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C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
COURT. No.: 500-11-061483-224

S U P E R I O R C O U R T  
Commercial Division

***In the matter of the CCAA of:***

**FORMERXBC INC. (formerly, XEBEC  
ADSORPTION INC.)**

**11941666 CANADA INC. (formerly, XEBEC  
RNG HOLDINGS INC.)**

**1224933 ONTARIO INC. (formerly,  
COMPRESSED AIR INTERNATIONAL INC.)**

**APPLIED COMPRESSION SYSTEMS LTD.**

**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**

- and -

**FORMERXBC SYSTEMS USA, LLC (formerly  
XEBEC SYSTEMS USA, LLC)**

Debtors/Petitioners

- and -

**DELOITTE RESTRUCTURING INC.**

Monitor

**REPORT ON THE PLAN OF COMPROMISE OF ENERPHASE INDUSTRIAL SOLUTIONS INC.  
("AIR", or the "Plan Debtor")  
SUBMITTED BY DELOITTE RESTRUCTURING INC. IN ITS CAPACITY AS MONITOR**

## **I. INTRODUCTION**

1. The purpose of this report (the "**Report on the Plan of AIR**") is to provide the Affected Creditors with all relevant and necessary information in connection with the Plan of Compromise filed by the Plan Debtor (the "**Plan**"), the Creditors' Meeting and the Monitor's recommendation that the Affected Creditors vote in favor of the approval of the Plan.
2. Unless otherwise defined, all capitalized terms used herein shall have the meaning given to them in the Plan.
3. Since the beginning of the CCAA Proceedings, on September 29, 2022, the Monitor has prepared detailed reports which are accessible on the Monitor's website at the following address: <https://www.insolvencies.deloitte.ca/Xebec>. The Report on the Plan of AIR should be read in conjunction with the previous reports including in particular the Twelfth Report.
4. Furthermore, an updated chronology of the CCAA Proceedings, similar in format to the chronology provided in previous reports, is attached hereto as **Appendix A**.
5. This Report on the Plan of AIR is prepared in connection with the requirement under Section 23(1)(d.1) CCAA based on information that has been made available to the Monitor.

## **II. OVERVIEW OF THE PLAN OF COMPROMISE**

6. On November 1, 2023, the Court issued the Plan Filing and Meeting Order authorizing the filing of the Plan and the convening of the Creditors' Meeting.
7. The primary purpose of the Plan is to provide for the compromise and settlement of the Affected Claims. The Plan provides for the distribution of the Distribution Proceeds to the Affected Creditors in full and final settlement of the Affected Claims.
8. In its Twelfth Report, the Monitor provides detailed information relating to the general structure of the Plans to be filed by the Plan Debtors to their respective Affected Creditors. Readers are encouraged to review the Twelfth Report which can be found on the Monitor's website.
9. This Report on the Plan of AIR contains only a summary of certain terms of the Plan. In case of any discrepancy, the terms of the Plan shall govern.

### **A. DESCRIPTION OF THE GENERAL STRUCTURE OF THE PLAN**

10. Pursuant to the Plan, the Affected Creditors are Creditors of the Plan Debtor with an Affected Claim, but only with respect to and to the extent of such Affected Claim. Each Plan Debtor's Affected Creditors shall comprise a single class for purposes of considering and voting on such Debtor's Plan.
11. The Affected Claims include all Claims except the Unaffected Claims, being the (i) Employee Priority Claims, (ii) Secured Claims including, for greater certainty, the EDC Secured Claim (as defined in each Plan), (iii) Excluded Claims, (iv) Post-Filing Claims; and the (v) Crown Priority Claims.
12. The Distribution Proceeds are comprised of the Allocated Net Proceeds (as established pursuant to the Allocation Order), to which are added the BLA Shortfall Repayment and the dividends received by the Plan Debtor pursuant to any plan of compromise of the other Petitioners.
13. The Distribution Proceeds are proposed to be distributed to the Affected Creditors with a Proven Claim as follows:

- a) first, to each Convenience Creditor, the lesser of the amount of its Proven Claim or the Convenience Amount (\$2,000), in full and final satisfaction of its Affected Claim, and, to each Affected Creditor that is not a Convenience Creditor, an amount equal to the Convenience Amount (\$2,000); and
  - b) second, the pro-rata share to each Affected Creditor for the remainder of its Proven Claim.
14. In accordance with the CCAA, in order for the Plan to be approved, at least 50% plus one in number, representing at least 2/3 in value of the Voting Claims of Affected Creditors must vote in favor of the Plan.

