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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 A PLAN OF ARRANGEMENT OR COMPROMISE OF:

XEBEC ADSORPTION INC.
XEBEC RNG HOLDINGS INC.
COMPRESSED AIR INTERNATIONAL INC.
APPLIED COMPRESSION SYSTEMS LTD.
XEBEC HOLDING USA INC.
ENERPHASE INDUSTRIAL SOLUTIONS INC.
CDA SYSTEMS, LLC
XEBEC ADSORPTION USA INC.
THE TITUS COMPANY
NORTEKBELAIR CORPORATION
XBC FLOW SERVICES – WISCONSIN INC.
CALIFORNIA COMPRESSION, LLC
- and -
XEBEC SYSTEMS USA, LLC

Debtors/Petitioners

- and -

DELOITTE RESTRUCTURING INC.

Monitor

FOURTH REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR
(*Companies' Creditors Arrangement Act*)

INTRODUCTION

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 below) are collectively referred to herein as the "**Petitioners**" or the "**Debtors**".

3. The Petitioners and the other material direct or indirect subsidiaries of Xebec Adsorption Inc. ("**Xebec Inc.**"), which are not currently parties in the CCAA Proceedings (as defined below), 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 29, 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* (the "**Initial Application**") 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 (the "**First Report**") 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 to 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 United States; and X) the Proposed Monitor's conclusions and recommendations.

7. On September 29, 2022, the Court granted the Initial Application and rendered 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 "**Initial Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) entitlement 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 commencement 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 Initial Stay Period and the application of the First Day Initial Order up to and including October 20, 2022 (the "**Stay Period**").

11. On October 18, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for the Issuance of an Amended and Restated Initial Order* (the "**ARIO Application**"), 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 $250,000 to $900,000; (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 $3M and of a DIP Charge in the amount of $3.6M; and (vi) the approval of KERPs and of a KERP Charge (as defined in the Application) 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* (the "**Application to Extend Stay to 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). This application is to be heard at a date yet to be determined.

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 ARIO Application.

14. On October 20, 2022, prior to the scheduled hearing on the ARIO Application, the secured lenders NBC and EDC agreed to modify the proposed DIP Term Sheet to provide for a DIP Facility in a total amount of $3M from NBC and EDC, on a *pari passu* basis, and the Petitioners accordingly modified the draft ARIO being sought.

15. On October 20, 2022, the Court rendered the ARIO, as modified to authorize the DIP Facility from NBC and EDC, and, on October 24, 2022, the Court issued its reasons in support of the issuance of the ARIO.

16. On November 23, 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 (the "**Application**").

17. In accordance with the terms of the ARIO and following the notification of the Application, the Monitor hereby issues its fourth report (the "**Fourth Report**"), which will cover the following items:

    I. Update regarding Xebec Group's communications and operations

    II. The Monitor's activities since the Third Report

    III. Update on the SISP

    IV. Recognition Proceedings in the United States

    V. Payments to Critical Suppliers

    VI. Key employee retention programs

    VII. Intercompany payments

    VIII. Actual Receipts and disbursements

    IX. Overview of the 12-week Cash-Flow Projections

    X. Update on D&O Insurance

XI. The Arnsby Application

XII. The request for an extension of the Stay Period; and

XIII. The Monitor's conclusions and recommendations

18. In preparing the Fourth Report 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**"). Except as described in this Fourth Report in respect of the Debtors' Cash Flow Statement (as defined below):

    (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 Fourth Report 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.

19. Future oriented financial information referred to in this Fourth Report 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.

20. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fourth Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.

21. The Information that was analyzed does not include the extent of the impact of Coronavirus ("**COVID-19**") on the Petitioners' operations. At the time of the Fourth Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and may continue to have on the Petitioners and the broader domestic and global economies.

22. The Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and may continue to have on the Petitioners.

I. UPDATE REGARDING XEBEC GROUP'S COMMUNICATIONS AND OPERATIONS

23. Since the Third Report, the Company continued to have regular communications with all of its main customers, suppliers and other key stakeholders in connection with the current situation and the next steps relating to the Restructuring Process.

24. Since the Third Report and due to the uncertainty surrounding the Company's future operations, the Company continued to have regular communications with its local management teams and its employees, with the view to ensure that key resources remain in place during the Restructuring Process, in order to minimize negative impact on operations.

25. Since the issuance of the ARIO and as part of their cost cutting initiatives, the Petitioners have permanently laid off 8 employees in Quebec. Also, the services of 12 temporary personnel in the United States, employed by outside providers, were terminated. Management expects minimal impact on the operations following these layoffs.

26. Since the First Day Initial Order, the Petitioners have encountered certain challenges in retaining some of their workforce. In view of limiting further attrition, the Company implemented, in consultation with the Monitor and with the consent of its secured lenders, a salary increase to remain competitive in a challenging labor market and in a context of high inflation. These increases will not significantly impact the Petitioners' cash position and will not require additional interim financing or a modification of the current DIP Facility.

27. On October 27, 2022, the Petitioners, with the consent of the Monitor, issued a notice of disclaimer or resiliation pursuant to section 32 of the CCAA, in order to terminate the lease of a property in Blainville, Quebec by Xebec Inc. The leased property is not core to the operations of Xebec. The recipient of the notice has not applied for an order prohibiting the contemplated disclaimer or resiliation within the 15-day statutory deadline, and the termination will become effective on November 30, 2022. The Company and its advisors, in consultation with the Monitor, also continued its discussions with NBC in order to extend the forbearance agreement and to continue to have access to its credit facilities until the expiry of the proposed extended stay period, namely until February 3, 2023, subject to further extensions as may be required.

