

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:

XEBEC HOLDING USA INC., *et al.*,

Debtors in a foreign proceeding.¹

Chapter 15

Case No. 22- 10934 (KBO)

Joint Administration Requested

**DECLARATION OF DIMITRIOS “JIM” VOUNASSIS IN SUPPORT OF MOTION FOR
RECOGNITION OF FOREIGN MAIN PROCEEDING AND REQUEST FOR CERTAIN
RELATED RELIEF PURSUANT TO SECTION 1515(b) OF THE BANKRUPTCY CODE**

I, Dimitrios “Jim” Vounassis, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury under the laws of the United States, as follows:

1. I am the President and Chief Executive Officer of Xebec Adsorption Inc., which is the duly-appointed foreign representative (“**Foreign Representative**”) of the above-captioned debtors (the “**Debtors**”), in Canadian proceedings (the “**Canadian Proceeding**”) commenced under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), pending before the Superior Court of Québec in the Commercial Division in the District of Montreal (the “**Canadian Court**”). I am authorized to provide this declaration on behalf of the Foreign Representative.

2. I joined Xebec Adsorption Inc. in May 2021, in the role of Chief Operating Officer, and I became President and Chief Executive Officer in March 2022.

3. Before joining Xebec Adsorption Inc., I worked at Bombardier Transportation, now part of Alstrom, one of the world’s largest rail equipment manufacturing companies, as

¹ The Debtors in the chapter 15 proceedings and the last four digits of their federal tax identification numbers are: Xebec Adsorption Inc. (0228), Xebec RNG Holdings Inc. (N/A), Applied Compression Systems Ltd. (N/A), Compressed Air International Inc. (N/A), Xebec Holding USA Inc. (8495), Enerphase Industrial Solutions Inc. (1979), CDA Systems, LLC (6293), Xebec Adsorption USA, Inc. (0821), The Titus Company (9757), Nortekbelair Corporation (1897), XBC Flow Services – Wisconsin Inc. (7493), California Compression, LLC (4752), and Xebec Systems USA LLC (4156). The location of the Debtors’ corporate headquarters and the Debtors’ foreign representative is: 700-1130 Sherbrooke Street West, Montréal, Québec H3A 2M8.

Chief Operating Officer. Prior to being appointed Chief Operating Officer at Bombardier Transportation, I held the position of Chief Transformation and Procurement Officer at Bombardier Corporation. Prior to that, I held positions as Vice President Global Operations at Pharmascience, Vice President Global Manufacturing and Strategic Sourcing at Baker Hughes, and Vice President Global Strategic Sourcing at Pratt and Whitney. I graduated from University of Waterloo with an Honours Bachelor of Science in Mechanical Engineering, and I completed an Executive MBA at the Smith School of Business at Queen's University.

4. I respectfully submit this declaration in support of the chapter 15 petitions filed by the Foreign Representative seeking recognition of the Canadian Proceeding by the Bankruptcy Court as a foreign main proceeding under section 1515 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "**Bankruptcy Code**").

I. Overview of the Debtors' Business

Products and Services Offered by the Debtors

5. The Debtors and certain non-U.S. based subsidiaries and affiliates of the Debtors (the "**Xebec Group**") primarily supply a wide range of renewable and low-emission gas products and services globally through several channels, including direct sales, channel partners, project developers, and e-commerce. The Xebec Group portfolio includes proprietary technologies for the on-site and distributed production of hydrogen, renewable and low-emission natural gas, oxygen and nitrogen, and proprietary technologies that transform raw gases into clean sources of renewable energy. The Xebec Group's operations include manufacturing, research and development, service, and sales. The Xebec Group operates in North America, Europe, the Middle East, and Asia.

6. The Xebec Group's business is divided into three key segments: a cleantech solutions segment, an industrial service and support segment (including the Cleantech Service Network, as defined below), and a renewable gas infrastructure segment.

(a) Cleantech Solutions Segment (Equipment/Systems)

(i) PSA Systems

7. Key to the Xebec Group's business in the three segments mentioned above is its proprietary pressure swing adsorption technology (the "PSA"), which is used to remove targeted impurities or separate bulk mixtures of gases, and to efficiently upgrade hydrogen-containing reformat, petrochemical process gas streams and refinery off-gas streams to pure and ultra-pure hydrogen.

8. The Xebec Group's PSA system is among the most compact, cost-effective, and reliable on the market. It is used in several products manufactured by the Xebec Group, including the Biostream (as defined below), industrial gas recycling systems, and its industrial gas purification systems. The Xebec Group also supplies its PSA system to customers around the world. To date, the Xebec Group has supplied more than 10,000 PSA systems to more than 1,500 customers for a wide variety of industrial applications such as manufacturing, food processing, as well as medical, pharmaceutical and petrochemical industries.

9. The PSA system is manufactured in the Xebec Group's facility in Blainville, Québec, Canada.

(ii) Biogas Conversion to Renewable Natural Gas

10. The Xebec Group deploys systems to convert biogas to renewable and low-emission natural gas from agricultural digesters, source separated organics facilities, landfills and wastewater treatment plants. The Xebec Group is also implementing a shift towards standardized

biogas upgrading products for the renewable and low-emission natural gas market. In 2020, it launched its proprietary fully containerized and standardized unit for small-scale biogas upgrading applications (the “**Biostream**”).

11. The Biostreams are manufactured in the Xebec Systems facility in Colorado for the U.S. market and in the Xebec Group’s facility in Blainville, Québec for the Canadian market. The Xebec Group’s research and development activities related to biogas conversion to renewable and to carbon capture are located in Blainville, Québec.