#### **B. RESERVES PROVIDED UNDER THE PLANS**

15. The Plans provide for the constitution of an "Administrative Reserve" to be held by the Monitor, the amount of which shall be approved by the Court pursuant to the Sanction Order, to be sought on December 15, 2023, should the Plans be approved.
16. The costs to be paid out the Administrative Reserve include all amounts outstanding in respect of Excluded Claims (other than any Claim which cannot be compromised under the CCAA), Employee Priority Claims, Crown Priority Claims and Post-Filing Claims, together with the Monitor's fees and disbursements (including that of its Canadian and U.S. legal counsel and other advisors), the fees and disbursements of the Plan Debtors' Canadian and U.S. legal counsel, the reasonable fees and disbursements of EDC's financial advisor and legal advisor for the period from May 8, 2023, to the date of the implementation of the Plans, in connection with the implementation of the Plan and the completion of the CCAA Proceedings and the U.S. Case (in each case, whether incurred before and after the Plan Implementation Date) as well as amounts related to, incurred or payable in connection with any dissolution or bankruptcy of the respective Debtors including retainers to any proposed trustee in bankruptcy, and any other reasonable amounts in respect of any other contingency as the Monitor may determine in its sole discretion.
17. As at the date of this Report on the Plan of AIR, the Administrative Reserve is estimated to be between \$2.4M and \$4.1M for all Plans. The Administrative Reserve estimates are calculated using the projected collections and disbursements from the week ending December 16, 2023, up until March 30, 2024. These estimates are dependent notably upon projected collections and disbursements from the week ending November 4, 2023, until the week ending December 9, 2023. The amount of the Administrative Reserve is expected to be established and confirmed as part of the Sanction Order to be sought upon approval of the Plan, at which time the current estimates will have been updated by the Monitor.
18. The Administrative Reserve will be considered in the final determination of the Allocated Net Proceeds, to be calculated in accordance with the Allocation Methodology.
19. The Plans also provide for the constitution of a Disputed Claims Reserve in relation to any remaining Disputed Claims at the time of the distribution to the Affected Creditors, if any.
20. In the event that there is a non-significant amount remaining in the above-noted reserves, the Plans authorize the Monitor to determine the amount that should be distributed to EDC based on the pro rata of the total recoveries received by EDC pursuant to all of the Plans and the EDC Support Agreement (established with the consent of EDC or as determined by the Court), and to donate any remaining balance to the charitable organizations Centraide du Grand Montréal and Welcome Collective equally. This is a fair solution in the context where the costs of a subsequent distribution would not be justified given the amount available to be distributed.

### **C. PLAN RELEASES AND DISCHARGES**

21. The Plan provides for the full and final release and discharge, at the Implementation Date, of (i) the Plan Debtor, as well as (ii) the Directors, Officers and the Plan Debtor's Employees, (iii) the Plan Debtor's legal counsel, financial advisors, consultants and agents in relation to the CCAA Proceedings and the U.S. Case, (iv) the Foreign Representative's legal counsel and agents in relation to the U.S. Case, (v) the Monitor and the Monitor's legal counsel in relation to the CCAA Proceedings and the U.S. Case, and of (vi) certain other persons forming part of the definition of Released Parties, in respect to any and all claims except, in relation to the Plan Debtor, an (1) Unaffected Claim, (2) any Claim that cannot be released pursuant to the CCAA, or (3) any Claim listed in subsection 19(2) CCAA to the extent that such Claim is held by a Creditor who has not voted in favor of the Plan and who is not deemed to have voted in favor of the Plan.
22. No release shall be provided in respect of matters set out at Section 5.1(2) CCAA.

### **D. AUTHORIZATION PROVIDED TO THE PETITIONERS BY THE CREDITORS OF A PETITIONER TO VOTE IN THE OTHER PETITIONER PLANS**

23. Since the Distribution Proceeds include the dividends received by the Plan Debtor pursuant to the Plans of certain other Petitioners, a key component of the Plan in relation to the intercompany Proven Claims is to provide for (i) the assignment of the votes attached to these claims to the Affected Creditors, and the (ii) nomination and appointment of the Monitor by the Affected Creditors to attend, act and vote on behalf of them in favor of the plan of such other Petitioner, namely the Petitioner in relation to whom an intercompany Proven Claim is asserted.

### **E. REVIEWABLE TRANSACTIONS**

24. The Plan provides that notwithstanding Section 36.1 CCAA, Sections 38 and 95 to 101 of the BIA as well as any other Canadian or foreign legislation relating to preferences, fraudulent conveyances, transfers at undervalue or Paulian action shall not apply to the Plan or to any payments or distributions made in connection with transactions entered into by or on behalf of the Plan Debtor, whether before or after the Determination Date, including all payments, distributions and transactions contemplated by and to be implemented under the Plan.
25. As part of the CCAA Proceedings, the Monitor has performed a review of intercompany transactions and payments and has reported to the Court from time to time regarding same. The Monitor has not identified any transactions or payments that it considers could be successfully challenged under sections 95 to 101 of the BIA, and that would likely allow for a recovery for the unsecured creditors.

### **F. PLAN IMPLEMENTATION CONDITIONS**

26. Pursuant to the Plans, Plan Implementation will occur upon fulfillment of the Plan Implementation Conditions, which include:
  - a) Approval of the Plan by the Required Majority of Affected Creditors at the Creditors' Meeting;
  - b) Issuance of the Sanction Order at the latest by December 31, 2023, which shall become a Final Order;
  - c) Issuance of the U.S. Recognition Order at the latest by February 9, 2024, which shall become a Final Order;
  - d) Approval of the Plans (other than the Plan of the Plan Debtor), as well as sanction

and recognition of same.

27. Upon fulfilment of the Plan Implementation Conditions, the Monitor will issue and file with the Court its Certificate of Implementation.

