

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re:

FORMERXBC HOLDING USA INC.  
(f/k/a XEBEC HOLDING USA INC.), *et al.*,

Debtor in a foreign proceeding.<sup>1</sup>

Chapter 15

Case No. 22-10934 (KBO)

Jointly Administered

**Hearing Date: July 19, 2023 at 1:00 p.m. (ET)**

**Objection Deadline: July 12, 2023 at 4:00 p.m. (ET)**

**FOREIGN REPRESENTATIVE’S MOTION FOR ENTRY OF  
AN ORDER (I) RECOGNIZING AND ENFORCING CCAA ORDER APPROVING  
ALLOCATION METHOD; AND (II) GRANTING RELATED RELIEF**

FormerXBC Inc. (f/k/a Xebec Adsorption Inc.), in its capacity as the authorized foreign representative (the “**Foreign Representative**”) for the above-captioned debtors (collectively, the “**Debtors**”) in a proceeding (the “**Canadian Proceeding**”) commenced under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and pending before the Superior Court of Québec, in the Province of Québec, District of Montréal (the “**Canadian Court**”), respectfully submits this Motion (this “**Motion**”), pursuant to sections 105(a), 1507, 1521, and 1522 of title 11 of the United States Code (the “**Bankruptcy Code**”), requesting the entry of an order substantially in the form attached hereto as **Exhibit A** (the

<sup>1</sup> The Debtors in the chapter 15 proceedings and the last four digits of their federal tax identification numbers are: FormerXBC Inc. (f/k/a Xebec Adsorption Inc.) (0228), 11941666 Canada Inc. (f/k/a Xebec RNG Holdings Inc.) (N/A), Applied Compression Systems Ltd. (N/A), 1224933 Ontario Inc. (f/k/a Compressed Air International Inc.) (N/A), FormerXBC Holding USA Inc. (f/k/a Xebec Holding USA Inc.) (8495), Enerphase Industrial Solutions Inc. (1979), CDA Systems, LLC (6293), FormerXBC Adsorption USA Inc. (f/k/a Xebec Adsorption USA Inc.) (0821), FormerXBC Pennsylvania Company (f/k/a The Titus Company) (9757), FormerXBC NOR Corporation (f/k/a Nortekbelair Corporation) (1897), FormerXBC Flow Services – Wisconsin Inc. (f/k/a XBC Flow Services – Wisconsin Inc.) (7493), California Compression, LLC (4752), and FormerXBC Systems USA, LLC (f/k/a Xebec Systems USA LLC) (4156). The location of the Debtors’ corporate headquarters and the Debtors’ foreign representative is: 730 Industriel Boulevard, Blainville, Quebec, J7C 3V4, Canada.

**“Proposed Order”**): (a) recognizing and enforcing the terms, conditions, and provisions of that certain order issued by the Canadian Court (the **“Allocation Order”**), attached to the Proposed Order as Exhibit 1, which approves the method (the **“Allocation Method”**) by which the Monitor (as defined below) will allocate among the Debtors’ estates: (i) the proceeds from various sales of the Debtors’ assets, (ii) the Debtors’ postpetition intercompany transactions; and (iii) the Debtors’ postpetition restructuring costs, DIP financing receipts and repayments, and secured debt reimbursements, all as more fully described in the Monitor’s Allocation Method Report (the **“Allocation Method Report”**) attached hereto as **Exhibit B**; and (b) granting such other and further relief as the Court deems just and proper.

In support of this Motion, the Foreign Representative refers the Court to: (a) the *Declaration of Dimitrios “Jim” Vounassis in Support of Motion for Recognition of Foreign Main Proceeding* (the **“Vounassis First Day Declaration”**) [Docket No. 3], filed on September 30, 2022; (b) the *Declaration of Sandra Abitan, as Canadian Counsel to the Debtors, in Support of Foreign Representatives’ Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; (II) Approving Allocation Method; and (III) Granting Related Relief*, filed contemporaneously herewith (the **“Abitan Declaration”** or the **“Abitan Decl.”**); and (c) the *Declaration of Jean-François Nadon, CPA, CIRP, LIT, as Monitor Representative, in Support of Foreign Representatives’ Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; (II) Approving Allocation Method; and (III) Granting Related Relief*, filed contemporaneously herewith (the **“Nadon Declaration”** or the **“Nadon Decl.”**). The Vounassis First Day Declaration, the Abitan Declaration, and the Nadon Declaration each are incorporated herein by reference.

In further support of the relief requested herein, the Foreign Representative respectfully represents as follows:

**JURISDICTION AND VENUE**

1. The Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware* dated as of February 29, 2012.

2. The Foreign Representative, in its capacity as authorized foreign representative, has properly commenced these chapter 15 cases pursuant to sections 1504, 1509, and 1515 of the Bankruptcy Code.

3. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Pursuant to Rule 9013-1(f) of the Local Rules for the United States Bankruptcy Court for the District of Delaware, the Foreign Representative consents to the entry of a final order by the Court in connection with this Motion to the extent it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

4. Venue is proper pursuant to 28 U.S.C. §§ 1408, 1409, and 1410.

5. The statutory predicates for the relief sought by this Motion are sections 105(a), 1507, 1521, and 1522 of the Bankruptcy Code.

**BACKGROUND**

6. Prior to the Petition Date, the Debtors and certain non-U.S. based subsidiaries and affiliates of the Debtors (the “**Xebec Group**”) primarily supplied 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 included 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 included manufacturing, research and development, service, and sales. The Xebec Group operated in North America, Europe, the Middle East, and Asia.

**A. The Canadian Proceeding**

7. On September 29, 2022 (the “**Canadian Filing Date**”), pursuant to an application made by the Debtors in the Canadian Proceeding, the Canadian Court issued that certain First Day Initial Order (the “**Initial CCAA Order**”). Pursuant to the Initial CCAA Order, the Canadian Court, among other things: (a) ordered a broad stay of proceedings in respect of the Debtors and their directors and officers (the “**Canadian Stay**”);<sup>2</sup> (b) appointed Deloitte Restructuring Inc. as monitor (the “**Monitor**”) in the Canadian Proceeding; (c) declared that Québec is the “centre of main interest” of the Debtors, and (d) authorized the Debtors to apply to any other court, tribunal, regulatory, administrative, or other body, wherever located, for orders to recognize and assist in carrying out the terms of the Initial CCAA Order and any subsequent orders rendered by the Canadian Court in the context of the Canadian Proceeding, including orders under chapter 15 of the Bankruptcy Code.

**B. The Chapter 15 Cases**

8. On September 30, 2022 (the “**Petition Date**”), the Foreign Representative commenced these chapter 15 cases by filing verified chapter 15 petitions seeking recognition by the Court of the Canadian Proceeding as a foreign main proceeding under chapter 15 of the Bankruptcy Code. On the Petition Date, the Court entered that certain *Order (A) Directing Joint*

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<sup>2</sup> The Canadian Court has since extended the Canadian Stay to September 29, 2023. (Abitan Decl. ¶ 8.)

*Administration of Cases Under Chapter 15 of the Bankruptcy Code and (B) Authorizing the Filing of a Consolidated List Under Bankruptcy Rule 1007* [Docket No. 8].

9. On October 27, 2022, the Court entered that certain *Order Granting Recognition of Foreign Main Proceeding and Certain Related Relief* [Docket No. 36] (the “**Recognition Order**”). Pursuant to the Recognition Order, the Court recognized the Canadian Proceeding as a “foreign main proceeding” pursuant to chapter 15 of the Bankruptcy Code, recognized the Foreign Representative as the “foreign representative” in respect of the Canadian Proceeding, and recognized and granted comity to, and gave full force and effect in the United States to the Canadian Proceeding and the orders entered in the Canadian Proceeding, including enforcing the automatic stay in the United States.

### C. The Approved Allocation Method

10. As detailed in the Canadian Application (as defined below), during these chapter 15 cases, the Debtors have sold substantially all of their assets to non-debtor third party purchasers (the “**Sale Transactions**”).<sup>3</sup> The Monitor currently holds the net proceeds (collectively, the “**Net Proceeds**”) from such transactions, excluding certain sums that were paid in accordance with previous orders issued by the Canadian Court. Upon the closing of the final Sale Transactions, the Foreign Representative submits that the Debtors’ initial restructuring objectives will have been attained, and the ultimate outcome of the Canadian Proceeding will involve the distribution of the Net Proceeds to creditors as part of one or more plan(s) of arrangement or otherwise. However,

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<sup>3</sup> The Sale Transactions include, amongst others: (i) sales of certain of the Debtors’ United States assets previously approved by this Court (*see* Docket Nos. 102, 145-147); (ii) other sales of the Debtors’ assets not located in the United States; (iii) certain other sale transactions that did not require specific Canadian Court authorization, due to the sale proceeds of less than CAD\$750,000.00 per transaction or CAD\$2,500,000.00 in the aggregate; and (iv) two additional sales (the “**FormerXBC Sales**”) of Debtor FormerXBC Systems USA, LLC’s assets that the Foreign Representative anticipates closing in the near term. (Abitan Decl. ¶ 9 - 10.) If necessary, the Foreign Representative will seek this Court’s approval of the FormerXBC Sales by separate motion.

prior to determining how the Net Proceeds should be distributed, the Monitor must allocate the Net Proceeds among the Debtors' estates on a sale-by-basis. (Nadon Decl. ¶¶ 6 - 9.)

11. In addition, prior to proposing any plan(s) of arrangement or making distributions, the Monitor must reconcile the Debtors' postpetition intercompany transactions (collectively, the "**Intercompany Transactions**"). More specifically, prior to selling their assets, from a financial perspective, the Debtors operated *de facto* on a consolidated basis and relied on regular Intercompany Transactions. For example, certain Debtor entities operated as "cost centers" assuming a large portion of corporate expenses. In addition, certain intercompany monetary transfers and inventory sales transactions took place between the Debtors. (Nadon Decl. ¶¶ 9 - 10.)

