

SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-061483-224

IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF:

FORMERXBC INC. (FORMERLY XEBEC ADSORPTION INC.)
11941666 CANADA INC. (FORMERLY XEBEC RNG HOLDINGS INC.)
APPLIED COMPRESSION SYSTEMS LTD.
1224933 ONTARIO INC. (FORMERLY COMPRESSED AIR INTERNATIONAL INC.)
FORMERXBC HOLDING USA INC. (FORMERLY XEBEC HOLDING USA INC.)
ENERPHASE INDUSTRIAL SOLUTIONS, INC.
CDA SYSTEMS, LLC
FORMERXBC ADSORPTION USA INC. (FORMERLY XEBEC ADSORPTION USA INC.)
FORMERXBC PENNSYLVANIA COMPANY (FORMERLY THE TITUS COMPANY)
FORMERXBC NOR CORPORATION (FORMERLY NORTEKBELAIR CORPORATION)
FORMERXBC FLOW SERVICES – WISCONSIN INC. (FORMERLY XBC FLOW SERVICES – WISCONSIN INC.)
CALIFORNIA COMPRESSION, LLC
FORMERXBC SYSTEMS USA, LLC (FORMERLY XEBEC SYSTEMS USA, LLC)
Debtors / Petitioners

and

DELOITTE RESTRUCTURING INC.
Monitor

PROCÈS VERBAL/MEETING MINUTES
INFORMATION SESSION - PROPOSED ALLOCATION METHOD
JUNE 20, 2023, 1pm EST

- **Persons presenting:**
 - Deloitte Restructuring Inc. in its capacity as court-appointed monitor (the “**Monitor**”): Julie Mortreux (**JM**) and Jean-François Nadon (**JFN**)
 - McCarthy Tétrault LLP, Monitor’s counsel: Mtre Jocelyn T. Perreault (**JP**)
- **Other persons present in person at the Monitor’s offices :**
 - Monitor: Frédéric Turbide and Frédéric Beaudoin
 - McCarthy Tétrault LLP: Mtre Marc-Étienne Boucher (secretary)
 - Osler, Hoskin & Harcourt LLP, Petitioners’ counsel: Mtre Sandra Abitan and Mtre Julien Morissette
- **Present on Teams Virtual Meeting :** see list attached as Appendix A

[These minutes summarize the presentation made by the Monitor at the Allocation Method’s information session and are prepared for information purposes. They do not in any way modify, supersede or replace the detailed information contained in the Monitor’s Reports filed since the initiation of the CCAA Proceedings, including the Proposed Allocation Method Report.]

TIME	DESCRIPTION
1.00	Invitees are admitted in the conference.
1.01	Welcome words and introduction by JFN: <ul style="list-style-type: none"> - Complex situation and complex group of entities - We will be presenting today the fruit of our labor in relation to the allocation exercise - Filing occurred in September 2022, SISP was launched for all or part of the group - Complexities: not an integrated group, multiple jurisdictions, multiple locations and multiple business segments, and challenges to create value for stakeholders - Filing in CAN and US, NBF was retained to manage SISP and reached out to hundreds of potential investors or purchasers, worldwide. 2 phases to the SISP: Phase 1 was encouraging, but offers received at Phase 2 were not as high as hoped for. Not unusual for this kind of process. Unfortunately, no holistic offer covering all of the entities and businesses, and even no offer for some entities, at this stage - After intense work, several offers were clarified, negotiated and closed. 13 transactions were completed and all businesses resulting therefrom are currently operating. Positive for stakeholders, including most