**III. ESTIMATED DISTRIBUTION TO AFFECTED CREDITORS HOLDING A PROVEN CLAIM IN RESPECT OF AIR PURSUANT TO THE PLAN**

28. At Appendix D of the Twelfth Report, the Monitor provided the Estimated Distribution Analysis for Creditors of the various entities in respect of which Plans were filed.
29. As also detailed in the Twelfth Report, since the outset of the CCAA Proceedings, the Petitioners, with the assistance of the Monitor, have focused on the objective of preserving the going concern value of their various businesses and maximizing recovery in the context of a comprehensive sale process which ultimately resulted in 13 transactions, under the supervision of the Monitor and of the Court.
30. Following the closing of the transactions and the collection of the net sale proceeds relating thereto, the Monitor prepared and presented to the Court a method of allocation as between the various estates of the net proceeds from these transactions, as well as intercompany transactions, restructuring costs, secured debt reimbursements and interim financing costs, which method was ultimately approved by the Court pursuant to the Allocation Order.
31. Furthermore, the estimated distributions to the Affected Creditors of the Plan Debtors were also dependent on the outcome of discussions and negotiations with EDC, which ultimately resulted in the execution of the EDC Support Agreement, which was approved by the Court pursuant to the Plan Filing and Meeting Order.
32. The application of the Allocation Order and the Allocation Methodology approved by the Court therein results in a specific recovery for Affected Creditors holding a Proven Claim, calculated on an estate-by-estate basis and, accordingly, recoveries vary from estate to estate.
33. In an effort to summarize the relevant information for the Affected Creditors, the Monitor has prepared the following table which shows the estimated ranges of recovery for the Affected Creditors with Proven Claims of AIR, according to information available as at November 13, 2023:

XEBEC ADSORPTION INC. & AI. Estimated Recovery for the Unsecured Creditors In CAD	AIR					
	High			Recovery - Low		
	#	Claims \$	Average %	#	Claims \$	Average %
<b>Unsecured Creditors - Estimated recovery</b>						
Unsecured claims less than 2,000	0	-	0.0%	0	-	0.0%
Unsecured claims between 2,000-10,000	4	25,688	90.8%	4	25,688	82.6%
Unsecured claims between 10,000-25,000	2	26,662	88.6%	2	26,662	78.5%
Unsecured claims between 25,000-50,000	0	-	0.0%	0	-	0.0%
Unsecured claims between 50,000-100,000	1	80,708	86.9%	1	80,708	75.3%
Unsecured claims over 100,000	3	420,998	86.8%	3	511,592	75.0%
Unsecured claim EDC	0	-	0.0%	0	-	0.0%
Unsecured claims Interco	3	1,359,577	86.6%	3	1,359,577	74.7%
<b>Total - Unsecured Creditors</b>	<b>13</b>	<b>1,913,632</b>	<b>86.8%</b>	<b>13</b>	<b>2,004,227</b>	<b>75.0%</b>
<b>Funds Available for distribution to Unsecured Creditors</b>		<b>1,660,310</b>			<b>1,502,569</b>	

34. In preparing the table above and the high and low scenarios that are included therein, the Monitor has relied upon various hypotheses and estimates which could impact the scope of recovery. These hypotheses and estimates notably include (i) potential recovery in the context of the settlement or litigation with London RNG, (ii) resolution, negotiation and final determination of certain Claims, (iii) final determination of the quantum of post-filing obligations, (iv) payments to and/or collections from tax authorities, (v) scope of professional fees, (vi) a potential draw on the Enbridge LC, and (vii) the amount of the Administrative Reserve.

35. Future oriented financial information referred to in this Report on the Plan of AIR was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

#### IV. **ESTIMATED DISTRIBUTION TO CREDITORS OF AIR IN A LIQUIDATION OR BANKRUPTCY SCENARIO**

36. The Monitor has prepared an analysis to estimate the net realization value of the Petitioners' assets in the context of a bankruptcy scenario (the "**Liquidation Analysis**"), for the purpose of allowing the Affected Creditors to understand what their projected recovery could be in the event that the Plan is not approved by the Required Majority of the Affected Creditors. The Liquidation Analysis is intended to allow the Affected Creditors to assess the fairness and reasonableness of the Plan.

37. The Liquidation Analysis is provided in the table below:

XEBEC ADSORPTION INC. & AI. Estimated Recovery for the Unsecured Creditors In CAD	AIR		
	Liquidation		
	#	Claims \$	Average %
<b><u>Unsecured Creditors - Estimated recovery</u></b>			
Unsecured claims less than 2,000	0	-	0.0%
Unsecured claims between 2,000-10,000	4	25,688	61.3%
Unsecured claims between 10,000-25,000	2	26,662	61.3%
Unsecured claims between 25,000-50,000	0	-	0.0%
Unsecured claims between 50,000-100,000	1	80,708	61.3%
Unsecured claims over 100,000	3	511,592	61.3%
Unsecured claim EDC	0	-	0.0%
Unsecured claims Interco	3	1,359,577	61.3%
<b>Total - Unsecured Creditors</b>	<b>13</b>	<b>2,004,227</b>	<b>61.3%</b>
<b>Funds Available for distribution to Unsecured Creditors</b>		<b>1,229,566</b>	

38. As demonstrated in the Liquidation Analysis, the estimated recovery for unsecured creditors, if any, is likely to be negatively affected in such a context. Distributions to unsecured creditors in this scenario could be **significantly lower** and would also likely be delayed by at least one (1) year if not significantly more.
39. Furthermore, such a scenario could entail, *inter alia*, (i) significant professional fees related to migrating the proceedings into bankruptcy, (ii) trustee and other bankruptcy fees, and (iii) significant costs and delays associated with potential litigation between EDC and the unsecured creditors in certain estates, with an unknown result and impact for the unsecured creditors.
40. The net realization value of the Petitioners' assets in a bankruptcy or liquidation scenario is based on the Monitor's current best estimates, and are based on various assumptions that could vary in the future and have a negative impact on the estimated recovery for unsecured creditors. They are also based on the advice of legal advisors and on the Monitor's experience in similar proceedings, regarding complex and cross-border insolvency proceedings.