(iii) Hydrogen (Purification, Generation and Distribution)

12. The Xebec Group provides systems for on-site hydrogen generation (the “**Hy.Gen Systems**”), which are manufactured at the HyGear Entities’ (as defined below) facility located in Arnhem, The Netherlands. HyGen Systems are built inside shipping containers, which makes them easy to transport and small in environmental footprint. Hy.Gen Systems are based on steam methane reforming technology, a process by which hydrogen is created out of water and natural gas. PSA Systems operate autonomously. The Xebec Group also supplies hydrogen to its clients by way of on-site generation technologies and conventional gas distribution methods, in addition to producing containerized electrolysis systems.

(iv) On-site Oxygen and Nitrogen Generation

13. The Xebec Group offers several products for the on-site generation of oxygen and nitrogen, including compact generators. These products are produced at their manufacturing facility in Herrsching am Ammersee, Germany. On-site generators of oxygen and nitrogen allow customers to avoid delivery issues and costs and to support the protection of the climate and the environment by reducing emissions. On-site oxygen generators are used in multiple applications, including notably for medical oxygen supply, aquatic farming, industrial applications and the

production of biogas and renewable and low-emission natural gas. On-site Nitrogen generators are used in food processing, metal hardening and other industrial processes.

(v) *Carbon Capture and Sequestration*

14. Carbon capture and sequestration is an emerging segment for the Xebec Group, with demand from customers to assist them in further reducing the carbon emissions from their equipment and to build new cleantech solutions. The Xebec Group is utilizing its PSA system for new applications in separating associated gas streams, and is now accelerating its efforts to gain more exposure in this market. The Xebec Group's extensive experience in compressing gases has also allowed it to gain traction in the CO₂ sequestration market by providing compression technology to pipeline builders and operators.

(b) **Industrial Service and Support Segment**

15. The Xebec Group historically has been involved in the manufacturing and servicing of industrial equipment for compressed air and gas dehydration, separation, purification and filtration worldwide. This business segment is the core segment of the Xebec Group. In this context, the Xebec Group supplies energy-efficient compressed air dryers and compressed air and gas filters for a broad range of industrial applications, as well as industrial purification systems, dryers and chillers from air and gas streams. This equipment is manufactured in the Xebec Group's facilities in Blainville, Québec and Maryville, Tennessee. The Company also assembles compressor packages in Cranbrook, British Columbia and in Henderson, Colorado.

16. The Xebec Group also provides customers with parts, service, operations and maintenance through a long-term initiative to build a service footprint to support customers, create a competitive advantage and capture aftermarket value (the "**Cleantech Service**

Network”). The Cleantech Service Network is primarily North American-based and composed of a network of seventeen cleantech service centers. Company technicians service industrial compressed air equipment and cleantech equipment for renewable and low-emission natural gas, hydrogen and carbon capture.

17. This historically high margin business segment provides a recurring revenue base with 60% to 70% of revenues recurring from sales of parts and service.

(c) Renewable Gas Infrastructure Segment

18. The Xebec Group has entered into a partnership in Québec with the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (“**FSTQ**”), with the goal of accelerating the development of projects generating renewable gas. Xebec Adsorption Inc. holds directly and indirectly a 50% interest in this partnership, known as GNR Québec Capital L.P. To achieve this objective, the partnership actively participates in renewable gas projects and acts as an active investor through strategic partnerships to support the growth of companies developing renewable energy and waste recovery projects. To date, the partnership has evaluated 34 projects and is actively engaged with 18 projects in agriculture, municipal, landfill, mixed use, and industrial waste applications and has successfully executed several letters of intent for projects in Québec, Canada.

Facilities and Employees

(a) Facilities

19. The Xebec Group does not own any real estate and operates out of leased facilities and offices.

20. Headquartered in Montréal, Québec, the Xebec Group operates five manufacturing facilities, fifteen cleantech service centers, and two research and development facilities in North America.

21. The Xebec Group also operates three manufacturing facilities, two cleantech service centers and three sales offices in Europe, as well as one research and development facility in the Netherlands, one sales office in Singapore, and one in the United Arab Emirates.

(b) Employees

22. As of the date hereof, the Xebec Group employs close to 600 employees globally.

The distribution of the Company's employees is as follows, as of September 15, 2022:

Entity (Location)	Number of Employees
Canada	
Xebec Adsorption Inc. (Québec)	157
Applied (British Columbia)	27
Compressed (Ontario)	14
<i>Total (Canada)</i>	<i>198</i>
United States	
Enerphase (North Carolina)	28
CDA (California)	10
Xebec USA (North Carolina)	17
Titus (Pennsylvania)	24
Nortekbelair (Tennessee)	21
XBC Wisconsin (Wisconsin)	10
California Compression (California)	18
Xebec Systems (Colorado)	77
<i>Total (United States)</i>	<i>205</i>
Europe	
Tiger Filtration Limited (United Kingdom)	23
Xebec Italy SRL (Italy)	6
HyGear Entities (as defined below, but excluding Xebec)	82

Entity (Location)	Number of Employees
Adsorption Asia PTE LTD) (The Netherlands)	
Inmatec Entities (as defined below, but excluding Inmatec Gas Technology FZC RAK) (Germany)	53
<i>Total (Europe)</i>	<i>164</i>
Other	
Xebec Adsorption (Shanghai) Co. Ltd. (China)	4
Xebec Adsorption Asia PTE LTD (Singapore)	10
Inmatec Gas Technology FZC RAK (United Arab Emirates)	5
<i>Total (overall)</i>	<i>586</i>

II. The Debtors' Corporate Structure

23. Xebec Adsorption Inc. is the ultimate parent company of the Xebec Group and the other Debtors are all wholly owned, direct or indirect subsidiaries of Xebec Adsorption Inc.

24. The Xebec Group has grown considerably through strategic acquisitions in recent years.

25. An organizational chart showing the corporate structure of the Xebec Group as of the date hereof is attached hereto as **Exhibit A**.

Xebec Adsorption Inc.

