and based on the information known and relied upon to date, the Trustee supports the Stay Extension for the following reasons:
- a) The Company requires time to source an alternate lender to repay the TD operating line (of which the Trustee understands that discussions have already started) and refinance with BDC in order to continue operations and potentially fund a proposal to its creditors. With this additional time, the Company may be in a better position and there could be a better recovery to the creditors through a proposal versus a liquidation of the Company;
 - b) The Company appears to be acting in good faith and with due diligence and is trying to restructure its affairs and make a proposal to its creditors; and
 - c) It is only a three week extension, BDC is supportive and the creditors should not be materially prejudiced if the Stay Extension is granted.

DELOITTE RESTRUCTURING INC.,
In its capacity as Trustee under the Proposal of
Stealth Acoustical & Emission Control Inc.
and not in its personal capacity



Jeff Keeble, CA • CIRP, CBV
Senior Vice President

Appendix A –

Statement of Projected Cash Flow for
the Nine Week Period Ending March
25, 2016

Stealth Acoustical & Emission Control Inc.
Statement of Projected Cash Flow
For the Nine Week Period Ending March 25, 2016

Description	Projected									Notes
	Week 1 Ending 29-Jan-16	Week 2 Ending 05-Feb-16	Week 3 Ending 12-Feb-16	Week 4 Ending 19-Feb-16	Week 5 Ending 26-Feb-16	Week 6 Ending 04-Mar-16	Week 7 Ending 11-Mar-16	Week 8 Ending 18-Mar-16	Week 9 Ending 25-Mar-16	
Cash Inflows										
Accounts receivable collections	\$ 1,290,486	\$ 922,874	\$ 260,794	\$ 1,46,884	\$ 184,945	\$ 946,064	\$ 98,909	\$ 772,005	\$ 385,000	\$ 5,007,961
Total cash inflows	1,290,486	922,874	260,794	1,46,884	184,945	946,064	98,909	772,005	385,000	5,007,961
Cash Outflows										
Materials, supplies and services	215,321	635,557								1,194,878
Payroll and remittances	-	276,200	100,000	165,000	100,000	165,000	100,000	165,000	100,000	1,171,200
Credit card payments	50,000					40,000				90,000
Stealth Consulting Inc. lease payments			126,757			126,757				253,514
GST payment			3,470	8,030	750	2,860	3,470	1,140	6,890	45,000
Lease - rental equipment and vehicles										26,610
Truck maintenance				2000		7,000				19,000
Fuel expense										4,000
Training										3,000
Insurance										690
Bank charges			130	110	100		130	3,000	2,000	4,000
Operating line interest/penalty					3,000					3,000
Accounting and legal		12,000				12,000				24,000
Office supplies		50,000				50,000				100,000
Office expenses										2,000
Courier and postage					5,000					2,000
Business taxes		2,132								5,230
Employee benefits										300
WCB										4,264
Rent (current facilities/land)				14,000				14,000		28,000
Telephone		53,660				53,660				8,000
Utilities										107,320
Security and monitoring			10,000							3,000
Repairs and maintenance										10,000
Contingency			700		27				27	20,000
Total cash outflows	\$ 265,321	\$ 1,049,549	\$ 261,057	\$ 195,140	\$ 142,877	\$ 532,639	\$ 261,900	\$ 337,250	\$ 229,017	\$ 160,000
Net cash flow	\$ 1,025,165	\$ (126,675)	\$ (63)	\$ (48,256)	\$ 42,068	\$ 413,425	\$ (162,991)	\$ 434,755	\$ 155,983	\$ 1,733,211
Opening operating line	(2,346,999)	(1,321,834)	(1,448,509)	(1,448,772)	(1,497,028)	(1,454,960)	(1,041,535)	(1,204,526)	(769,771)	(2,346,999)
Net cash flow	1,025,165	(126,675)	(63)	(48,256)	42,068	413,425	(162,991)	434,755	155,983	1,733,211
Closing operating line	(1,321,834)	(1,448,509)	(1,448,772)	(1,497,028)	(1,454,960)	(1,041,535)	(1,204,526)	(769,771)	(155,983)	(613,788)