#### V. **HOW TO VOTE ON THE PLAN**

41. The steps to register a vote are summarized below and further detailed in the materials and in the Plan Filing and Meeting Order provided to you with the Plan.
42. In order to register your vote in advance of the Creditors' Meeting, you have until **November 28, 2023, at 5 p.m. (EST)** to file a Proxy and Voting Form (included in the Meeting Materials and available online at <https://www.insolvencies.deloitte.ca/Xebec>) and provide same by email to the Monitor at [xebec\\_ccaa@deloitte.ca](mailto:xebec_ccaa@deloitte.ca).

43. If you wish to attend the Creditors' Meeting, with the possibility to vote at this time if not done in advance, you have until **November 28, 2023, at 5 p.m. (EST)** to file a Registration Form (included in the Meeting Materials and available online at <https://www.insolvencies.deloitte.ca/Xebec>) and provide same by email to the Monitor at [xebec\\_ccaa@deloitte.ca](mailto:xebec_ccaa@deloitte.ca). Upon receipt by the Monitor of the Registration Form, you will be provided with the credentials to attend the Creditors' Meeting through a videoconference platform.
44. If the amount of your Proven Claim is equal or inferior to \$2,000 (and thus paid in full pursuant to the terms of the Plan), you are deemed to vote in favor of the Plan and therefore no action is required, unless you wish to nevertheless vote against the Plan.

## VI. OUTLINE OF NEXT STEPS AND MILESTONES IN THE CCAA PROCEEDINGS

45. Below you will find the upcoming milestones in the CCAA Proceedings:
- a) Ongoing review of Claims;
  - b) At the latest on November 28, 2023, at 5 p.m. (EST): deadline to file the Registration Form and/or Proxy and Voting Form, as stated above;
  - c) November 30, 2023: Creditors' Meeting;
  - d) On or around December 8, 2023: filing and notification of an application seeking the issuance of sanctions orders in respect of the Plans;
  - e) December 15, 2023: hearing on such application and issuance of the sanction orders;
  - f) January 15, 2024 (or at such other date depending on the availability of the U.S. Court): recognition of the sanction orders by the U.S. Court; and
  - g) Between February 15, 2024, and March 29, 2024: distributions to Affected Creditors with Proven Claims.
46. Readers should remain cautioned that the above outline is subject, *inter alia*, to the ongoing CCAA Proceedings, as well as the availability of the Courts both in Canada and the U.S. The outline is therefore subject to material changes and is solely provided for information purposes and on an indicative basis.

## VII. CONCLUSIONS AND RECOMMENDATION

47. The Petitioner firmly believes that the Plan provides for the best possible outcome for the Affected Creditors, including as compared to a bankruptcy or liquidation scenario.
48. The Monitor believes that the Plan will allow the Affected Creditors holding a Proven Claim to receive a greater recovery significantly faster than in the context of a bankruptcy/liquidation scenario and avoids the uncertainties and risks resulting therefrom. Accordingly, the Monitor **recommends** that the Affected Creditors **vote in favor of the resolution to approve the Plan**.
49. The Monitor is of the opinion that the Petitioners have acted, and are acting, in good faith and with diligence. Accordingly, the Monitor is of the view that the Plan is fair and reasonable.

**DATED AT MONTREAL**, this 14<sup>th</sup> day of November 2023.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of the  
Petitioners



Jean-François Nadon, CPA, CIRP, LIT  
President



Julie Mortreux, CPA, CIRP, LIT  
Senior Vice President



**APPENDIX A – CHRONOLOGY AND CERTAIN RESERVES TO THIS REPORT ON THE PLAN OF AIR**

**CHRONOLOGY**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. Unless otherwise stated, the Debtors/Petitioners in the Application (as defined hereafter) are collectively referred to herein as the "**Petitioners**" or the "**Debtors**."
3. The Petitioners and the other material direct or indirect subsidiaries of FormerXBC Inc. ("**BLA**"), which are not currently parties in the CCAA Proceedings (as defined hereafter), are collectively referred to herein as the "**Xebec Group**" or the "**Company**."
4. Capitalized terms not otherwise defined herein are as defined in the previous reports of the Monitor.
5. On September 28, 2022, the Petitioners filed an *Application for the Issuance of a First Day Initial Order, a Deemed Extension of the Stay Period and a Bidding Procedures Order* under the *Companies' Creditors Arrangement Act* ("**CCAA**").
6. On September 29, 2022, Deloitte Restructuring Inc., then in its capacity as Proposed Monitor, issued its First Report to the Court (as part of the Debtors' CCAA proceedings [the "**CCAA Proceedings**"]). The purpose of the First Report was to provide information to the Court with respect of I) the business, financial affairs and financial results of Xebec Group; II) the Petitioners' main creditors; III) the proposed restructuring process; IV) the proposed sale and investment solicitation process; V) charges sought in the proposed "First Day Initial Order"; VI) payments to Critical Suppliers; VII) overview of the Cash Flow Projections as of the date of the First Report; VIII) Deloitte's qualification to act as Monitor; IX) Recognition Proceedings in the U.S.; and X) the Proposed Monitor's conclusions and recommendations.
7. On September 29, 2022, the Court issued the First Day Initial Order and the Bidding Procedures Order which provided for, *inter alia*, (i) a stay of proceedings against the Petitioners until and including October 9, 2022 (the "**Stay Period**"); (ii) a stay of proceedings against the directors and officers; (iii) the appointment of Deloitte Restructuring Inc. as monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) the authorization to pay Critical Suppliers up to a maximum aggregate amount of \$700K; (v) an Administration Charge of \$250K, a D&O Charge of \$2.2M, a Transaction Charge of \$975K; and (vi) the approval of the SISP along with the bidding procedures for the conduct of same (the "**Bidding Procedures**").
8. On October 4, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for an Extension of the Stay of Proceedings*, seeking an extension of the First Day Initial Order until October 20, 2022.
9. On October 6, 2022, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the Petitioners' demand for the issuance of the Order Extending the Stay of Proceedings. The Monitor provided, *inter alia*, updated information in respect to the SISP, payments to Critical Suppliers, as well as to cash-flow projections.
10. On October 7, 2022, the Court extended the Stay Period and the application of the First Day Initial Order up to and including October 20, 2022.
11. On October 18, 2022, the Petitioners filed an *Application for the Issuance of an Amended and*