28. As per the initial cash-flow statement presented in the Third Report, a first DIP drawdown request was scheduled for the week ending November 19, 2022. However, based on Xebec's current cash position and the favorable timing variances of the past few weeks, the Petitioners have delayed this drawdown request. The first DIP drawdown is currently scheduled for the week ending December 3, 2022, and the timing of such drawdown will be re-evaluated by the Petitioners, in consultation with the Monitor, as the situation and cash position evolve.

29. The Company and the Monitor continued to have several active discussions and exchanges of information with the Petitioners' key customers. Over the past few weeks, discussions have intensified in order to negotiate agreements with certain important clients, and Management has held several meetings in person, namely at the Blainville and Denver facilities, to resolve certain outstanding issues. The purpose of these discussions are mainly aimed at:
    a) optimizing working capital on key projects;
    b) reassuring the workforce on the ongoing activities of Xebec during the Restructuring Process, due namely to the securing of the DIP Facility;
    c) facilitating, in certain cases, the Petitioners' ability to complete such key contracts, and;
    d) in other cases, assessing the viability of key contracts and the opportunity to continue same.

30. The Petitioners, with the assistance and supervision of the Monitor, have had (and continue to have) several discussions with other key clients and certain agreements are still in the negotiation phase. The Company's secured lenders are kept apprised of significant developments at least on a weekly basis. The Monitor will provide reporting to the Court on any material development in due time.

31. The Company and the Monitor also continued to have discussions and exchanges of information with the Petitioners' main suppliers, which are primarily parts & equipment suppliers.

32. The Company has been proactive in responding to the various stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.

33. The Company remained careful and vigilant in managing its liquidities. The Company has continued to focus on limiting disbursements until a clear path has been established with respect to its operations during the Restructuring Process, including with respect to the decision pertaining to the continuation of certain key contracts.

34. To the Monitor's knowledge, the Company has remained in compliance with the provisions of the ARIO and the Bidding Procedures Order since their issuance by the Court, and has acted diligently and in good faith throughout the process.

II. THE MONITOR'S ACTIVITIES SINCE THE THIRD REPORT

35. On October 19, 2022, the *Notice of Sale and Investment Solicitation Process* was published in La Presse+ (French version) and in the Globe and Mail National Edition (English version), as provided by the Bidding Procedures.

36. On October 26, 2022, the Monitor posted on the Monitor's Website a French version of the First Report, which namely contained a detailed overview of the Company and of its business and finances, as well as of the SISP. For efficiency and cost reasons, the Monitor does not intend to translate its subsequent reports for the time being.

37. Since the Third Report, the Monitor has continued to respond to inquiries received from various parties in respect of the Restructuring Process and the CCAA proceedings. The inquiries pertaining to the SISP are directed to the SISP Manager.

38. Since the Third Report, the Monitor posted on its website, *inter alia*, a copy of the CCAA Proceedings' materials, the Third Report of the Monitor, the ARIO, the Reasons for issuing the ARIO as well as all the orders and other materials related to the recognition order under Chapter 15 of the US bankruptcy. The Monitor's website is diligently updated on a regular and proactive basis.

39. Since the Third Report, the Monitor continued to work with the Company to develop and implement procedures to monitor the Company's activities in view of reporting to the Court.

40. Although the Monitor and the Petitioners had provided instructions with regards of the intercompany payments and pre-filing suppliers payments at the onset of the Restructuring Process, the Monitor established a written protocol for intercompany monetary payments and pre-filing payments during the CCAA proceedings which was finalized on or around October 28, 2022 (the "**Intercompany Protocol**"), a copy of which is included as **Appendix A** to this report. The Intercompany Protocol is in line with the ARIO and it supplements the instructions already given to the Petitioners with the objective of ensuring good and uniform practice regarding intercompany and pre-filing payments and to facilitate the notifications to the secured lenders and the reporting by the Monitor.

41. Management informed the Monitor that the Intercompany Protocol was communicated internally and that a meeting was held with all the controllers and the employees involved in the treasury management to reiterate the importance of the Intercompany Protocol and the necessity to plan any intercompany payment in advance, in accordance with the terms of the DIP Facility.

42. To the Monitor's knowledge, the Intercompany Protocol has generally been followed by the Petitioners since its implementation.

43. Since the Third Report and as mentioned above, the Monitor continues to assist the Petitioners in their discussions with their main customers, suppliers and other key stakeholders. The Monitor has participated in meetings and/or had communications with several stakeholders, including:
    a) the Company's secured lenders, NBC and EDC, and their respective financial advisors, PwC and Richter;
    b) several of the Company's customers and suppliers;
    c) one of the Company's large unsecured creditors and partner, FSTQ;
    d) the Company's employees and laid-off employees and other personnel; and
    e) Mr. Simon Arnsby, a shareholder.

44. More generally, the Monitor has been responding to questions and inquiries of various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.

45. In accordance with the Bidding Procedures, the SISP is conducted by NBF and the Petitioners with the oversight of the Monitor. The Monitor has had regular communications and discussions with NBF and the Company regarding the ongoing progress of the SISP.

46. The Monitor continues to have regular discussions with the Company and has been kept apprised on the Petitioners' operations and any other issues the Petitioners encounter from time to time.

47. The Monitor continued its daily review of the Petitioners bank accounts' and receipts and disbursements. Since the Third Report, daily information relating to the payment of goods or services supplied to the Petitioners continue to be presented to the Monitor by the Petitioners. The Monitor has received the full cooperation from Management at all times.