26. Xebec Adsorption Inc. is a corporation incorporated under the Canada Business Corporations Act, RSC 1985, c C-44 and a reporting issuer in each of the provinces and territories of Canada. The Common Shares (as defined below) of Xebec Adsorption Inc. are listed on the Toronto Stock Exchange (the "TSX") and are trading under the ticker symbol "XBC". They are also trading on the OTCQX International, a marketplace for over-the-counter trading of securities, under the ticker symbol "XEBEF".

27. The executive offices and senior management team of the Xebec Group operate out of 1130 Sherbrooke West, Suite 700, Montréal, Québec. Xebec Adsorption Inc. operates a 41,753 square foot leased manufacturing facility located at 730 Industriel Boulevard, Blainville, Québec.

Canadian Subsidiaries

28. The wholly-owned Canadian subsidiaries of Xebec Adsorption Inc. are set out below:

- a. *Compressed Air International Inc. (“Compressed”)*: Compressed operates two facilities in the Greater Toronto area, and is responsible for sales and servicing of compressed air products, while supporting all Xebec products in Ontario.
- b. *Applied Compression Systems Ltd. (“Applied”)*: Applied offers a single source solution for air and gas compression requirements and focuses on custom designed and fabricated compressor packages for specialized applications in the industrial sector. It operates a facility in Cranbrook, British Columbia.
- c. *Xebec RNG Holdings Inc.*: Xebec RNG Holdings Inc. holds the shares of:
 - i. GNR Québec Capital Management Inc., the general partner of GNR Québec Capital L.P., which is a limited partnership with FSTQ. The partnership was formed for the primary purpose of investing in the development, design, construction and operation of renewable natural gas projects (see the Renewable Gas Infrastructure Segment detailed in the section above); and
 - ii. GNR Bromont Management Inc., the general partner of GNR Bromont L.P. This entity and the partnership have not assets or operations.

Holding USA and U.S. Subsidiaries

29. Xebec Holding USA Inc. (“**Holding USA**”) is a direct and wholly owned subsidiary of Xebec Adsorption Inc. In turn, Holding USA directly and wholly owns the U.S. subsidiaries set out below:

- a. *CDA Systems, LLC (“CDA”)*: CDA is part of the Cleantech Service Network of the Xebec Group. It is responsible for sales, rentals and services of compressed air products and also supports all of Xebec Group’s products in California.
- b. *Xebec Adsorption USA Inc. (“Xebec USA”)*: Xebec USA leases and operates an administrative office Mooresville, North Carolina.
- c. *Enerphase Industrial Solutions, Inc. (“Enerphase”)*: Enerphase is part of the Cleantech Service Network of the Xebec Group, with a focus on preventative maintenance solutions, air energy system audits and analysis, timely machine rentals and parts and service. It also sells compressed air products. It leases and operates facilities in Greensboro, Woodleaf and Rocky Mount, North Carolina.
- d. *The Titus Company (“Titus”)*: Titus is a supplier of compressed air services and a part of the Cleantech Service Network. It notably supplies nitrogen generators and membrane products to the United States Navy. It leases a facility in Morgantown, Pennsylvania.
- e. *Nortekbelair Corporation (“Nortekbelair”)*: Nortekbelair operates a 18,500 square foot facility in Maryville, Tennessee, which is a “Center of Excellence” for the Xebec Group’s dehydration products comprised of compressed air dryers, renewable and low-emission natural gas dryers and hydrogen dryers and supports its Cleantech Service Network as well as other third party customers.
- f. *California Compression, LLC (“California Compression”)*: A part of the Cleantech Service Network, California Compression is a compressed air distributor and provides the Xebec Group with distribution and service capabilities for customers located in Northern California.
- g. *XBC Flow Services – Wisconsin Inc. (“XBC Wisconsin”)*: A part of the Cleantech Service Network, XBC Wisconsin supplies U.S. customers with high-quality compressed air products from the industry’s top manufacturers, in addition to providing service and support.
- h. *Xebec Systems USA, LLC (“Xebec Systems”)*: Xebec Systems operates a 100,000 square foot facility located in Henderson, Colorado, which manufactures containerized Biostream systems and hydrogen units. Xebec Systems also designs and manufactures air and gas processing systems with references in landfill gas, natural gas, biogas, hydrogen and carbon dioxide compression. Xebec Systems also provides services as part of the Cleantech Service Network.

Overseas Subsidiaries

30. The overseas subsidiaries of Xebec Adsorption Inc. are set out below (collectively the “**Overseas Subsidiaries**”):

- a. *Xebec Holding UK Limited*: Xebec Holding UK Limited has no active operations and is the sole shareholder of Tiger Filtration Limited, which operates a facility located in Sunderland, United Kingdom, focused on the manufacturing of elements and filters. This business was acquired by the Xebec Group in June 2021 in order to vertically integrate into the valuable aftermarket business for filters and elements.
- b. *Xebec Italy SRL*: This Italian-based entity services all Xebec legacy RNG systems sold in Europe.
- c. *Xebec Europe B.V.*: Xebec Europe B.V. has no active operations, and is the sole shareholder of two subsidiaries, Xebec Deutschland GmbH and Green Vision Holding B.V.:
 - i. Xebec Deutschland GmbH, which in turn has three wholly owned subsidiaries: Xebec Komplementär GmbH, Inmatec Gase Technologie GmbH & Co. KG (collectively, “**Inmatec Germany**”) and Inmatec Gas Technology FZC LLC (“**Inmatec RAK**”, and , collectively with Inmatec Germany, the “**Inmatec Entities**”). Inmatec Germany manufactures, sells and services on-site nitrogen and oxygen generators. Inmatec RAK is responsible for sales of the Inmatec Entities’ systems in the Middle East and Africa and is located in Ras Al Khaimah, United Arab Emirates. The Inmatec Entities were acquired by the Xebec Group in February 2021 to position the Xebec Group as a worldwide leader in on-site nitrogen and oxygen generation products and leverage cross-selling opportunities.
 - ii. Green Vision Holding B.V., which owns HyGear Technologies and Services B.V., which in turn has six subsidiaries: HyGear Operations B.V., HyGear B.V., Xebec Adsorption Asia PTE LTD, HyGear Fuel Cell B.V. and HyGear Hydrogen Plant B.V., which are wholly owned, and Buse HyGear LTD which is 50% owned (collectively, the “**HyGear Entities**”). Mainly based in the Netherlands, the HyGear Entities combine on-site generation technologies of the Hy.Gen Systems which generate hydrogen from natural gas, renewable natural gas or water and electricity with conventional gas distribution methods. The HyGear Entities were acquired by the Xebec Group in December 2020 with the strategic support of Caisse de dépôt et de placement du Québec, in