Purpose: This Estimated Cash Flow Statement (the "Cash Flow") has been prepared by the management ("Management") of Stealth Acoustical & Emission Control Inc. (the "Company") pursuant to section 50.4(2) of the Bankruptcy and Insolvency Act (the "BIA"). It is being filed specifically for the purposes contemplated in that section of the BIA and readers are cautioned that it may not be appropriate for other purposes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

Stealth Acoustical & Emission Control Inc.


Per: Colin Davidson, President

Deloitte Restructuring Inc. in its capacity as Trustee under the notice of intention to file a proposal by Stealth Acoustical & Emission Control Inc. and not in its personal capacity

Per: Jeff Keeble, Senior Vice-President

Stealth Acoustical & Emission Control Inc.
Statement of Projected Cash Flow
For the Nine Week Period Ending March 25, 2016

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and Management estimates.
2. The Company is continuing operations in the normal course while it attempts to close on a pending sale of its assets. A court date for the sale approval has been set for February 4, 2016 and if the sale is approved Management is planning to file a proposal to its creditors. The Cash Flow does not include any receipts or disbursements to be made pursuant to these transactions.

Notes & Assumptions - Specific:

1. Accounts receivable collections are based on specific invoices rendered or to be rendered and collection dates have been estimated by Management based on the payment terms provided to the customers and the anticipated shipping dates for the products.
2. Materials, supplies and services are cash-on-delivery payments that are required in order to ship products and collect on the related accounts receivable. Management has estimated these amounts based on the status of each project.
3. Payroll and remittances have been estimated by Management based on the anticipated workforce in place and the Week 2 payment includes approximately \$80,000 in pre-filing wages that the Company is seeking Court approval to pay.
4. Credit card payments are required to purchase miscellaneous supplies and materials on a cash-on-delivery basis.
5. Stealth Consulting Inc. ("SC") lease payments include the February 2016 rent on the two properties owned by SC and leased to the Company as well as the equipment leased by the Company from SC.
6. Accounting and legal payments relate to the Trustee and its counsel along with counsel for the Company.
7. The contingency is for any unknown expenses or for the timing differences for known expenses.

Appendix B –

Statement of Actual Versus Projected
Cash Flow for the Three Week Period
Ended February 12, 2016

Stealth Acoustical & Emission Control Inc.
Statement of Actual versus Projected Cash Flow
For the Three Week Period Ended February 12, 2016