48. The Monitor has continued to assist the Company in establishing the Petitioners' revised cash-flow projections and modelling the different scenarios regarding its operations until early February 2023, time at which the SISP is currently projected to be completed.

49. Since the previous report and in accordance with the DIP Term Sheet, the Monitor has been providing the DIP lenders with a weekly update report in order to keep them informed of the Petitioners' financial position and to provide a weekly reporting on the Petitioners' cash position as well as detailed receipts and disbursements analysis. This reporting also includes a status update on the SISP and on other ongoing restructuring initiatives.

50. At the request of the Monitor, each of NBC's and EDC's counsel submitted all credit and security documents such that the Monitor's counsel and its US correspondent can issue opinions confirming the validity and opposability of NBC's and EDC's security over the Petitioners' assets in Canada and in the US. These opinions are expected to be finalized shortly.

III. UPDATE ON THE SISP

51. Since the Third Report, the SISP Manager is regularly updating the Petitioners and the Monitor regarding the progress of the SISP and, at least twice a week, the SISP Manager conducts meetings with the Monitor, the Petitioners and their respective legal advisors in order to update all the parties on the latest developments.

52. In accordance with the Bidding Procedures, the deadline to submit a non-binding letter of intent (a "**LOI**") expired on November 11, 2022, at 5 pm (Montreal time). Solicitation of interest packages were sent by the SISP Manager to 474 targeted potential bidders worldwide, composed of 157 strategic parties, 305 financial sponsors and 12 special purpose acquisition companies. Out of these parties:

a) 73 entered into a NDA and were provided access to the virtual data room (VDR) to conduct their due diligence process;
b) 132 of those parties declined interest before entering into a NDA;
c) 21 of those parties declined interest after entering into a NDA; and
d) 32 parties ultimately submitted a LOI in conformity with the Bidding Procedures.

53. The Monitor was copied on all LOIs received. An overview was provided to the DIP lenders and a call was organized between NBF, the Monitor and the financial advisors to the DIP lenders to review the LOIs.

54. The Monitor received one request to extend the November 11, 2022, deadline, which was denied and the bidder filed a preliminary LOI by the deadline.

55. As per the Bidding Procedures, NBF notified each Phase I Qualified Bidder in writing on November 18, 2022, as to whether its bid constituted a Phase I Satisfactory Bid.

56. As at that time, 18 LOIs were determined by the Petitioners, in consultation with the Monitor and the SISP Manager, to constitute Phase 1 Satisfactory Bids (as defined in the SISP), and the parties having submitted these 18 LOIs are thus Phase 2 Qualified Bidders who were invited to participate in phase 2 of the SISP. The SISP Manager and the Petitioners are currently in communications with the Phase 2 Qualified Bidders in order to organize management presentations and site visits of the facilities of the Company in Canada, in the United States and in Europe.

57. Based and relying upon information provided by the SISP Manager, the Monitor is of the view that the SISP is being diligently conducted and is yielding significant interest from many third parties.

IV. RECOGNITION PROCEEDINGS IN THE UNITED STATES

58. On September 30, 2022, the Petitioners filed a *Motion for Recognition of Foreign Main Proceeding and Request for Certain Related Relief*.

59. On October 26, 2022, the Petitioners filed a *Foreign Representative's Motion for Interim and Final Relief Recognizing and Enforcing DIP Financing Authorized under Amended and Restated CCAA Order.*

60. On October 27, 2022, the United States Bankruptcy Court District of Delaware rendered the *Order Granting Recognition of Foreign Main Proceeding and Certain Other Relief*, namely recognizing the CCAA proceedings as the "foreign main proceeding" and ordering for the application of the ARIO in the United States.

61. The hearing for the recognition of the DIP Facility was initially scheduled on November 28, 2022, and the deadline to file an objection was set for November 21, 2022. No objection was, however, filed by any person prior to said deadline.

62. On November 22, 2022, following the expiry of the aforementioned November 21, 2022, deadline, the United States Bankruptcy Court District of Delaware rendered the *Order Granting Final Relief Recognizing and Enforcing DIP Financing Authorized Under Amended and Restated CCAA Order*, without the necessity for a hearing.

V. PAYMENTS TO CRITICAL SUPPLIERS

63. The First Day Initial Order provides that the Petitioners shall be entitled, with the prior consent of the Monitor, to pay amounts owing for goods or services actually supplied to the Petitioners prior to the First Day Initial Order by third party suppliers up to a maximum aggregate amount of $700,000, if, in the opinion of the Petitioners and of the Monitor, the supplier is considered

as a Critical Supplier.

64. As of the date of this report, the Monitor has approved payments totalling $330k to Critical Suppliers located in Canada and in the United States, which is lower than the $700K limit that was authorized by the Court pursuant the First Day Initial Order. The Monitor consented to these payments which were required to secure goods and to ensure the continuation of supply of services and ongoing operations, mostly to smaller suppliers critical to the business and all pertaining to special circumstances. The detailed list of these payments is presented in **Appendix B** (**<u>under seal</u>**)**.**

65. As mentioned in the previous reports, the opportunity and extent of payments to Critical Suppliers depend namely on the liquidities of the Company and in particular on the discussions with customers regarding the terms of their contracts, which discussions will impact the measures and steps of the Restructuring Process. This remains unchanged since the Third Report.

66. The Petitioners are still of the view that such payments to Critical Suppliers will be kept to a minimum.

VI. KEY EMPLOYEE RETENTION PROGRAMS

67. As described in the previous Reports, the Petitioners have prepared (i) a key employee retention plan (ii) a key vice-president retention plan, and (iii) a key executive incentive plan (collectively, the "**KERPs**") to encourage key resources to remain in the employment of the Xebec Group. The KERPs, which were approved by the Court pursuant to the issuance of the ARIO, aims at maximizing the value of the Xebec Group and avoiding potential operational challenges and disruptions resulting from possible departures and employee attrition.