the context of the Company's global hydrogen strategy. Xebec Adsorption Asia PTE LTD is responsible for sales of the Xebec Group in Asia and the Middle East.

- d. *Xebec Adsorption (Shanghai) Co. Ltd.*: Xebec Adsorption (Shanghai) Co. Ltd. in which Xebec Adsorption Inc. has a 60% equity interest, is a joint venture with the Shanghai-based Shenergy Group. This joint venture operates a 20,451 square foot manufacturing facility in the Songjiang district of Shanghai, China. It is responsible for engineering, supply chain, product assembly, marketing, sales, technical service and after sales support for the Chinese, South East Asian and Middle Eastern markets. The Xebec Group supplies multiple products to the joint venture, including most importantly PSA systems.

III. The Debtors' Assets, Indebtedness and Obligations

A. Assets

31. The Q2 2022 Financial Statement of Xebec Adsorption Inc. (as defined below)

reflected assets of \$503 million, summarized as follows:

- a. Inventory: \$65 million;
- b. Net book value of property and equipment: \$38 million;
- c. Net book value of intangible assets (primarily intellectual property): \$86 million;
- d. Net book value of goodwill: \$151 million;
- e. Investment in associates and joint ventures: \$22 million; and
- f. Other assets (primarily cash, accounts receivable and prepaid expenses): \$201 million.

B. Secured Indebtedness

National Bank of Canada

32. Xebec Adsorption Inc. is party to a Credit Agreement dated as of February 23, 2021 with National Bank of Canada ("NBC"), as amended from time to time, pursuant to which NBC provides an operating line of credit in an initial amount of up to \$30,000,000 (the

“**Operating Facility**”) and a letter of credit facility in an amount of \$16,500,000 (the “**LOC Facility**”, collectively with the Operating Facility, the “**NBC Loan**”).

33. The Operating Facility is used by Xebec Adsorption Inc. to finance its operating requirements, general purposes, and historically, to finance certain acquisitions as permitted thereunder.

34. The obligations of Xebec Adsorption Inc. under the NBC Loan have been guaranteed by the following subsidiaries (the “**NBC Guarantors**”):

- a. Applied;
- b. XBC Wisconsin;
- c. Xebec USA;
- d. Holding USA;
- e. CDA;
- f. Enerphase;
- g. Titus;
- h. Compressed;
- i. Tiger Filtration Limited;
- j. California Compression;
- k. Nortekbelair;
- l. Holding UK; and
- m. Xebec Systems.

35. The obligations of Xebec Adsorption Inc. under the NBC Loan are secured by first ranking hypothecs and liens on its assets, as well as those of the NBC Guarantors (the “**NBC Security**”), subject to:

- a. in the case of California Compression, Xebec Systems, Nortekbelair and XBC Wisconsin only, prior ranking security granted by these entities in favor of EDC (as defined below); and
- b. in the case of Holding USA, prior ranking security over shares held in Nortekbelair, Xebec Systems, California Compression and XBC Wisconsin granted in favor of EDC.

36. As of September 26, 2022, the outstanding aggregate indebtedness owing to NBC under the Operating Facility totalled approximately \$7,000,000, excluding interest, costs, fees and expenses.

37. This amount is in addition to all amount relating to outstanding letters of credit issued under the LOC Facility totalling in excess of \$7,000,000.

38. EDC (as defined below) has guaranteed in favor of NBC the reimbursement of substantially all amounts owed under the LOC Facility.

39. As a result of certain events of default that occurred under the NBC Loan, on July 7, 2022, Xebec Adsorption Inc., the NBC Guarantors, and NBC entered into a Forbearance Agreement (the “**NBC Forbearance Agreement**”) with NBC.

40. The NBC Forbearance Agreement was disclosed by Xebec Adsorption Inc. in the Q2 2022 MD&A (as defined below).

41. The NBC Forbearance Agreement sets out the terms and conditions under which NBC agreed to tolerate the various defaults under the NBC Loan and to continue to finance Xebec Adsorption Inc.’s operations. The tolerance period under the NBC Forbearance Agreement was set to expire on September 30, 2022.

42. In the context of the ongoing discussions with NBC and in order to ensure that the Debtors would continue to have access to their banking facilities, the tolerance period under the NBC Forbearance Agreement was extended to October 11, 2022 (subject to further extensions as may be agreed to by the parties), pursuant to the terms of a First Amendment to the NBC Forbearance Agreement dated September 28, 2022. In this context, the Debtors have agreed that NBC shall be treated as an unaffected creditor in the Canadian Proceeding and in any plan resulting therefrom and have waived the delays required under the notices of intention to enforce security pursuant to section 244 of the Bankruptcy and Insolvency Act.

Export Development Canada

43. Holding USA is party to a Loan Agreement dated as of July 16, 2021 with Export Development Canada (“**EDC**”), as amended from time to time, pursuant to which EDC provided a loan in the aggregate principal amount of USD 15,000,000 (the “**EDC Loan**”).