TIME	DESCRIPTION
	<p>employees whose employment has been continued, for many clients whose contracts can be continued and for suppliers</p> <ul style="list-style-type: none"> - Remaining assets are quite marginal and we are at the point of determining outcome of the file and how we could distribute money going forward - Exercise presented is not on distribution or recovery. This will depend on the claims process, amongst other things. Claims Bar Date is July 24 and we will have a better view for certain estates - This allocation which will be presented is a method. It is an exercise that started at the filing date. The purpose here is to allocate proceeds and expenses, fairly and in a transparent manner and to provide an equitable method to do so - The method will be submitted for approval to Justice Immer on June 27, 2023, and then for recognition by the US Court - Language: information session will proceed in English, but participants are welcome to ask questions in French, and we will answer and translate simultaneously [repeat this in French] - Reminder that the Monitor has a dedicated telephone line and email address for questions or additional information
1.10	<p>Intervention by JP:</p> <ul style="list-style-type: none"> - This is meant to be an information session - No vote will be held - No rules <i>per se</i> have been put in place to participate, all parties who manifested an interest were provided the link to attend - The objective, as indicated to the Court, is to present to interested parties the general approach used by the Monitor to establish the Proposed Allocation Method, which is complicated by nature, and to answer questions in advance of the hearing scheduled on July 27.
1.11	<p>Presentation by JM:</p> <ul style="list-style-type: none"> - Very complex exercise as pointed out by JFN and JP
1.12	<p>Question from Sophie Latendresse (FTQ): will the recording be made available if we have to leave before the end?</p> <ul style="list-style-type: none"> - JFN: yes, it will be posted on the Monitor's website, to the extent possible

TIME	DESCRIPTION
1.12	<p>Presentation by JM (cont'd):</p> <ul style="list-style-type: none"> - Page 7: JM presents the main sections of the proposed allocation method and the overview of the methodology used by the Monitor - Page 7: explains why the allocation is made to BLA as part of corporate overhead expenses - Page 7: corporate overhead expenses for XSU is calculated on a monthly expense average as detailed in the approach
1.17	<p>Intervention by JP:</p> <ul style="list-style-type: none"> - This exercise is made for all entities for post-filing expenses and intercompany transactions - For pre-filing intercompany transactions, these will form part of proofs of claims as part of the claims process. This allocation does not deal with intercompany transactions that occurred before the filing date.
1.18	<p>Presentation by JM (cont'd):</p> <ul style="list-style-type: none"> - Reimbursements to NBC made by the Petitioners during the CCAA proceedings, allocated between entities where NBC has first ranking security - Reimbursements to EDC made by the Petitioners during the CCAA proceedings; since insufficient funds to repay EDC in full, allocated between entities where EDC has security - Assumption of impact of transaction of Xebec UK: repaid \$7.6M by BLA and will be presented later in this presentation - Assumes amount of approximately \$600K repaid to an unsecured creditor of Xebec UK, subject to final resolution and as such amounts could vary - End result of allocation method: allocated net proceeds prior to distribution to creditors (based on estimates at this stage)
1.21	<p>Intervention by JFN:</p> <ul style="list-style-type: none"> - This Allocation Method what is sought for Court approval - The roadmap seems complicated, but it is easier to understand with illustration of numbers contained in the report - Any questions before we go to numbers? [No questions asked]

1.22	<p>Presentation by JM (cont'd):</p> <ul style="list-style-type: none"> - Slide 8: we start with Proceeds. \$29M went to the Monitor trust account and \$7.6M relating to Xebec UK transaction which went to NBC as reimbursement of secured debt
1.23	<p>Intervention by JFN:</p> <ul style="list-style-type: none"> - Calculation of Proceeds is presented at slide 8. Provides the example of CDA and shows how pro rata of total proceeds is calculated
1.24	<p>Presentation of JM (cont'd):</p> <ul style="list-style-type: none"> - Slide 8: excludes future transactions such as Biostreams and Western Midstream - Slide 9: a bit more detailed and easier to visualize. We see each subset of intercompany transactions - On a net basis, for monetary transfers, BLA and XSU have received funds to cover Restructuring Costs and corporate expenses, which are re-allocated between Petitioners. - Discusses Restructuring Costs, paid and future - Discusses DIP financing receipts and allocation of same between Petitioners - Any questions? [No questions asked]
1.31	<p>Intervention by JP:</p> <ul style="list-style-type: none"> - Pro rata result based approach: it is the approach established as being the most fair and equitable in the circumstances of the file and the one used in several other CCAA files where there is a need to perform an allocation. - Not the only method that exists, but the Monitor has looked at an Alternate Scenario which is also presented in the report. No material differences, which is additional evidence that it is an equitable approach in these CCAA proceedings
1.32	<p>Presentation by JM (cont'd):</p> <p>Presentation of slide 8:</p> <ul style="list-style-type: none"> - Illustrates the items discussed at slide 9 and how they interact in the summary (slide 8)