Description	Actual			Projected			Variance Analysis			Projected Cash Flows For 3 weeks	Actual Cash Flows For 3 weeks	Cumulative Variance Analysis
	Week 1 Ending 29-Jan-16	Week 2 Ending 29-Jan-16	Week 3 Ending 12-Feb-16	Week 1 Ending 05-Feb-16	Week 2 Ending 05-Feb-16	Week 3 Ending 12-Feb-16	Week 1 Variance Analysis	Week 2 Variance Analysis	Week 3 Variance Analysis			
Cash Inflows												
Accounts receivable collections	\$ 1,290,486	\$ 1,285,590	\$ 922,874	\$ 98,504	\$ 260,794	\$ 922,794						
Total cash inflows	\$ 1,290,486	\$ 1,285,590	\$ 922,874	\$ 98,504	\$ 260,794	\$ 922,794						
Cash Outflows												
Materials, supplies and services	215,321	195,281	635,557	51,501	100,000	229,667	(20,040)	(584,056)	476,449	850,878	(374,439)	
Payroll and remittances	-	-	276,200	-	100,000	605,677	(1,409)	(276,200)	605,677	376,200	229,477	
Credit card payments	50,000	48,591	-	-	126,757	-	-	-	48,591	50,000	(1,409)	
Stealth Consulting Inc. lease payment	-	-	-	-	-	-	-	-	-	126,757	(126,757)	
GST payment	-	-	-	-	-	-	-	-	77,906	-	77,906	
Lease - rental equipment and vehicles	-	-	-	-	3,470	-	-	-	(3,470)	-	(3,470)	
Truck maintenance	-	-	-	-	-	-	-	-	-	-	-	
Fuel expense	-	-	-	-	-	-	-	-	-	-	-	
Training	-	-	-	-	-	-	-	-	-	-	-	
Insurance	-	-	-	-	-	-	-	-	-	-	-	
Bank charges	-	10,383	-	4	-	130	10,383	-	-	130	(130)	
Operating line interest/penalty	-	-	12,000	-	-	-	(12,000)	4	-	-	10,387	
Accounting and legal	-	20,483	50,000	88,937	-	-	20,483	38,937	108,420	50,000	(12,000)	
Office supplies	-	-	-	1,236	-	-	-	1,236	-	-	59,420	
Office expenses	-	-	-	-	-	-	-	-	-	-	1,236	
Courier and postage	-	-	-	-	-	-	-	-	-	-	-	
Business taxes	-	-	2,132	2,099	-	-	-	(33)	2,099	2,132	(33)	
Employee benefits	-	-	-	15,989	-	-	-	15,989	-	-	15,989	
WCB	-	-	-	-	-	-	-	-	-	-	-	
Rent (current facilities/land)	-	-	53,660	53,663	-	-	-	3	53,663	53,660	3	
Telephone	-	-	-	-	-	-	-	-	-	-	-	
Utilities	-	-	-	-	-	-	-	-	-	-	-	
Security and monitoring	-	-	-	-	10,000	-	-	-	-	10,000	(10,000)	
Repairs and maintenance	-	-	-	-	-	700	-	-	-	-	700	
Contingency	-	-	20,000	-	-	20,000	-	(20,000)	-	-	(20,000)	
Total cash outflows	\$ 265,321	\$ 274,738	\$ 1,049,549	\$ 213,429	\$ 261,057	\$ 913,250	\$ 9,417	\$ (836,120)	\$ 1,401,417	\$ 1,575,927	\$ (174,510)	
Net cash flow	\$ 1,025,165	\$ 990,852	\$ (126,675)	\$ (114,925)	\$ (263)	\$ 9,544	\$ (34,313)	\$ 11,750	\$ 9,807	\$ 898,227	\$ (12,756)	
Opening operating line	(2,346,999)	(2,346,999)	(1,321,834)	(1,356,147)	(1,448,509)	(1,471,072)						
Net cash flow	1,025,165	990,852	(126,675)	(114,925)	(263)	9,544						
Closing operating line	(1,321,834)	(1,356,147)	(1,448,509)	(1,471,072)	(1,448,772)	(1,461,528)						

Appendix C –
Updated Statement of Projected Cash
Flow for the Nine Week Period
Ending April 15, 2016

Stealth Acoustical & Emission Control Inc.
Updated Statement of Projected Cash Flow
For the Nine Week Period Ending April 15, 2016