*Restated Initial Order*, seeking, *inter alia*, (i) the issuance of an Amended and Restated Initial Order (the "**ARIO**"); (ii) the extension of the Stay Period until November 28, 2022; (iii) an increase of the Administration Charge from \$250K to \$900K; (iv) an increase of the D&O Charge from \$2.2M to \$3.7M; (v) the approval of a DIP Facility for a total amount of \$3.0M and of a DIP Charge in the amount of \$3.6M; and (vi) the approval of KERPs and of a KERP Charge up to a maximum amount of \$1.08M.

12. On October 18, 2022, the Petitioners notified to the Service List the *Application for the Extension of the Stay of Proceedings to Certain Third Parties*, seeking *inter alia*, an order extending the stay of proceedings to any Person named as a defendant or respondent in the Class Actions (as these terms are defined in the aforementioned application). No presentation date has been scheduled in respect of this application.
13. On October 19, 2022, the Monitor issued its Third Report. The purpose of the Third Report was to provide information to the Court on the activities of Xebec and of the Monitor since the commencement of the CCAA Proceedings and to support the issuance of the ARIO.
14. On October 20, 2022, the secured lenders NBC and EDC put forward a term sheet to provide for a DIP Facility in a total amount of \$3M, on a *pari passu* basis.
15. On October 20, 2022, the Court issued the ARIO, and authorized the DIP Facility from NBC and EDC. On October 24, 2022, the Court issued its reasons in support of the issuance of the ARIO, which also included its reasons in respect of dismissing specific requests and addressing allegations from certain class action petitioners and from Mr. Simon Arnsby, a shareholder of Xebec Inc. ("**Mr. Arnsby**").
16. On November 22, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for an Extension of the Stay of Proceedings and for Ancillary Relief*, seeking, *inter alia* (i) the extension of the Stay Period until February 3, 2023, and (ii) the approval of an amendment to the list of participants to the KERPs.
17. On November 24, 2022, the Monitor issued its Fourth Report. The purpose of the Fourth Report was to provide information to the Court on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the aforementioned Application.
18. On November 28, 2022, the Court issued the *Order Extending the Stay of Proceedings and Granting Ancillary Relief* (the "**Extension Order**"). This Extension Order was namely meant to allow for the substantial completion phase 2 of the SISP, and to allow the Petitioners, *inter alia*, to (i) select the Successful Bid(s), (ii) negotiate Definitive Documentation, and (iii) file the Approval Application in respect of the Successful Bid(s), as contemplated by the Bidding Procedures.
19. On November 29, 2022, the Court issued its reasons in support of the issuance of the extension, as well as its reasons in respect of dismissing Mr. Arnsby's *Urgent Ex Parte Application for Investigation*.
20. On January 28, 2023, the Petitioners filed an *Application for the Issuance of a Second Amended and Restated Initial Order and an Approval and Vesting Order* (as amended by the *Amended Application for the Issuance of a Second Amended and Restated Initial Order and an Approval and Vesting Order* dated February 1, 2023), seeking, *inter alia* (i) the extension of the Stay Period until February 13, 2023, (ii) the increase of the Administration Charge to a maximum amount of \$3M, and (iii) the issuance of an approval and vesting order (the "**ACS AVO**"), in respect of the proposed sale of substantially all of the assets of Applied Compression Systems Ltd. ("**ACS**").
21. On February 1, 2023, the Monitor issued its Fifth Report. The purpose of the Fifth Report was to report on the activities of Xebec and of the Monitor since the beginning of the CCAA Proceedings and to support the issuance of the Second ARIO.