68. Since the Third Report, the Petitioners informed the Monitor that minor modifications were required to the list of employees included in the KERP. Indeed, as further detailed in the Application, the Petitioners seek the replacement of a former employee with two other employees. Such proposed change would, moreover, reduce the aggregate amount to be paid under the KERPs by approximately $20.4K.

69. The secured lenders were informed of the proposed changes to the KERPs and have no objection.

VII. INTERCOMPANY PAYMENTS

70. As mentioned in the previous reports, and as provided by the First Day Initial Order, intercompany funding has been required between entities of the Xebec Group in order to preserve value and maintain going concern operations. As previously mentioned in this report, the Monitor has implemented the Intercompany Protocol (**Appendix A**) in order to be informed of these intercompany payments and reviews them and, in conformity with the ARIO, has reported these intercompany payments to the interim lenders.

71. The detailed list of all intercompany payments since the Third Report is presented at **Appendix C** of this report. As indicated in the notes of said Appendix C, the mechanics regarding the Petitioners' allocated share of the restructuring costs and other intercompany payments, as the case may be, could be adjusted retroactively as part of the CCAA Proceedings and/or once the SISP is completed, and these intercompany payments constitute Intercompany Transactions pursuant to the ARIO that will form part of an Intercompany Transactions Report by the Monitor in due time, in conformity with the ARIO.

VIII. ACTUAL RECEIPTS AND DISBURSEMENTS

72. The Petitioners have remained careful and vigilant in managing the Company's liquidities in the context of the Restructuring Process.

73. Xebec Group's financial performance highlights for the period from October 9, 2022, to November 12, 2022, are presented in the Actual Cash Flow appended hereto as **Appendix D**. The Monitor's comments on the Xebec Group's financial performance during this period are as follows:

    a) compared with the initial statement of projected cash-flow presented to the Court in the Third Report (the "**Initial Cash Flow Statement**"), the actual receipts and disbursements demonstrates a net cash balance as at November 12, 2022, of $11.5M which is $9.8M higher than budgeted. This favorable variance mainly results from:

        i. a favorable variance of $4.1M in cash inflows that is explained by the favorable timing of collection from sales and accounts receivables ($2.5M) including unexpected collections of certain provisioned accounts receivables ($411K), as well as an unbudgeted sales tax collection ($277K), a collection related to a post-closing purchase price adjustment of Xebec Systems USA LLC (also known as "UEC") ($712K) and transfers from related parties. Please refer to **Appendix D** for more details.

        ii. a favorable variance of $5.6M in cash outflows. The variance is mainly explained by timing differences in payment to suppliers, to secured lenders and professional fees. Please refer to **Appendix D** for more details.

74. Although the Petitioners, with the assistance of the Monitor, are currently finalizing the compilation of the transactions which occurred during the week ended November 19, 2022, in order to compare them with the Initial Cash Flow Statement, the Monitor understands that the cash position as at November 19, 2022, was approximately $10.8M compared to an amount of approximately $2.4M as budgeted. As mentioned in the previous reports, the Petitioners have been managing their disbursements to a minimum and have also negotiated favorable financial terms on some contracts to minimize the working capital requirements.

75. In the First Report, it was reported that the Company's indebtedness towards NBC excluded outstanding letters of credit in the amount of approximately $7.5M. The Monitor has since been made aware that an amount of approximately $360K was drawn against a letter of credit, as reported in the Third Report.

76. As of the date of this Fourth Report, all post-filing expenses incurred by the Petitioners have been paid or will be paid in the normal course of business out of the existing working capital of the Petitioners, including its different bank accounts, as described in the previous reports.

77. During the period under review, the Monitor was made aware that three (3) payments totalling $33K were made in respect to pre-filing accounts payable without the prior consent of the Monitor. Based on the information received from the Management, the Monitor is of the view that these payments represent isolated situations. The Monitor is currently reviewing these payments which were deemed critical by the Petitioners.

IX. OVERVIEW OF THE CASH-FLOW PROJECTIONS

78. The Company, with the assistance of the Monitor, has prepared the statement of projected cash-flow (the "**Cash Flow Statement**") for the 12-week period from November 13, 2022, to February 4, 2023 (the "**Cash Flow Period**") for the purpose of projecting the Company's

estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix E** to this report.

79. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement attached as **Appendix F** to this report.

80. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the documents provided by Management in support of the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

81. Based on the Monitor's review and subject to the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

    (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

    (ii) As at the date of this Fourth Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

    (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.

82. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or, relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of the Company's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, inter alia the payment of wages, the government remittances and the payroll deductions to be made by the Debtors.

83. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement (**Appendix F**), and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

84. As mentioned above, the key assumptions used in the Cash Flow Statement are based on the Petitioners' most recent sales and costs trends. The Petitioners' consolidated cash balance as at February 4, 2023, is estimated to be $158K.

85. Management continues to anticipate potential restrictive payment terms for purchases from suppliers due to the CCAA proceedings.

86. As appears from the Cash Flow Statement and the Application, the Xebec Group intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings, but also, with the permission from this Court and exceptionally, for services rendered and goods supplied in the normal course of business before the present CCAA proceedings with respect to the Critical Suppliers (as described above).

87. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

88. This being said, the Cash Flow Statement of the Company for the Cash Flow Period and for the period subsequent to same will depend in particular on the ongoing discussions with its suppliers and customers in respect to their contracts.