44. The purpose of the EDC Loan was to allow Holding USA to fund the acquisitions of certain U.S.-based businesses.

45. The obligations of Holding USA under the EDC Loan have been guaranteed by Xebec Adsorption Inc. and by the following subsidiaries (the “**EDC Guarantors**”):

- a. CDA;
- b. Nortekbelair;
- c. Xebec Systems;
- d. California Compression; and
- e. XBC Wisconsin.

2. The obligations of Holding USA under the EDC Loan are secured by (the “**EDC Security**”):

- a. first ranking security over the shares held by Holding USA in the EDC Guarantors Nortekbelair, Xebec Systems, California Compression and XBC Wisconsin (collectively, the “**TargetCo Shares**”);
- b. first ranking hypothecs and liens on same EDC Guarantors’ assets (except for CDA and Xebec Adsorption Inc.);
- c. second ranking hypothecs and liens on the assets of Xebec Adsorption Inc.; and
- d. second ranking hypothecs and liens on the assets of Holding USA, except for TargetCo Shares.

46. As of September 18, 2022, the outstanding aggregate indebtedness owing to EDC under the EDC Loan totaled approximately USD \$13,269,478, excluding interest, costs, fees and expenses. This amount excludes any obligations which may arise under the letters of credit issued by NBC, in respect of which EDC has provided a guarantee to NBC, as mentioned above.

47. A snapshot of the borrowers and guarantors under the NBC Loan and the EDC Loan, respectively is set out below for convenience purposes:

NBC Loan (aggregate indebtedness as of September 26, 2022: approx.. \$7,000,000)	
Borrower	Xebec Adsorption Inc.
Guarantors	Applied; XBC Wisconsin; Xebec USA; Holding USA; CDA; Enerphase; Titus; Compressed; Tiger Filtration Limited;

	California Compression; Nortekbelair; Holding UK; and Xebec Systems.
Security	First ranking hypothecs and liens on the assets of Xebec Adsorption Inc., as well as those of the NBC Guarantors, subject to any prior ranking EDC Security, as applicable.
EDC Loan (aggregate indebtedness as of September 18, 2022: approx. USD \$13,269,478)	
Borrower	Holding USA
Guarantors	Xebec Adsorption Inc.; CDA; Nortekbelair; Xebec Systems; California Compression; and XBC Wisconsin.
Security	- First ranking security on the TargetCo Shares; - First ranking hypothecs and liens on same EDC Guarantors' assets (except for CDA and Xebec Adsorption Inc.), - Second ranking hypothecs and liens on the assets of Xebec Adsorption Inc.; and - Second ranking hypothecs and liens on the assets of Holding USA, except; for TargetCo Shares.

C. FSTQ Loan

48. Xebec Adsorption Inc. is party to an Amended and Restated Unsecured Loan Agreement dated as of November 9, 2021, with FSTQ, pursuant to which FSTQ provided to Xebec Adsorption Inc. with a financing facility in the aggregate principal amount up to \$25,000,000 (the “**FSTQ Loan**”).

49. The FSTQ Loan was used by Xebec Adsorption Inc. for working capital purposes, operational and investment activities and acquisitions.

50. The FSTQ Loan is unsecured, bears interest at the rate of 8.5% per annum, subject to adjustment as per the FSTQ Loan agreement, and matures on May 5, 2025.

51. As of September 19, 2022, the outstanding aggregate indebtedness owing to FSTQ under the FSTQ Loan totaled approximately \$15,000,000, excluding interest, costs, fees and expenses.

D. Other Unsecured Indebtedness

52. As of August 31, 2022, the Debtors had accounts payable and accrued liabilities in an aggregate amount of approximately \$162,600,000 including to suppliers and landlords.

E. Contingent Liabilities

53. Certain Debtors are also defendants in various pending litigation proceedings, including two proposed class actions against Xebec Adsorption Inc., alleging misrepresentations in its disclosure documents with respect to revenue accounting practices and internal controls, all of which are contested.

F. Employee Entitlements

54. As of the date hereof, the Debtors are current in their payroll obligations. In addition, except for a deferred profit sharing plan, there are no pension plans in place.

55. The Debtors intend to continue to pay their employees in the normal course of business.

G. Tax Liabilities

56. All amounts owed to tax authorities by the Debtors are paid in the normal course of business and there is no known past due amount owing to tax authorities exists as of the date hereof.

57. As of the date hereof, the Debtors are current in their source deductions and sales tax obligations including GST/QST/HST, in jurisdictions where they apply.

H. Equity

58. Xebec Adsorption Inc.'s authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**"), without par value. As at August 31, 2022, there were 154,727,549 Common Shares issued and outstanding (the "**Common Shares**") and nil Preferred Shares issued and outstanding. As indicated above, the Common Shares are listed on the TSX and are also listed on the OTCQX International.

IV. Events Leading to Restructuring

59. The latest consolidated audited financial statements for the years ended on December 31, 2020 and 2021 indicate that Xebec Adsorption Inc. realized successive material operating losses in 2020 and 2021. The latest financial results for the six month period ending on June 30, 2022, indicate that Xebec Adsorption Inc. continued to incur material losses, incurring a net loss of \$41.997 million , as appears from a copy of the Condensed Interim Consolidated Financial Statements (Unaudited) for the three-month and six-month periods ended June 30, 2022, and 2021 ("**Q2 2022 Financial Statements**").

60. The Xebec Group's financial difficulties arise from a number of factors, including its inability to raise additional capital, supply chain constraints, impact of the COVID-19 pandemic, the geopolitical factors and increasing selling, general and administrative expenses, resulting from the number of acquisitions completed over the last two years, and the completion costs of legacy renewable natural gas ("**RNG**") contracts and the costs associated with discontinuing such product line, the whole as described more fully below.