22. The Monitor also provided in the Fifth Report, *inter alia*, updated information in respect to (i) the SISP and certain transactions in connection thereto (Xebec UK/Tiger and ACS), (ii) operations of Petitioners and non-Petitioners and the impact of the results of phase 2 of the SISP on same, (iii) the need for a supplemental interim financing facility and ongoing discussions with EDC in connection thereto, (iv) subsequent exchanges with various stakeholders, and (v) actual cash flows and cash-flow projections until March 18, 2023.
23. On February 3, 2023, the Court issued the Second ARIO and the ACS AVO.
24. On February 8, 2023, the Petitioners served the *Application for the Issuance of a Third Amended and Restated Initial Order and Approval and Vesting Orders*, seeking *inter alia*:
- a) the approval of the Second DIP Facility provided by EDC in the amount of \$2.5M (the "**Second DIP Facility**") and the granting of a "**Second DIP Charge**" in the amount of \$3.0M;
  - b) the issuance of three approval and vesting orders (the "**Sullair AVO**", the "**Ivys AVO**" and the "**FSTQ AVO**") regarding, respectively:
    - i. the proposed sale of substantially all of the assets of CDA Systems, LLC ("**CDA**") and California Compression, LLC ("**CAL**") to Sullair;
    - ii. the proposed sale of substantially all of the assets of Xebec Inc. and Compressed Air International Inc. ("**CAI**") to Ivys Inc. and Ivys Adsorption, Inc., as purchasers (the "**Ivys Transaction**"); and
    - iii. the sale of Xebec Inc.'s limited partnership interests in the capital of GNR Québec Capital L.P. and the shares of RNG Holdings in the capital of GNR Québec Capital Management Inc.; and
  - c) the extension of the Stay Period up and until March 17, 2023.
25. On February 10, 2023, the Monitor issued its Sixth Report. The purpose of the Sixth Report was to report on the activities of Xebec and of the Monitor since the Fifth Report and to support the Petitioners' request for the issuance of the Third ARIO, including (i) an extension of the Stay Period until March 17, 2023, (ii) the approval of a Second DIP Facility from EDC in an amount of \$2.5M, (iii) the granting of a Second DIP Charge of \$3.0M, the (iv) reduction of the Administration Charge to \$2.25M following the disbursement of the first tranche of the Second DIP, and (v) the issuance of the Sullair AVO, Ivys AVO and FSTQ AVO.
26. The Monitor provided, in the Sixth Report, updated information in respect to, *inter alia*, (i) the SISP, certain completed transactions in connection thereto (Xebec UK/Tiger, ACS and Hygear) and certain transactions to be approved and closed (CDA, CAL, BLA, CAI and GNR), (ii) the supplemental DIP facility and ongoing discussions with EDC, as well as (iii) information in respect to the 8-week cash-flow projections contained in the Fifth Report.
27. On February 13, 2023, the Court issued the Third ARIO.
28. On February 17, 2023, the Court issued the Ivys AVO, as well as its reasons for issuing the Third ARIO, which included reasons in respect of dismissing submissions of opponents to the Ivys Transaction, namely Shanghai Shenergy Energy Innovation & Development Co. Ltd and Shanghai Lihuan Investment Corp.
29. On March 11, 2023, the Petitioners filed an *Application for the Issuance of a Fourth Amended and Restated Initial Order, Approval and Vesting Orders, a Wage Earner Protection Program Act Order and Ancillary Relief*, seeking *inter alia*:

- a) the issuance of two approval and vesting orders (the "**TIT AVO**" and the "**XBC AVO**") in relation to, respectively:
    - i. the proposed sale of substantially all of the assets of The Titus Company ("**TIT**") to FAD Pennsylvania Inc.; and
    - ii. the proposed sale of substantially all of the assets of XBC Flow Services – Wisconsin Inc. ("**XBC**") to Total Energy Systems, LLC.
  - b) the termination of the First DIP Charge, the Second DIP Charge and of the Transaction Charge, further to the mechanism set forth in the Monitor's Application for Payments (as defined hereunder) and in accordance with the order sought in relation thereto;
  - c) the approval of an amendment to the list of participants to the KERPs and of an increased KERP amount;
  - d) the issuance of an order (the "**WEPP Order**") declaring that pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 that FormerXBC Inc., ACS and CAI meet the criteria established by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the "**WEPP Relief**");
  - e) the increase of the aggregate amount for transactions subject to the Monitor's approval (as it then was provided for under para. 60c) of the Third ARIO); and
  - f) the extension of the Stay Period up and until May 5, 2023.
30. The Monitor concurrently filed an *Application for Authorization to Make Payments in Connection With the CCAA and Related Relief* (hereinafter, the "**Application for Payments**") seeking, *inter alia*, an order (the "**Monitor Payments Order**"):
- a) authorizing the Monitor to pay, from the Net Proceeds of Transactions (as defined in the Application for Payments), amounts owing to the beneficiaries of CCAA Charges, including in respect of the DIP Charge, the Second DIP Charge, the Transaction Charge and the KERP Charge; and
  - b) providing a mechanism for the discharge and/or reduction of the above-mentioned CCAA Charges, pursuant to the issuance of certificates of the Monitor and without further order of the Court.
31. On or about March 14, 2023, the Petitioners notified the *Amended Application for the Issuance of a Fourth Amended and Restated Initial Order, Approval and Vesting Orders, a Wage Earner Protection Program Act Order and Ancillary Relief*, following the execution of an Asset Purchase Agreement entered into between Xebec Systems USA LLC ("**UEC**"), as seller, and EnergyLink US Inc., as purchaser. In light of same, the Application was amended in order to also seek the issuance of an approval and vesting order (the "**UEC AVO**") in relation to the proposed sale of substantially all the assets of UEC.
32. Also on March 14, 2023, the Petitioners filed an *Urgent Application for the Issuance of an Order Directing Payment in Trust to the Court-Appointed Monitor*, seeking, *inter alia*, to order (i) NBC to direct any payment to be made pursuant to the irrevocable standby letter of credit No. OGUA58735 (the "**London RNG LC**") in trust to the Monitor, and (ii) the Monitor to maintain in its trust account any payment made by NBC in connection with the London RNG LC, until determination of the parties' respective rights under the London RNG LC is made in a final judgment of a Court or other forum having jurisdiction, or until an agreement is entered into by the parties (the "**London RNG LC Order**").