X. UPDATE ON D&O INSURANCE

89. In the First Report, the Monitor indicated that the D&O Insurance is expiring on December 1, 2022, and that it was unlikely that it would be renewed in the current circumstances.

90. The Monitor is now informed that, in all likelihood, the D&O Insurance will indeed expire on December 1, 2022.

91. In this context, it is expected that the extended reporting coverage under the existing D&O Insurance policy secured by the deposit made at the end of August 2022, as further detailed in the First Report, will take effect on December 1, 2022.

XI. THE ARNSBY APPLICATION

92. On October 19, 2022, Mr. Simon Arnsby sent a letter to the Court in which he appeared to represent that he was a significant shareholder of the Company, to request the appointment of an equity committee and in which he voiced a number of issues and complaints.

93. Mr. Arnsby was not present at the hearing held on October 20, 2022, despite being notified of the proceedings and being contacted by the Court to provide access to the hearing.

94. Mr. Arnsby's aforementioned letter dated October 19, 2022, was considered, addressed and dealt with by the Court in its reasons for issuing the ARIO rendered on October 24, 2022 (at para. 53 to 66)

95. On November 15, 2022, the Monitor, the Petitioners and their respective counsel received a letter from the Court, indicating it had received from Mr. Arnsby an Urgent Ex Parte Application for Investigation dated November 11, 2022, which had not been notified or provided to the Monitor and the Petitioners, or notified to the Service List.

96. In the November 15, 2022, letter, the Court pointed out, inter alia, that the application had not been notified or adduced through the proper channel and that no draft order had been provided, rendering it difficult to understand exactly what Mr. Arnsby was seeking as relief.

97. On November 23, 2022, Mr. Arnsby notified an Urgent Ex Parte Application for Investigation to the Service List, which did not include a draft order (the "Arnsby Application").

98. Upon review by the Monitor, it is unclear what relief is precisely sought in the Arnsby Application, although it does appear that Mr. Arnsby suggests that he be invested of investigative powers and duties, and that the formation of a shareholders' committee funded by the estate should be ordered by the Court.

99. Following its summary review of what has been provided by Mr. Arnsby at this stage, the Monitor is of the opinion that such relief appears disruptive to the Restructuring Process and to the ongoing SISP.

100. The Monitor adds that it has directly contacted Mr. Arnsby following the hearing of October 20, 2022, in order to answer to his questions and that it has always made itself available to answer questions from Mr. Arnsby and to provide available information, and intends to continue to do so, as for any other creditor of the Petitioners.

XII. THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD

101. The Debtors are seeking an extension of the Stay Period until February 3, 2023, in order to, *inter alia*, continue the ongoing SISP and the discussions with its key customers and the implementation of further restructuring measures.

102. The Stay Period allows the Company to operate in a more structured and stable environment, which is necessary given the various business segments and jurisdictions with different stakeholders, and allows Management to fully concentrate on the Restructuring Process and on the operations of the Company in this particular context, the whole for the benefit of all stakeholders.

103. The Monitor is informed that the Petitioners intend to continue to pay their trade creditors for services rendered and goods supplied in the normal course of business during the CCAA Proceedings.

104. As described in this Fourth Report, the Cash Flow Statement indicates that the Petitioners should have sufficient liquidity to continue to meet their obligations in the ordinary course of business with continued access to their current liquidities and existing working capital, and to the DIP Facility.

XIII. THE MONITOR’S CONCLUSIONS AND RECOMMENDATIONS

105. As noted above, the current Stay Period expires on November 28, 2022. The extension of the Stay Period sought by the Petitioners is required to continue the Restructuring Process, including to complete the SISP, and in this context the Monitor supports the relief sought by the Application.

106. It is the Monitor’s view that the continuation of the Restructuring Process is beneficial to the creditors and stakeholders as a whole.

107. The Monitor also believes that the Petitioners have acted, and are acting, in good faith and with due diligence and that the extension of the Stay Period is appropriate.

DATED AT MONTREAL, this 24th day of November, 2022.

DELOITTE RESTRUCTURING INC.
In its capacity as Court-Appointed Monitor of the Petitioners

Jean-François Nadon, CPA, CIRP, LIT

Julie Mortreux, CPA, CIRP, LIT

Appendix A – Protocol for intercompany monetary payments and pre-filing payments

EFFECTIVE IMMEDIATELY

CCAA Proceedings of Xebec Adsorption Inc. et al.
PROTOCOL FOR INTERCOMPANY MONETARY PAYMENTS AND PRE-FILING PAYMENTS
ESTABLISHED BY DELOITTE RESTRUCTURING INC. IN ITS CAPACITY AS MONITOR

On September 29, 2022, the Québec Superior Court (the "**Court**") rendered an initial order pursuant to the *Companies' Creditors' Arrangement Act* (the "**CCAA**"), which initial order was extended by the Court on October 7, 2022 and was amended and restated by the Court on October 20, 2022 (as extended, amended, restated or otherwise modified from time to time, (the "**Initial Order**") in respect of Xebec Adsorption Inc., Xebec RNG Holdings Inc., Applied Compression Systems Ltd., Compressed Air International Inc., Xebec Holding USA Inc., Enerphase Industrial Solutions, Inc., California Compression, LLC, CDA Systems, LLC, Xebec Adsorption USA Inc., The Titus Company, Nortekbelair Corporation, Xebec Systems USA, LLC, XBC Flow Services – Wisconsin Inc. (collectively, the "**Petitioners**") and appointed Deloitte Restructuring Inc. as monitor (the "**Monitor**").