Description	Projected Week 1		Projected Week 2		Projected Week 3		Projected Week 4		Projected Week 5		Projected Week 6		Projected Week 7		Projected Week 8		Projected Week 9		Total	Notes
	Ending	19-Feb-16	Ending	26-Feb-16	Ending	04-Mar-16	Ending	11-Mar-16	Ending	18-Mar-16	Ending	25-Mar-16	Ending	01-Apr-16	Ending	08-Apr-16	Ending	15-Apr-16		
Cash Inflows																				
Accounts receivable collections	\$	339,051	\$	193,961	\$	514,420	\$	808,580	\$	91,171	\$	438,107	\$	322,744	\$	322,744	\$	322,744	\$	3,030,777
Total cash inflows		339,051		193,961		514,420		808,580		91,171		438,107		322,744		322,744		322,744		3,030,777
Cash Outflows																				
Materials, supplies and services	142,333		146,500		117,500		156,833		88,000		50,000		52,860		25,000		25,000		716,027	2
Payroll and remittances					88,000		40,000		88,000		40,000		70,400		32,000		70,400		428,800	3
Credit card payments					20,000														20,000	4
Stealth Consulting Inc. lease payments					118,064														236,128	5
GST payment					45,000														75,000	
Lease - rental equipment and vehicles																				
Truck maintenance																				
Fuel expense	2,000																			
Training											2,000									
Insurance	110		100				130		3,000		100								4,000	
Bank charges			3,000						110										3,000	
Operating line interest/penalty					12,000														6,000	
Accounting and legal	60,000																		24,000	
Office supplies																			150,000	6
Office expenses																			4,230	
Courier and postage					230														10,230	
Business taxes																			600	
Employee benefits	5,000																		4,262	
WCB																			43,000	
Rent (current facilities/land)																			16,000	
Telephone																			107,320	
Utilities																			18,000	
Security and monitoring																			54	
Repairs and maintenance																			2,000	
Contingency	20,000																		2,000	
Total cash outflows	\$	229,443	\$	174,627	\$	498,586	\$	233,263	\$	116,110	\$	112,127	\$	346,344	\$	224,300	\$	120,530	\$	2,055,331
Net cash flow																				
Opening operating line	(1,461,528)		(1,351,920)		(1,332,586)		(1,316,752)		(741,436)		(766,375)		(440,395)		(463,995)		(365,552)		(1,461,528)	
Net cash flow	109,608		19,334		15,834		575,316		(24,939)		325,980		(23,600)		98,444		(120,530)		975,446	
Closing operating line	\$	(1,351,920)	\$	(1,332,586)	\$	(1,316,752)	\$	(741,436)	\$	(766,375)	\$	(440,395)	\$	(463,995)	\$	(365,552)	\$	(486,082)	\$	(486,082)

Purpose:
This Estimated Cash Flow Statement (the "Cash Flow") has been prepared by the management ("Management") of Stealth Acoustical & Emission Control Inc. (the "Company") pursuant to section 50.4(2) of the Bankruptcy and Insolvency Act (the "BIA"). It is being filed specifically for the purposes contemplated in that section of the BIA and readers are cautioned that it may not be appropriate for other purposes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

Stealth Acoustical & Emission Control Inc.

Deloitte Restructuring Inc. in its capacity as Trustee under the notice of intention to file a proposal by Stealth Acoustical & Emission Control Inc. and not in its personal capacity

Per: Colin Davison, President

Per: Jeff Keeble, Senior Vice-President

Stealth Acoustical & Emission Control Inc.
Updated Statement of Projected Cash Flow
For the Nine Week Period Ending April 15, 2016

Notes & Assumptions - General:

1. Unless otherwise stated, amounts are based on historical data and Management estimates.
2. The Company is continuing operations in the normal course while it attempts to close on a pending refinancing or sale of its assets. The Cash Flow does not include any receipts or disbursements to be made pursuant to these transactions.

Notes & Assumptions - Specific:

1. Accounts receivable collections are based on specific invoices rendered or to be rendered and collection dates have been estimated by Management based on the payment terms provided to the customers and the anticipated shipping dates for the products.
2. Materials, supplies and services are cash-on-delivery payments that are required in order to ship products and collect on the related accounts receivable. Management has estimated these amounts based on the status of each project.
3. Payroll and remittances have been estimated by Management based on the anticipated workforce in place. The company has initiated layoffs of employees to appropriately staff ongoing customer projects. Per management, approximately 20% of existing staff in week one of the forecast will be laid off by week five of the forecast.
4. Credit card payments are required to purchase miscellaneous supplies and materials on a cash-on-delivery basis.
5. Stealth Consulting Inc. ("SC") lease payments comprise of rent on the two properties owned by SC and leased to the Company as well as the equipment leased by the Company from SC.
6. Accounting and legal payments relate to the Trustee and its counsel along with counsel for the Company.
7. The contingency is for any unknown expenses or for the timing differences for known expenses.