1.34	<p>Intervention by JP:</p> <ul style="list-style-type: none"> - Xebec UK shares: this transaction was concluded as part of the SISF even if not a Petitioner. It has resulted in a repayment to NBC as a secured creditor, as UK was a guarantor of the debt owed by BLA
1.35	<p>Presentation by JM (cont'd):</p> <p>Presentation of slide 8:</p> <ul style="list-style-type: none"> - Summarizes the previous section in the chart - Not enough funds at BLA to pay DIP financing. The shortfall is re-allocated between Petitioners with sufficient funds - The last allocation are the amounts for the outstanding LCs (approx. \$500K) which is re-allocated like the NBC secured debt reimbursements - This results in the allocated net proceeds prior to distribution between creditors. BLA has no allocated net proceeds, and there are nominal net proceeds in GNR, XHU and XSU - No questions from public
1.37	<p>Intervention by JFN:</p> <ul style="list-style-type: none"> - A lot of other slides in the report provide detail of what was already presented - No intention of going through the granular. What was presented illustrates well the allocation to be approved - Alternate scenario: it became evident that the differences are marginal. The Main Assumption is robust and the Alternate Scenario amounts to the same result and provides a lot of comfort. The Monitor performed this Alternate Scenario to verify that it did not choose a method that impacts certain creditors unfairly - If no questions, we will conclude on this and have it approved by the Court. [No questions asked] - Note again that the numbers may change, but in general it demonstrates that there will be some amounts available as part of plans of arrangement - Need to complete claims process to know that
1.40	<p>Intervention of JP:</p> <ul style="list-style-type: none"> - Reminds attendees that in 10th Monitor's Report there is a detailed timetable of next steps, including the milestone to obtain approval from the CCAA Court next week, and recognition in Chapter 15 proceedings thereafter (mid-July)

	<ul style="list-style-type: none"> - July 24 is a key date also, being the claims bar date for all claims against each of the Petitioners. After the claims bar date, review of claims by Monitor and the company, and presentation of plan(s) of arrangement expected before Sept. 29 in entities where there will be a distribution available - For the Petitioners where EDC has no security: definitely a distribution to unsecured creditors (if the final amounts allocated are sufficient); for others it remains to be determined
1.43	Closing remarks and conclusion from JFN. Invites attendees to ask final questions. [No questions asked]
1.43	End of Information Session