Pursuant to the Initial Order, Intercompany Transactions[1], including monetary payments, are subject to the consent of the Monitor. The present protocol (this "**Protocol**") is being put in place for the approval and tracking of monetary payments from a Petitioner to another Petitioner or their affiliates (each, an "**Intercompany Monetary Payment**"). This Protocol only pertains to Intercompany Monetary Payments, and not to other types of Intercompany Transactions which are governed by the terms of the Initial Order.

Moreover, given the issuance of the Initial Order and pursuant to the CCAA, no Pre-Filing Payments (as defined hereinafter) can be made by the Petitioners, save and except exceptional circumstances which shall be reviewed and approved by the Monitor in accordance with the process described in section 3 of the present Protocol.

This Protocol is of immediate application and shall continue to apply for the duration of the CCAA proceedings, subject to further written notice from the Monitor.

1. Protocol for the approval of Intercompany Monetary Payments

All requests for the authorization to effect an Intercompany Monetary Payment (each, a "**Request**") shall be addressed by email to Stéphane Archambault, Chief Financial Officer (the "CFO") at: EMAIL, at least 5 business days prior to the date of the proposed Intercompany Monetary Payment. A Request shall include the following information:

- Name of the entity effecting the Intercompany Monetary Payment;
- Name of the entity receiving the Intercompany Monetary Payment;
- Amount of the Intercompany Monetary Payment;
- Date on which the Intercompany Monetary Payment needs to be effected; and
- Nature and reason(s) for the Intercompany Monetary Payment.

[1] "**Intercompany Transactions**" means transactions between Petitioners or their affiliates including (a) intercompany funding transactions, (b) purchase and sale transactions for goods or services in the ordinary course of the Business, (c) allocation and payments of costs, expenses and other amounts for the benefit of the Petitioners, including, without limitation, debt repayments and interest costs, head office, shared services and restructuring costs.

Appendix A – (cont'd)

If the Intercompany Monetary Payment is approved by the CFO, the CFO will forward the Request to the Monitor at EMAIL and EMAIL, at least 3 business days prior to the date of the proposed Intercompany Monetary Payment. The Monitor will review the Request and provide its response to the CFO, by email, as soon as possible following receipt of the Request.

If the Monitor approves the Request, at least 2 days in advance of the Intercompany Payment to be completed, it will inform the CFO, and the Monitor will concurrently notify National Bank of Canada and Export Development Canada, as *pari passu* interim lenders, (collectively, the "**Interim Lenders**"), of the upcoming Intercompany Monetary Payment (including by providing the amount and nature of same), via their respective Financial Advisors, namely PricewaterhouseCoopers Inc. and Richter Inc.

The CFO will inform the person having made the Request of the Monitor's decision forthwith upon having received same. **The Intercompany Monetary Payment may only be effected two (2) business days after having received the consent of the Monitor.**

2. **Tracking of Intercompany Monetary Payments received from affiliates of the Petitioners**

Any Petitioner who receives an Intercompany Monetary Payment from an affiliate which is not a Petitioner shall forthwith inform the CFO of the reception of such payment, the amount received and the entity from which it received the payment.

The CFO shall promptly forward the information regarding this Intercompany Monetary Payment, including the amount and nature, to the Monitor at EMAIL and EMAIL

3. **Protocol regarding Pre-Filing Payments**

No payment or transfer of sums whatsoever can be made in respect of services rendered or goods delivered before the date of the Initial Order, i.e. September 29, 2022 ("**Pre-Filing Payments**").

Should any person be uncertain as to if a potential payment could constitute a Pre-Filing Payment or if a special authorization or exception is requested prior to proceeding with such payment, he/she must send a written request to the CFO at EMAIL and to the Monitor at EMAIL and EMAIL, at least 5 business days prior to the date of a proposed Pre-Filing Payment, which shall include any and all relevant information and motives regarding same. Should such exceptional authorization be granted by the Monitor, the CFO will inform the person having made a request for a Pre-Filing Payment of the Monitor's approval.

No Pre-Filing Payment shall be made under any circumstances before obtaining a written authorization by the Monitor, in accordance with the process detailed above.

Appendix B – Payments to Critical Suppliers

<u>(under seal)</u>

Appendix C – Intercompany Payments

Intercompany Transactions - Monetary transfers summary		In $000s CAD					
For the week ending		15-Oct-22	22-Oct-22	29-Oct-22	5-Nov-22	12-Nov-22	Total
Collections							
XSU from CAL (1)	California Compression LLC --> Xebec Adsorption USA Inc.	209	-	-	-	-	209
XSU from TIT (1)	The Titus Company --> Xebec Adsorption USA Inc.	-	55	-	-	-	55
XHU from BLA (2)	Xebec Adsorption Inc. --> Xebec Holding USA Inc.	-	151	-	-	-	151
BLA from GRN (3)	GNR Québec Capital Management Inc. --> Xebec Adsorption Inc.	-	84	-	9	-	93
XSU from XBC (1)	XBC Flow-Services - Wisconsin Inc. --> Xebec Adsorption USA Inc.	-	-	109	-	-	109
BLA from ACS (4)	Applied Compression Systems Ltd. --> Xebec Adsorption Inc.	-	-	5	-	-	5
BLA from CAI (4)	Compressed Air International Inc. --> Xebec Adsorption Inc.	-	-	-	-	6	6
XSU from XHU (1)	Xebec Holding USA Inc. --> Xebec Adsorption USA Inc.	-	-	-	-	14	14
XSU from AIR (1)	Enerphase Industrial Solutions Inc. --> Xebec Adsorption USA Inc.	-	-	-	-	168	168
Total		**209**	**290**	**114**	**9**	**188**	**810**
Disbursements							
CAL to XSU (1)	California Compression LLC --> Xebec Adsorption USA Inc.	209	-	-	-	-	209
TIT to XSU (1)	The Titus Company --> Xebec Adsorption USA Inc.	-	55	-	-	-	55
BLA to XHU (2)	Xebec Adsorption Inc. --> Xebec Holding USA Inc.	-	151	-	-	-	151
XBC to XSU (1)	XBC Flow-Services - Wisconsin Inc. --> Xebec Adsorption USA Inc.	-	-	109	-	-	109
ACS to BLA (4)	Applied Compression Systems Ltd. --> Xebec Adsorption Inc.			5	-	-	5
CAI to BLA (4)	Compressed Air International Inc. --> Xebec Adsorption Inc.	-	-	-	-	6	6
XHU to XSU (1)	Xebec Holding USA Inc. --> Xebec Adsorption USA Inc.	-	-	-	-	14	14
AIR to XSU (1)	Enerphase Industrial Solutions Inc. --> Xebec Adsorption USA Inc.	-	-	-	-	168	168
Total		**209**	**206**	**114**	**-**	**188**	**717**