A. Inability to Raise Additional Capital and the State of Capital Markets

61. The challenging state of the capital markets commenced in late 2021 and has resulted in lower share price performance for many companies, including those in the clean energy solutions market segment. Xebec Adsorption Inc.'s share price was negatively impacted, by, among other things, this market trend, which in turn adversely affected Xebec Adsorption Inc.'s ability to source and secure the critical financing it requires. This phenomenon was further exacerbated by the decrease of equity capital interest for unprofitable growth companies in general. As a result, execution of the Xebec Group's business plan, including its ability to appropriately capitalize its business, was seriously compromised.

B. Supply Chain Constraints and Other Market Conditions

62. In addition to the inability to secure required financing, the Xebec Group also faced worldwide supply chain issues and increased costs resulting, *inter alia*, from the COVID-19 pandemic and geopolitical factors.

63. As appears from Xebec Adsorption Inc.'s Management's Discussion and Analysis for the Second Quarter ended June 30, 2022 (the "**Q2 2022 MD&A**"), while 2022 started off with strong sales quoting activity in the RNG business, quotes were slow to book into Xebec Adsorption Inc.'s backlog, due to a combination of factors including economic uncertainty, low carbon fuel credits' volatility and the early adopter nature of Xebec Adsorption Inc.'s second-generation Biostream product.

64. The second quarter of 2022 also saw a slowdown in Xebec Adsorption Inc.'s oxygen business, as the strong demand generated by the COVID-19 pandemic subsided. Xebec Adsorption Inc.'s oxygen and nitrogen generation businesses operate on a cash neutral basis and their ability to produce material positive cash flows depends on the resolution of supply chain

issues and increasing the nitrogen portion of the business in the face of declining oxygen demand triggered by declining intensity of the COVID-19 pandemic.

65. Furthermore, the geopolitical situation resulting from the Russo-Ukrainian War brought significant pressure on the nitrogen market, where customers had to reduce their capital expenditures in light of significantly higher energy costs.

66. In 2022, Xebec Adsorption Inc. noted a lower level of sales in Europe, primarily attributable to supply chain constraints and reduced sales of oxygen and hydrogen generators. In addition, while the Xebec Group's hydrogen business continued to develop, significant capital is still required to support this business which continues to suffer losses.

C. Selling and Administrative Expenses

67. As indicated above, the Xebec Group grew significantly through acquisitions, investments and joint ventures.

68. According to the Q2 2022 Financial Statements, Xebec Adsorption Inc. incurred \$33.6 million in selling and administrative expenses (“**SG&A**”), an increase of \$10.7 million, compared to \$22.9 million for the same six months of 2021. The increase was associated to SG&A relating to newly acquired companies.

D. Legacy RNG Contracts

69. In addition, the Company incurred significant costs in connection with finalizing its legacy RNG contracts and discontinuing this product line. The impact of the COVID-19 pandemic, the supply chain constraints and the inflation described above further affected these costs.

70. As appears from the Q2 2022 MD&A, the Xebec Group encompassed the impact of such legacy RNG contracts in a special charge resulting in a net loss impact of \$11.9 million

and a gross margin impact of \$8.3 million, representing remaining costs on projects, potential penalties, an inventory obsolescence provision, potential warranty claims, and legal settlement and related costs. In summary, volatile market conditions, inability to raise capital, lower sales volumes, ongoing supply chain constraints, material increase of SG&A, and the completion costs of legacy RNG contracts and the costs associated with discontinuing the product line had a direct negative impact on the Debtors' cash flow.

V. Pre-Filing Restructuring Efforts

A. Company's Efforts to Improve Financial Performance

71. Given the capital intensive nature of the business of the Xebec Group, particularly in light of the recent acquisition of the HyGear Entities, the Xebec Group initiated various attempts to raise additional capital, including via private placements, equity offerings or subordinated debt. Such efforts were assisted by two leading financial advisory firms. Potential convertible debt transactions and equity offerings were contemplated in the fall of 2021 and the spring of 2022, but based on overall market conditions, and advice from the Xebec Group's financial advisors, such transactions could not be launched. Notwithstanding all of its efforts, the Xebec Group was as a result unable to secure additional capital.

72. In light of the foregoing, in the spring of 2022, the Xebec Group initiated a comprehensive review of all of the activities of the Xebec Group to improve margins and increase cash from operations, focusing on production rationalization, and workforce and supply chain synergies to streamline and simplify the organization (the "**Operational Review**").

73. In the context of the Operational Review, Xebec Adsorption Inc. implemented a number of cost-reduction measures, including the discontinuance of certain business activities, primarily relating to its RNG segment, to focus on products and services that had the potential

for yielding higher margins on a long-term basis, the whole as appears from the Q2 2022 MD&A.

74. Furthermore, in July, 2022, in the context of the Operational Review, Xebec Adsorption Inc. announced the reduction of its full-time workforce by 51 employees, representing approximately 13% of its North American employee base, resulting in approximately \$4.0 million in annual cost savings, as appears from the Q2 2022 MD&A.

75. The Xebec Group continued to evaluate its business revolving around three levers: 1) core vs. non-core activities, 2) product rationalization, and 3) workforce and supply chain synergies, all of which aim to pursue operational efficiencies and focus the company's efforts across the business. Unfortunately, the above-noted measures alone proved to be insufficient in addressing the Debtors' urgent liquidity concerns.

B. Strategic Review

76. As appears from the Q2 2022 MD&A, in addition to, and in parallel with the Operational Review, the Xebec Group initiated a process to identify and evaluate a variety of potential strategic alternatives to enhance stakeholder value, including via potential asset divestitures or joint ventures (the "**Strategic Review**").

77. In this context, a special committee of the board of Xebec Adsorption Inc., comprised of independent directors (the "**Special Committee**") was established to review and consider any strategic alternatives (including potential asset divestitures or joint ventures) and make recommendations to the Xebec Adsorption Inc. board with respect thereto.

78. On June 3, 2022, further to a recommendation of the Special Committee, Xebec Adsorption Inc. engaged National Bank Financial Inc. ("**NBF**") as financial advisor in

connection with the Strategic Review. NBF had not been involved as financial advisor in the Xebec Group's prior financing efforts.