Appendix A: List of attendees on Teams Virtual Meeting

Virtual Information Session Request List

List updated as at June 20, 2023 1PM

Name	Cie	Represented Party	Entity	Requested Invitation	Present
Éric Savard	Langlois	Haffner Energy	BLA	✓	✓
William Bourgault	Langlois	Haffner Energy	BLA	✓	✓
Sandra Abitan	Osler	Xebec		✓	✓
Julien Morissette	Osler	Xebec		✓	✓
Samuel Perron	NRF	EDC		✓	✓
Karen Kimmel	Richter	EDC		✓	✓
Aaron Welch	BC Ministry of Attorney General	BC Ministry of Attorney General	ACS	✓	✓
Maxime Champagne	Gowling	The Wisconsin Compressed Air Corporation (XBC)	XBC	✓	✓
James Cooke	Miller Canfield	Brightmark	UEC	✓	✓
Marcello Calcagno	Shareholder	Shareholder		✓	
Diane La Barre	Shareholder	Shareholder		✓	
Karl Vetter	L&L Fabrication	Creditor	UEC	✓	✓
Scott Dubov	BOGE America Inc.	Creditor	Flow	✓	✓
Adam Spiro	KRB Avocats	Shanghai Energy Innovation & Development Co.	BLA	✓	✓
Sophie Latendresse	Fonds de Solidarité FTQ	Unsecured Lender	BLA	✓	✓
Caroline Dion	Fonds de Solidarité FTQ	Unsecured Lender	BLA	✓	
Jake Harris	Blake, Cassels & Graydon LLP	Ekona Power Inc.	BLA	✓	✓
Claudia Giroux-Gamache	Kugler Kandestin LLP	Wagner Equipment Co. & Cadet Sheet Metal Inc.	UEC	✓	✓
Keith Kern	Creditor	Creditor	UEC	✓	✓
Simon Arnsby	Shareholder	Shareholder		✓	✓

SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-061483-224

DATE: June 27, 2023

PRESIDING: THE HONOURABLE CHRISTIAN IMMER, J.S.C.

IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF:

**FORMERXBC INC. (FORMERLY XEBEC ADSORPTION INC.)
11941666 CANADA INC. (FORMERLY XEBEC RNG HOLDINGS INC.)
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SERVICES – WISCONSIN INC.)
CALIFORNIA COMPRESSION, LLC
FORMERXBC SYSTEMS USA, LLC (FORMERLY XEBEC SYSTEMS USA, LLC)**
Debtors / Petitioners

and

DELOITTE RESTRUCTURING INC.
Monitor

ORDER APPROVING THE MONITOR'S PROPOSED ALLOCATION METHOD

- [1] **CONSIDERING** that on September 29, 2023, this Court issued the First Day Initial Order (“**FDIO**”) pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) in respect of the thirteen (13) Petitioners, namely appointing Deloitte Restructuring Inc. as court-appointed appointed monitor pursuant to the CCAA;
- [2] **CONSIDERING** that also on September 29, 2022, concurrently with the issuance of the FDIO, this Court also issued the Bidding Procedures Order, at which time the Sale and Investment Solicitation Process (the “**SISP**”) with respect to the Petitioners and their affiliates was launched and implemented as part of these CCAA proceedings;
- [3] **CONSIDERING** that, in accordance with the Bidding Procedures Order, National Bank Financial (“**NBF**”) was mandated to conduct the SISP and to assist the Petitioners, in consultation with the Monitor, at all stages of same;
- [4] **CONSIDERING** that on September 30, 2022, recognition proceedings were initiated in the United States of America pursuant to Chapter 15 of the U.S. Bankruptcy Code, in conformity with the orders issued by the US Court from time to time thereafter;
- [5] **CONSIDERING** that the FDIO was amended from time to time by the issuance of the various Amended and Restated Initial Order (“**ARIOs**”) issued by this Court, including the latest Fifth ARIO issued on March 27, 2023 (the “**Fifth ARIO**”);
- [6] **CONSIDERING** that the SISP was conducted by NBF and the Petitioners, in consultation with the Monitor, in accordance with the orders issued by this Court and a namely described in the various Monitor’s reports filed with this Court from time to time since the initiation of the CCAA proceedings;
- [7] **CONSIDERING** that following the outcome of the SISP, and of subsequent processes set forth by the Petitioners with the assistance of the Monitor, a total of thirteen (13) transactions involving the assets of various Petitioners were concluded as at the date of this Order;
- [8] **CONSIDERING** the provisions of the Fifth ARIO, including in particular paragraphs 28 to 30 thereof, which provide that the Monitor is required to issue the Intercompany Transactions Report and the Proposed Allocation, prior to any distribution, save and except in relation to amounts owing under the CCAA Charges;
- [9] **CONSIDERING** the *Application of the Monitor for the Approval of a Proposed Allocation Method* (the “**Application**”) dated June 16, 2023, pursuant to the CCAA, the exhibits filed in support thereto and the solemn declaration of the Monitor’s representative, Mr. Jean-François Nadon, filed in support thereof;