33. On March 15, 2023, the Monitor issued its Seventh Report. The purpose of the Seventh Report was to report on the activities of Xebec and of the Monitor since the Sixth Report and to support the issuance of the Fourth ARIO and related orders, including (i) an extension of the Stay Period until May 5, 2023, (ii) the approval of an amendment to the list of participants to the KERPs and of an increased KERP amount, (iii) the approval of the WEPP Relief, (iv) the issuance of the London RNG LC Order, (v) the increase of the aggregate amount for transactions subject to the Monitor's approval, and (vi) the issuance of the TIT AVO, XBC AVO and UEC AVO.
34. The Monitor provided in the Seventh Report, *inter alia*, updated information in respect of (i) completed transactions as part of the SISP (GNR, CDA, CAL, BLA and CAI), closed transactions subject to the Monitor's approval (AIR and NOR) and transactions to be approved by the Court (TIT, XBC and UEC), (ii) the financing of the restructuring process and ongoing discussions with EDC in relation to the Third DIP Facility, (iii) recognition proceedings in the U.S., (iv) the security held by NBC and EDC, and (v) actual cash flows as of the week-ending March 4, 2023, and cash-flow projections until the week-ending May 6, 2023.
35. On March 16, 2023, the Court issued a series of orders, namely the Fourth ARIO, the TIT AVO, the XBC AVO, the UEC AVO, the WEPP Order, the London RNG LC Order and the Monitor Payments Order.
36. On March 22, 2023, the Petitioners filed an *Application for the Issuance of a Fifth Amended and Restated Initial Order (Interim Financing)* seeking *inter alia*, (i) the approval of the Third DIP Facility provided by EDC in the amount of \$3.45M (the "**Third DIP Facility**"), (ii) the granting of a "**Third DIP Charge**" in the amount of \$4.1M, and (iii) a mechanism for the reduction of the Administration Charge, upon receipt of disbursements from EDC under the Third DIP Facility and subject to the issuance of a certificate by the Monitor.
37. On March 24, 2023, the Monitor issued its Eighth Report. The purpose of the Eighth Report was to support the Petitioners' request for the issuance of the Fifth ARIO, including principally the approval of the Third DIP Facility, and to report on the activities of Xebec and the Monitor since the Seventh Report, including on the following items: (i) a general update since the Seventh Report, (ii) the SISP and sales of the Xebec Group's Remaining Assets, (iii) the Third DIP Facility, Third DIP Charge and reduction of the Administration Charge, and (iv) general comments on the updated 9-Week Cash-Flow Projections contained in the Seventh Report.
38. On March 27, 2023, the Court issued the Fifth ARIO.
39. On April 28, 2023, the Petitioners notified the *Application for an Extension of the Stay of Proceedings*, seeking an extension of the Stay Period up and until May 24, 2023.
40. On April 28, 2023, the Petitioners also notified the *Application for a de Bene Esse Authorization to Execute a Settlement Agreement and for Partial Lift of the Stay of Proceedings*, seeking, *inter alia*, (i) a partial lift of proceedings so as to allow the filing of all necessary materials required in order to obtain the approval of a settlement agreement in Court file No. 500-06-001135-215 (the "**Class Action File**"), (ii) authorizing Xebec Inc. to execute the settlement agreement in the Class Action File (the "**Class Action Settlement**"), and (iii) authorizing Xebec Inc. to execute and deliver, or cause to be executed and delivered, such further documents and instruments or to take, or cause to be taken, such further actions as may be necessary or may be ordered or requested by the Superior Court of Québec (Class Action Division) to make effective the Class Action Settlement.

41. On April 28, 2023, the Monitor notified its *Application of the Monitor for Authorization to Make Payments in Connection With the Third DIP Facility and the Third DIP Charge*, seeking the Court's authorization to (i) pay, from the Net Proceeds, amounts owed by the Petitioners to EDC under the Third DIP Facility and secured by the Third DIP Charge, and to (ii) issue a Monitor's certificate upon EDC's receipt of the amounts owed under the Third DIP Facility, thereby effecting a cancellation and discharge of the Third DIP Charge.
42. On May 3, 2023, the Monitor issued its Ninth Report. The purpose of the Ninth Report was, *inter alia*, to support the Class Action Settlement Action, the extension of the stay period up and until May 24, 2023, and to report on the activities of Xebec and the Monitor since the Eighth Report, including on the following items: (i) the transactions completed as part of the SISP and sales of the Xebec Group's Remaining Assets and Other Remaining Assets, (ii) an update on various aspects of the restructuring process since the Eighth Report, (iii) an update on recognition proceedings, (iv) an update on the Intercompany Payments, (v) an update on the Intercompany Transactions Report and on the Proposed Allocation to be filed by the Monitor, (vi) the payments to Critical Suppliers, (vii) an update on Letters of credit, (viii) an update on Actual Receipts and Disbursements, and (ix) on the 6-Week Cash-Flow Projections.
43. On May 5, 2023, the Court issued a series of orders namely, the (i) *Order Authorizing the Monitor to Pay Amounts Owed Under the Third DIP Facility and Secured by the Third DIP Charge*, the (ii) *Order Extending the Stay of Proceedings*, and (iii) the *Order Partially Lifting the Stay of Proceedings (Class Action Settlement)*, but solely as to allow the partial lift of the stay of proceedings to allow the filing materials in order to seek the approval of settlement agreement.
44. On May 19, 2023, the Petitioners filed an *Application for (i) an Extension of the Stay of Proceedings*, seeking an extension of the Stay Period up and until September 29, 2023 (ii) *the Establishment of a Claims Process*, (iii) *the authorization to Use Net Proceeds to Fund Cash-Flow Requirements*, and (iv) *the Issuance of an Approval and Vesting Order*.
45. On May 19, 2023, the Monitor issued its Tenth Report. The purpose of the Tenth Report was, *inter alia*, to support the Biostreams AVO, the extension of the stay period up and until September 29, 2023, and to report on the activities of Xebec and the Monitor since the Ninth Report, including *inter alia*: (i) the transactions completed as part of the SISP and realization of the Xebec Group's remaining assets, (ii) an update on various aspects of the restructuring process since the Ninth Report, (iii) an update on recognition proceedings, (iv) an update on the Intercompany Transactions Report and on the Proposed Allocation to be filed by the Monitor, (v) information about the proposed Claims Process, (vi) an update on Actual Receipts and Disbursements and on the 20-Week Cash-Flow Projections.
46. On May 24, 2023, the Court issued a series of orders namely, the (i) *Approval and Vesting Order in Respect of the Biostream Assets of FormerXBC Systems USA, LLC (formerly Xebec Systems USA, LLC)* (the "**Biostreams AVO**"), the (ii) *Claims Procedure Order* (the "**CPO**"), the (iii) *Order Authorizing the Use of Net Proceeds to Fund Cash-Flow Requirements*, and the (iv) *Order Extending the Stay of Proceedings*.
47. On May 26, 2023, the Court issued its reasons in support of the issuance of the above-mentioned orders.
48. On June 9, 2023, following payment of amounts owed thereunder, the Monitor issued its *Certificate of the Monitor (Cancellation and Discharge of the KERP Charge)*, thereby effecting the cancellation and discharge of the KERP Charge.
49. On June 14, 2023, the Monitor issued the *Notice of an Information Session in Respect of the Proposed Allocation Method Report* to the service list and posted same on its website.