79. Further to its engagement, NBF conducted a broad solicitation of expressions of interest targeting institutional investors and well capitalized, strategic acquirers that had either previously expressed interest in a combination with the Xebec Group and/or were believed to have a strong strategic rationale to consider a potential transaction (collectively, the "**Market Check**").

80. In the context of the Market Check:

- a. 76 potential targets were solicited and received a teaser letter, including 47 potential investors and 29 potential strategic acquirers; and
- b. 14 potential targets signed a confidentiality agreement giving them access to the virtual data room to advance their due diligence process.

81. The Market Check resulted in the receipt by Xebec of only one non-binding letter of intent for the purchase of XBC Flow Services, the brand encompassing the Xebec Group's U.S. Cleantech Service Network and industrial product sales and distribution activities (the "**LOI**").

82. Xebec Adsorption Inc., with the assistance of NBF and its other advisors, determined that the LOI was not a viable solution, given that:

- a. the time needed to execute the transaction contemplated by the LOI and the inherent uncertainty would not provide a solution for Xebec Adsorption Inc.'s liquidity needs;
- b. the complexity of the transaction, including isolating the subject assets and undertakings, would take considerable effort and time;

- c. the assets in question are integral to the core business of the Xebec Group;
and
- d. the transaction would negatively impact the overall future cash flow of the Xebec Group.

83. Throughout all of its financing efforts, from the fall of 2021 until September 2022, the Xebec Group, directly and through its financial advisors (including NBF during the Strategic Review), remained in close communication with key stakeholders in order to assess whether they may have an interest in an investment or transaction with the Company in some capacity. Certain key stakeholders engaged in ongoing due diligence and discussions with management and NBF, but recently confirmed that they would not be prepared to proceed at this time.

VI. Restructuring Objectives

84. Despite all the efforts enumerated above and following extensive analysis and consideration, in light of their financial situation, the Debtors concluded that their only alternative was to engage in a formal restructuring process in order to achieve the best possible outcome for their stakeholders.

85. With the assistance of their advisors and upon the recommendation of the Special Committee, the Debtors determined that the best course of action in the current circumstances includes the implementation of a sale and investment solicitation process in order to maximize value of the Debtors' business while maintaining going concern operations, a further streamlining of their operations, and a divestiture of their non-core assets.

86. In order to achieve their objectives, the Debtors initiated the Canadian Proceeding.

87. Accordingly, the Foreign Representative and the Debtors believe, and respectfully submit, that the recognition of a foreign main proceeding commenced under the CCAA constitutes the best option available in the circumstances to preserve the value of their assets, for the benefit of their creditors and stakeholders.

88. The Foreign Representative has caused the Debtors to commence the Chapter 15 Cases. The Foreign Representative respectfully submits that recognition is necessary to facilitate the restructuring and to achieve the more fundamental objectives of chapter 15 itself, including: (a) protecting the interests of creditors by facilitating completion of the proposed restructuring; (b) preserving the Debtors' operations as a going concern; (c) preserving the jobs of employees; (d) providing certainty for the creditors who have agreed to support the Debtors through their own undertakings and commitments; and (e) facilitating cooperation through established principles of comity recognizing the efficacy of Canadian CCAA proceedings under United States law.

[Signature Page Follows]

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury that, based upon my knowledge, information, and belief as set forth herein, the foregoing is true and correct.