- [10] **CONSIDERING** the Proposed Allocation Method Report (inclusive of all its Appendices) of the Monitor dated June 16, 2023, comprising the Proposed Allocation Method and the Intercompany Transactions Report;
- [11] **CONSIDERING** that the Application and the exhibits thereto, including the Proposed Allocation Method Report, were notified to the service list on June 16, 2023;
- [12] **CONSIDERING** that, on June 20, 2023, further to a notice sent to the service list and posted on the Monitor's website on June 14, 2023, the Monitor held an information session open to any and all interested parties, to present the Proposed Allocation Method and to answer questions relating thereto;
- [13] **CONSIDERING** that this Court is satisfied that all interested parties were given the opportunity to make representations, ask questions and require clarifications in respect of the Application and on the Proposed Allocation Method sought for approval;
- [14] **CONSIDERING** the submissions of counsel present at the hearing on the Application;
- [15] **CONSIDERING** the testimony of the Monitor's representative at the hearing on the Application;
- [16] **CONSIDERING** the role and duty of the Monitor as independent court-appointed officer;
- [17] **CONSIDERING** that this Court is satisfied that the Proposed Allocation Method is fair, reasonable and equitable;
- [18] **GIVEN** the provisions of the CCAA:

THE COURT HEREBY:

- [19] **GRANTS** the Application.
- [20] **DECLARES** that, unless otherwise defined, all capitalized terms in this Order shall have the meaning ascribed thereto in the Application or in the Proposed Allocation Method Report (Exhibit M-1), as applicable.
- [21] **APPROVES** the proposed methodology to allocate the net proceeds held in trust by the Monitor, including the main sections forming part of the Proposed Allocation Method Report and further detailed and illustrated therein, as well as in the Application, namely the following:

- (a) Proceeds Allocation: Proceeds from transactions converted in Canadian dollars at the transaction date and allocated to the related Petitioner. Where multiple entities are part of a transaction, the allocation of proceeds shall be based on the allocation set forth in the related transaction documents.
- (b) Intercompany Transactions: adjustments shall be made to reflect Intercompany Transactions having occurred since the Filing Date (September 29, 2022), which include:
 - i. Monetary Transfers between Petitioners having occurred from and after the Filing Date;
 - ii. Intercompany Transactions, excluding Monetary Transfers, for sales and purchases between Petitioners since the Filing Date, for which no payment has been received by the selling Petitioner;
 - iii. Corporate overhead recharge of certain expenses and payroll items incurred by XSU for and on behalf of other Petitioners from the Filing Date until the end of April 2023, which are allocated based on the average monthly expenses compiled by the Petitioners with the assistance of the Monitor; and
 - iv. Corporate overhead recharge of certain expenses, excluding Restructuring Costs, from the Filing Date until the end of April 2023, which are allocated based on the methodology used by BLA in the course of fiscal year 2021 (based on asset value, employees and sales) and considering expenses paid by BLA on behalf of other entities directly recharged, and providing that the share of the non-Petitioners, being direct or indirect subsidiaries of BLA, is allocated to BLA.
- (c) Allocation of Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts and disbursements and treatment of the impact of the Xebec UK Transaction and of any shortfall:
 - i. Restructuring Costs: shall be allocated using the *pro rata* result-based approach, based on the Proceeds from transactions, and shall include actual and budgeted Restructuring Costs up and until September 30, 2023, as well as XSU and BLA disbursements since the month of May 2023 and future Restructuring Costs;
 - ii. Secured Debt Reimbursements made to EDC by the Petitioners since the Filing Date: shall be allocated between Petitioners on which EDC has a security interest, and based on Proceeds from transactions on a *pro rata* basis. Furthermore, the fees and interest payments paid to EDC since the Filing Date shall be re-characterized as capital reimbursements;