(1) - Xebec Adsorption USA inc., being a corporate office, is mainly a cost center entity with overhead costs including amongst other things, payroll and insurance. The transfers to Xebec Adsorption USA inc. represent the allocated share of these overhead costs.

(2) - This transaction represents a payment made by Xebec Adsorption Inc. on behalf of Xebec Holding USA Inc. to EDC for the monthly interest expenses.

(3) - The transfer to Xebec Adsorption Inc. represents the allocated portion of administrative expenses including rent.

(4) - The transfer to Xebec Adsorption Inc. represents the allocated portion of the group RRSP contribution.

As indicated by the Monitor previously and namely in the Third Monitor's Report, the mechanics of intercompany payments, as the case may be, could be adjusted retroactively as part of the CCAA Proceedings and/or once the SISP is complete. These intercompany payments constitute Intercompany Transactions that will form part of an Intercompany Transactions Report by the Monitor in due time, in conformity with the Amended and Restated Initial Order (ARIO) issued on October 20, 2022, which also approved the DIP Term Sheet of the same day. The ARIO and the DIP Term Sheet provide that the Petitioners must notify the DIP Lenders at least 2 days in advance of Intercompany payments to be made. The intercompany payments until the week ended October 22, 2022 were made prior to the ARIO and the DIP Term Sheet, hence prior to this notification obligation to apply. Since then, the Monitor has established a Protocol for Intercompany Monetary Payments and Pre-Filing Payments in order to ensure good and uniform practice and to facilitate notification to the DIP Lenders and reporting by the Monitor.

Appendix D – Actual Cash-flow
(period from October 9, 2022, to November 12, 2022)

Consolidated - North America Budget vs Actual In $000s CAD	For the 5-week period ended Nov 12, 2022 Actual	Budget	Var.	Var. (%)	Notes
Collections					
Sales from operation	14 577	12 030	2 547	21%	1
Other collections	989	-	989	-	2
Transfer from related party - Collection	810	209	601	288%	3
	16 376	**12 239**	**4 137**	**34%**	
Disbursements					
Payroll	5 076	4 857	(219)	-5%	4
Purchases & suppliers deposits	9 767	14 016	4 249	30%	5
Critical Suppliers	398	700	302	43%	6
Obligation under capital leases	406	398	(8)	-2%	
Professional fees	1 388	2 188	800	37%	7
CAPEX	-	100	100	N/A	
Transfer to related party - Disbursements	717	885	168	19%	3
Interest and fees on DIP Financing	-	120	120	N/A	8
Debt reimbursements and interests	545	682	137	20%	9
	18 297	**23 946**	**5 649**	**24%**	
Net cash flow	**(1 921)**	**(11 707)**	**9 786**		
Net cash (Shortfall) - Beginning	**13 371**	**13 315**	**56**		
Net cash (Shortfall) - End	**11 450**	**1 608**	**9 842**		

Note 1	**Sales from operation**	On a cumulative basis, the sales receipts were higher than the budget by $2.5M. This variance is partially explained by a collection of $411k that was received for invoices that were not expected to be collected in the budget and by timing of collection.

Note 2	**Other collections**	On a cumulative basis, the favorable variance of $989K in other collections is permanent and explained by an amount relating to a post-closing adjustement following the acquisition of Xebec Systems USA LLC and to the collection of sales taxes that were not included in the budget.

Note 3	**Transfers - related party**	Please refer to Appendix B of this report for the detailed list of intercompany transfers. The net favorable cumulative variance with budget (collections and disbursements) is mainly explained by the deferral of transfers planned to non-petitionners related parties in Europe ($520K) that have been postponed. Furthermore, a permanent favorable variance is explained by transfers to Xebec Italy totaling $156K that were budgeted initially are no longer required in the future. Finally, an unbudgeted collection of $93K was received from a non-petitionner entity, GNR Québec Capital Management Inc.

Note 4	**Payroll**	On a cumulative basis, the net unfavorable variance of $219K in payroll expenses is mainly caused by the classification of monthly commissions which were included in the trade payables category in the budget, as well as from unbudgeted commissions paid to certain employees which are under review by the Monitor.

Note 6	**Critical Suppliers**	Xebec and the Monitor are currently having discussions with suppliers which may require pre-filing payments. Hence, Management believes that the remaining cumulative variance is mainly temporary.

Note 7	**Professional fees**	As at the date of this report, Management believes that professional fees will be higher than initially budgeted and unfavorable permanent variances should be expected in the coming weeks.