50. On June 16, 2023, the Monitor issued its *Proposed Allocation Method Report, including the Intercompany Transactions Report* (the "**Allocation Method Report**") and filed an *Application of the Monitor for the Approval of a Proposed Allocation Method* (the "**Proposed Allocation Application**"), seeking the approval of the Proposed Allocation Method (as defined and set forth therein).
51. On June 20, 2023, the Monitor held a virtual information session with stakeholders of the Xebec Group. It also published the minutes and the video recording of such meeting on its website.
52. On June 29, 2023, further to the hearing held on June 27, 2023, on the Proposed Allocation Application, the Court issued the *Order to Approve a Proposed Allocation Plan* (the "**Allocation Order**").
53. On September 25, 2023, the Petitioners filed an *Application for an Extension of the Stay of Proceedings and Settlement Approval Order*, seeking an extension of the Stay Period up and until December 15, 2023, the approval of the Xebec UK Settlement (as defined hereinafter) and certain clarifications in respect of the CPO.
54. On September 27, 2023, the Monitor issued its Eleventh Report. The purpose of the Eleventh Report was to support the relief sought in the above-mentioned application, including in respect of providing an update on (i) various aspects of the restructuring process since the Tenth Report, (ii) recognitions proceedings in the United States, (iii) intercompany payments, (iv) non-Petitioner entities, (v) upcoming steps to the filing of plans of compromise, and (vi) actual receipts and disbursements.
55. On September 29, 2023, the Court issued the *Order Extending the Stay of Proceedings, Approving a Settlement Payment and Other Ancillary Relief*, whereby, *inter alia* it (i) extended the Stay Period until December 15, 2023, (ii) authorized the settlement agreement in relation to the Earn-Out Claim payable by Xebec UK, and (iii) issued a clarification in relation to paragraph 14 of the Claims Procedure Order.
56. On October 19, 2023, the Court issued the *Judgment (Approval of Transaction and Fees)* in the Class Action File.
57. On October 26, 2023, the Petitioners notified the *Application for the Issuance of a Plan Filing and Meeting Order and Ancillary Relief* (the "**Application**"), *inter alia* (i) authorizing each of ACS, AIR, CAI, CDA, CAL, NOR, TIT, UEC, XBC, XHU and XSU to file plans of compromise pursuant to the CCAA, (ii) convening meetings of creditors (which will all be held together), (iii) setting a date for the hearing on the sanction order(s) to be sought, (iv) approving the EDC Support Agreement (as defined herein), and (v) authorizing the review of late claims.
58. Following the notification of the Application, the Monitor issued its Twelfth Report, the purpose of which was to support the Application and to report on the following items: (i) update on various aspects of the restructuring proceedings, (ii) update on recognition proceedings in the United States, (iii) update on certain non-Petitioner entities, (iv) update on the Claims Process, (v) information relating to the EDC Support Agreement, (vi) information on the plans of compromise to be submitted to creditors, and (vii) the Monitor's conclusions and recommendations regarding same.
59. On November 1, 2023, the Court issued the *Plan Filing and Meeting Order* and the *Order Authorizing the Review of Certain Late Claims*. The written reasons supporting the issuance of these orders were issued on November 3, 2023.
60. the Monitor hereby issues its Report on the Plan of AIR which is meant to provide information in support of the approval of the Plan.

## **RESERVES**

61. In preparing this Report on the Plan of AIR and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, the Petitioners' books and records and financial information prepared by the same and discussions with management ("**Management**") of the Petitioners (collectively, the "**Information**"). Furthermore:
- (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
  - (ii) Some of the information referred to in this Report on the Plan of AIR consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
62. Future oriented financial information referred to in this Report on the Plan of AIR was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
63. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Report on the Plan of AIR concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.