Dated: September 30, 2022

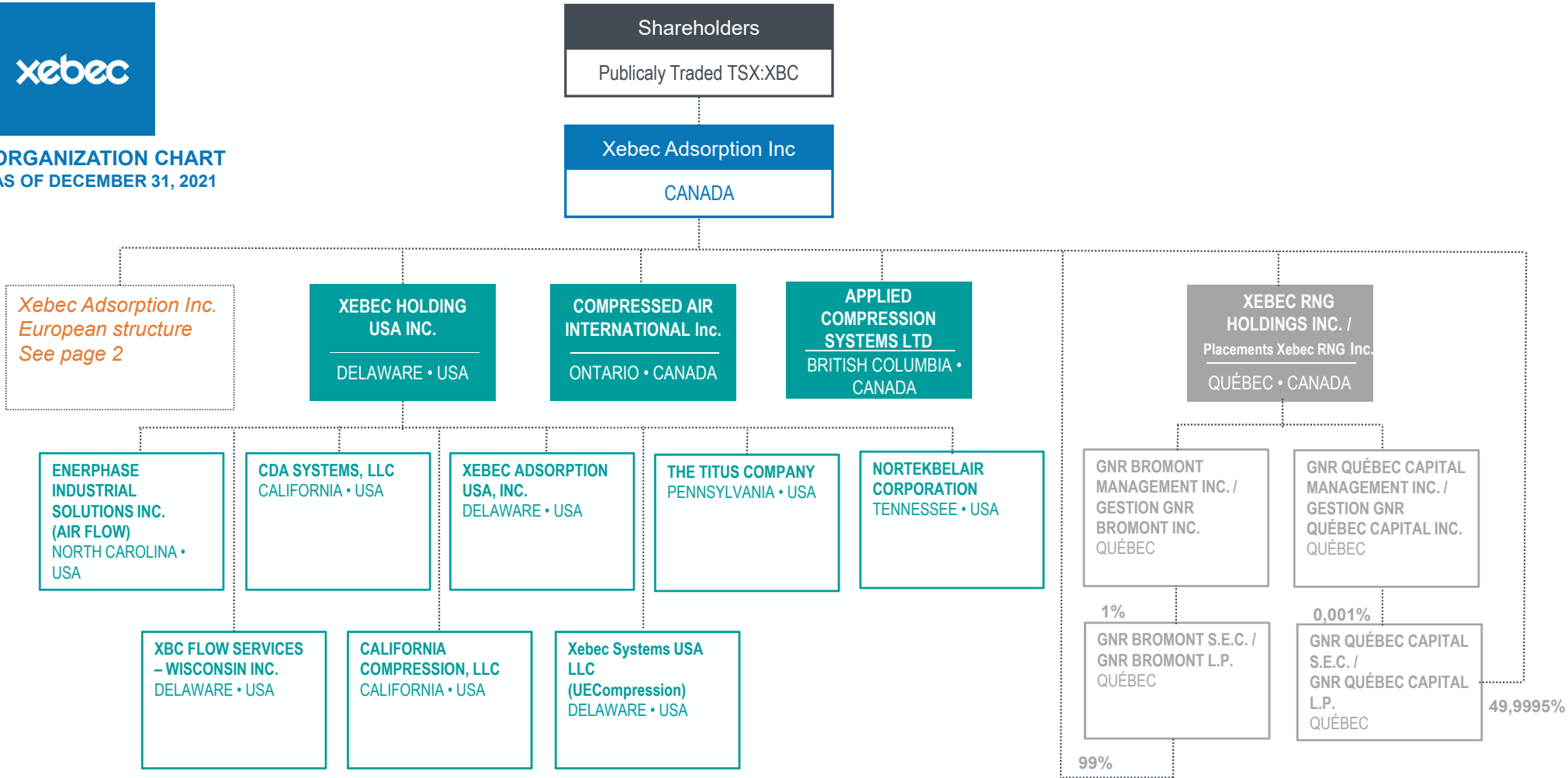


Dimitrios "Jim" Vounassis
President and CEO of Xebec Adsorption Inc.

Exhibit A



ORGANIZATION CHART
AS OF DECEMBER 31, 2021

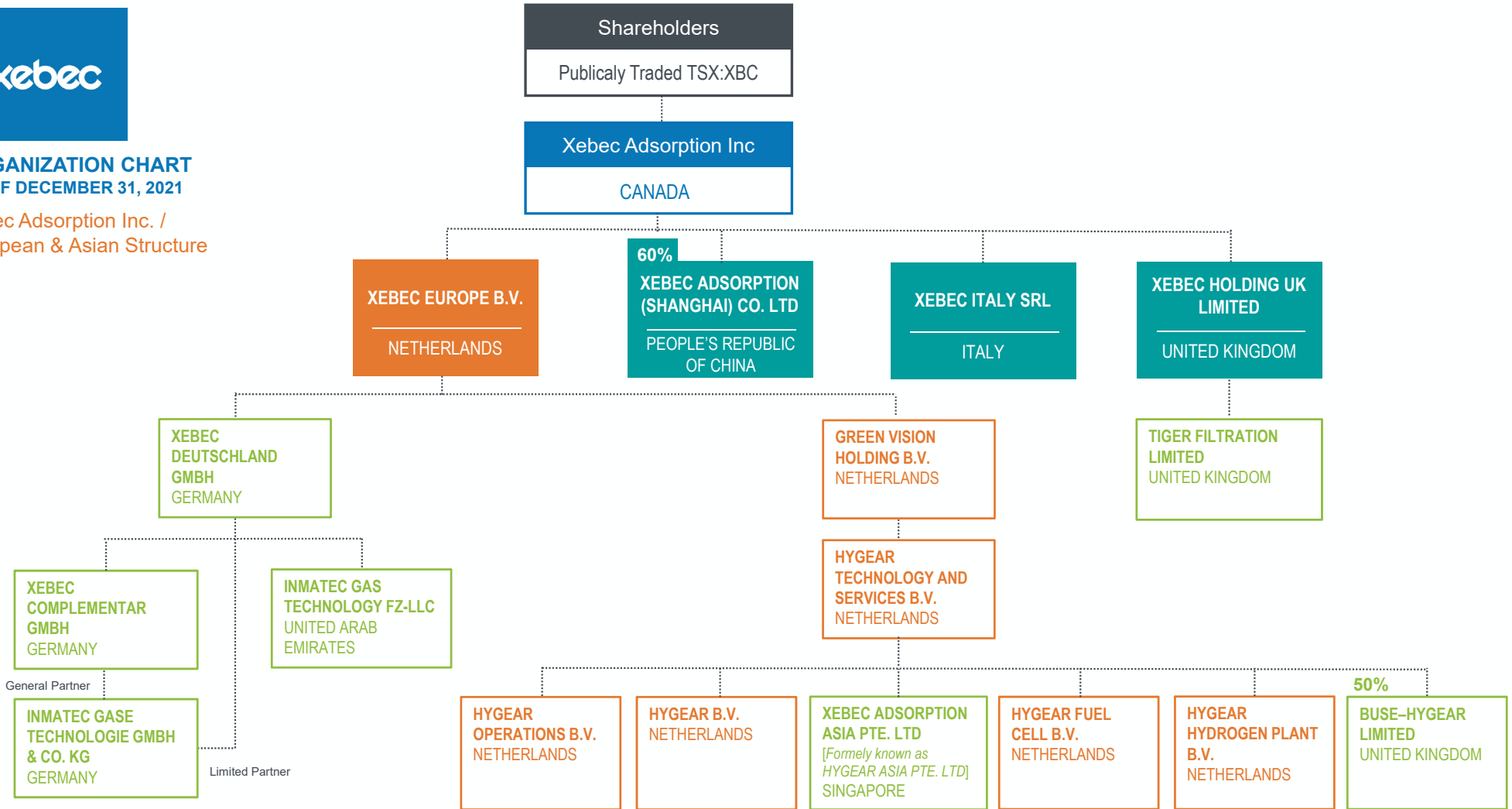


Unless otherwise indicated, all participations are at 100%.



**ORGANIZATION CHART
AS OF DECEMBER 31, 2021**

Xebec Adsorption Inc. /
European & Asian Structure



Unless otherwise indicated, all participations are at 100%.