Note 8	**Interest and fees on DIP Financing**	The favorable variance of $120K is the result of timing of payment fees related to the interim financing.

Note 9	**Debt reimbursements and interests**	On a cumulative basis, the favorable variance is mainly explained by the timing of capital repayments to EDC which will be paid in the near future. However, a payment of $74k was made for unbudgeted fees related to certain letters of guarantee (unfavorable permanent variance).

Appendix E - Cash-flow statement

Consolidated - North America Weekly cash flow transactions	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
For the week ending	19-Nov-22	26-Nov-22	3-Dec-22	10-Dec-22	17-Dec-22	24-Dec-22	31-Dec-22	7-Jan-23	14-Jan-23	21-Jan-23	28-Jan-23	4-Feb-23	Total
In thousand CAD - Week #	1	2	3	4	5	6	7	8	9	10	11	12	W1 - W12
Collections													
Sales from operation	79	110	160	160	1 239	1 607	5 834	1 582	1 641	1 700	2 279	3 353	**19 744**
Opening accounts receivable collection	2 082	2 250	2 254	2 292	2 240	1 072	564	287	1 636	762	93	-	**15 533**
DIP Financing - Collection	-	-	3 000	-	-	-	-	-	-	-	-	-	**3 000**
Other collections	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfer from related party - Collection	2 089	250	-	-	-	-	-	-	-	-	-	-	**2 339**
Collections - Total	**4 250**	**2 610**	**5 414**	**2 452**	**3 478**	**2 679**	**6 397**	**1 870**	**3 278**	**2 462**	**2 372**	**3 353**	**40 616**
Disbursements													
Payroll	359	1 354	315	1 443	359	1 354	315	1 443	359	1 354	315	1 763	**10 733**
Trade payable	2 202	1 829	1 715	1 637	1 844	1 665	2 921	1 933	1 906	1 606	1 433	4 087	**24 780**
Trade payable - Critical suppliers pre-filing amounts	101	101	101	-	-	-	-	-	-	-	-	-	**302**
Obligation under capital leases	22	-	321	16	16	-	-	301	16	-	-	301	**993**
Professional fees	1 155	275	564	484	274	294	284	274	329	229	254	254	**4 670**
CAPEX	20	20	20	20	20	20	20	20	20	20	20	20	**240**
Transfer to related party - Disbursements	2 089	250	-	520	-	-	-	-	840	-	-	-	**3 699**
KERP	-	-	308	-	-	-	-	-	-	-	308	-	**616**
Interest and fees on DIP Financing	120	-	13	-	-	-	22	-	-	-	-	13	**168**
DIP Financing - Reimbursement	-	-	-	-	-	-	-	-	-	-	-	3 000	**3 000**
Wages adjustment	-	-	-	-	-	-	366	44	13	39	13	44	**517**
EDC - Capital reimbursements	-	252	42	42	42	42	42	42	42	42	42	39	**669**
EDC - fees and interests payments	152	-	-	-	-	147	-	-	-	147	-	-	**446**
NBC - Capital reimbursements	85	85	85	85	85	85	85	85	85	85	85	80	**1 019**
NBC - fees and interests payments	22	-	-	-	-	17	-	-	-	17	-	-	**56**
Disbursements - Total	**6 326**	**4 166**	**3 485**	**4 248**	**2 641**	**3 625**	**4 055**	**4 143**	**3 611**	**3 540**	**2 470**	**9 601**	**51 909**
Net cash flow	**(2 076)**	**(1 555)**	**1 930**	**(1 795)**	**837**	**(946)**	**2 342**	**(2 273)**	**(333)**	**(1 078)**	**(98)**	**(6 247)**	**(11 292)**
Net cash (Shortfall) - Beginning	**11 450**	**9 374**	**7 818**	**9 748**	**7 953**	**8 790**	**7 844**	**10 187**	**7 914**	**7 581**	**6 503**	**6 405**	**11 450**
Net cash (Shortfall) - End	**9 374**	**7 818**	**9 748**	**7 953**	**8 790**	**7 844**	**10 187**	**7 914**	**7 581**	**6 503**	**6 405**	**158**	**158**

Appendix F

Notes to the Cash-flow statement

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Petitioners during the CCAA proceedings.

NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:
In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:
Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:
Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:
Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industries/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

Appendix F (cont'd)

Notes to the Cash-flow statement

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on current bank balances.	X	
Forecast cash receipts:			
Sales from operation	Based on the latest forecasts available prepared by Management.	X	
Opening accounts receivable	Mostly based on the accounts receivable as of October 31, 2022, and Petitioners' historical collection days data.	X	
DIP Financing collections	Interim Financing (DIP) made available by the secured lenders as approved by the Court in the Amended and Restated Initial Order rendered on October 20, 2022.	X	
Forecast cash disbursements:			
Payroll	Based on Petitioners' historical payroll reports and on budgeted number of employees.	X	
Trade payable and Trade payable Interco	Based on the latest forecasts available prepared by Management.	X	
Trade payable – Critical suppliers	Based on Management's knowledge of potential payments to critical suppliers.		X
Obligation under capital leases	Based on lease agreements.	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for the Monitor, financial advisors and legal services.		X
CAPEX	Estimate of disbursements required based on Management's knowledge on equipment to be replaced or repaired.		X
Transfer to related party	Management estimate of funds to be transferred to Petitioners and Xebec Group non-Petitioners.		X
Debt reimbursement and interest	Secured lenders interest payments as per their respective credit agreements, and capital repayments as agreed in conjunction with the Interim Financing Term Sheet and the NBC second amendment to the forbearance agreement.	X	