- iii. Secured Debt Reimbursements made to NBC by the Petitioners since the Filing Date: shall be allocated between Petitioners on which NBC has a first-ranking security interest, and based on Proceeds from transactions on a *pro rata* basis; and
- iv. DIP Financing receipts and disbursements: shall be allocated based on the *pro rata* result-based approach, based on the Proceeds from transactions.
- v. Xebec UK Transaction impact: the net proceeds ultimately recovered or deemed recovered by BLA following the Xebec UK Transaction completed as part of the SISF, after resolution of Xebec UK's claim resulting from its subrogation in the rights of NBC as secured creditor following its reimbursement in its capacity of guarantor of BLA, BLA's claim against Xebec UK and any third-party claim(s) against Xebec UK, shall form part of the Proceeds from transactions attributed to BLA; and
- vi. Shortfall: any resulting shortfall for a Petitioner shall be allocated to the other Petitioners with sufficient allocated funds available, based on the *pro rata* result-based approach based on the Proceeds from transactions;

(the whole, as further detailed and illustrated in the Proposed Allocation Method Report, being referred to as the "**Proposed Allocation Method**").

- [22] **PRAYS ACT** of the fact that the amounts shown as "Allocated net proceeds prior to distribution to creditors" for each Petitioner in the Proposed Allocation Method Report are presented for illustrative purposes of the application of the Proposed Allocation Method, and are based on estimates, restrictions and limitations further detailed in the Proposed Allocation Method Report, such that the final amounts of net proceeds available to distribution to creditors will be finally determined at a later stage of the CCAA proceedings, applying the Proposed Allocation Method to any updated amounts and estimates;
- [23] **RESERVES** the possibility for the Monitor to make modifications to the Proposed Allocation Method which do not materially affect the ultimate results of its application to the final amounts and estimates, including without limitation in order to allocate some minimum Restructuring Costs to Petitioners which, further to the application of the Proposed Allocation Method, would have no or nominal allocated Restructuring Costs, the whole subject to the approval of this Court;
- [24] **ORDERS** that Exhibit M-3 filed in support of the Application shall be filed under seal and kept confidential until further order of this Court.

- [25] **APPROVES** the activities of the Monitor up to the date of this Order in connection with these restructuring proceedings, as described in the reports of the Monitor filed with this Court and **DECLARES** that the Monitor has fulfilled its obligations as described under the CCAA and in accordance with the orders made by this Court, including the Fifth ARIO, up to the date of this Order, in accordance with the Monitor's reports filed in the present proceedings and the testimonies adduced in the context of hearings held in the present file.
- [26] **DECLARES** that this Order shall have full force and effect in all provinces and territories of Canada.
- [27] **DECLARES** that the Monitor may, from time to time, apply to this Court for directions concerning the exercise of its powers, duties and rights hereunder or in respect of the proper execution of this Order.
- [28] **REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body in any Province of Canada and any Canadian federal court or in the United States of America, including without limitation the United States Bankruptcy Court for the District of Delaware, and any court or administrative body elsewhere, to give effect to this Order, and to assist the Monitor and its respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor as may be necessary or desirable to give effect to this Order in any foreign proceeding, to assist the Monitor and its respective agents in carrying out this Order.
- [29] **ORDERS** that any prior delay for the presentation of the Application is hereby abridged and validated so that the Application is properly returnable and dispenses with further service thereof.
- [30] **PERMITS** service of this Order at any time and place and by any means whatsoever.

500-11-061483-224

[31] **THE WHOLE** without costs.

HON. CHRISTIAN IMMER, J.S.C.

MTRE. JOCELYN T. PERREAU
MTRE. MARC-ÉTIENNE BOUCHER
McCarthy Tétrault LLP
Attorneys for the Monitor

Hearing date: June 27, 2023