12. Similarly, the Foreign Representative (i.e. the parent company FormerXBC Inc.) assumed a vast majority of the Debtors' restructuring costs, including, among others, professional fee payments, sale advisor fees, KERP payments, and DIP financing interest and fees (collectively, the "**Restructuring Costs**"). Accordingly, since the commencement of these proceedings, the Debtors, the Monitor, and the secured creditors have recognized and agreed that, due to the required netting of the Intercompany Transactions and the sharing of the Restructuring Costs, secured debt reimbursements, and DIP financing receipts and repayments, an eventual allocation of the proceeds received and of the disbursements made relating to the restructuring proceedings would be required, and this had been contemplated by the orders rendered from time to time as part of the Canadian Proceeding. (Abitan Decl. ¶¶ 11 - 12; Nadon Decl. ¶¶ 12 - 13.)

13. Accordingly, on June 16, 2023, the Monitor filed that certain *Application of the Monitor for the Approval of a Proposed Allocation Method* (the "**Canadian Application**") in the Canadian Proceeding. Pursuant to the Canadian Application, the Monitor sought, among other things, approval of the Allocation Method with respect to: (a) the allocation of the Net Proceeds;

(b) the adjustments for Intercompany Transactions; and (c) the allocation of the Debtors' Restructuring Costs, secured debt reimbursements, and DIP financing receipts and payments.

(Nadon Decl. ¶ 14.)

14. On June 29, 2023, after an uncontested hearing to consider the Canadian Application, the Canadian Court issued the Allocation Order, pursuant to which the Canadian Court, among other things, approved the Allocation Method, as set forth in detail in the Allocation Method Report and as summarized below:

- a. Net Proceeds. Net Proceeds from the Sale Transactions will be attributed to the concerned Debtor entity and form the base, or the "top line" of the Allocation Method. In sale transactions involving a single Debtor, the total Net Proceeds from the sale will be allocated to that applicable Debtor. In a sale transaction involving multiple Debtors, the allocation will be based on the purchase price allocation included in the transaction documents.
- b. Intercompany Transactions. The Monitor will account for: (i) monetary transfers made between the Debtors since the Petition Date, (ii) sales and purchases made between the Debtors since the Petition Date, for which no payment was made from the purchaser Debtor to the vendor Debtor, and (iii) the allocation/recharge of corporate overhead and management costs incurred by certain of the Debtors. The net amounts of such Intercompany Transactions (calculated on a per entity basis) will thereafter be subtracted or added from/to the "top line." In order to properly allocate corporate overhead expenses between the Debtors, the Monitor will allocate to each Debtor that benefitted from the services provided and costs incurred, based on the historical average monthly payroll expenses, sales, and other expenses, as further detailed in the Allocation Method Report.
- c. Restructuring Costs, secured debt reimbursements, and DIP financing receipts and repayments. The Monitor will allocate Restructuring Costs, DIP financing receipts and repayments, and secured debt reimbursements between the Debtors, whether already paid or expected to be paid in connection with the Canadian Proceeding. The Allocation Method consists of a "pro rata result-based approach," which allocates the amounts between the Debtors based on a *pro rata* of each Debtors' respective proceeds from the transactions. With respect to the secured debt reimbursements owed to prepetition and DIP lender National Bank of Canada ("NBC"), the allocation will be made only between Debtors in respect of which NBC holds first-ranking security and on a *pro rata* basis using the proceeds from transactions. With respect to the secured debt reimbursements owed to prepetition and DIP lender Export Development Canada ("EDC"), the allocation will be made between those Debtors who are guarantors of the EDC debt and who granted security to EDC, in first or second rank, on a *pro rata* basis using the proceeds from

transactions. Any resulting shortfall will be reallocated between the Debtors with sufficient funds available.

(Nadon Decl. ¶ 15.)

15. The Allocation Method and Allocation Method Report are the result of a rigorous analysis and significant efforts deployed by the Monitor, with the assistance of the Debtors' management and accounting teams. The Foreign Representative submits that recognition and enforcement of the Allocation Order will provide stakeholders with a clear understanding of the methodology which will be used by the Monitor to determine the sums that will ultimately be available for distribution by each estate. Upon completion of the claims process approved by the Canadian Court, as recognized and enforced by this Court (*see* Docket No. 166), the Foreign Representative anticipates that one or more plan(s) of arrangement will be filed for entities where EDC does not hold any security. The decision to file a plan(s) of arrangement for entities where EDC does hold security will be made following an evaluation of the claims process, the Allocation Method, and EDC's security. In short, the Foreign Representative believes that recognition and approval of the Allocation Method will allow the Debtors to progress toward one or more plan(s) of arrangement and ultimately distributions to the Debtors' creditors. (Abitan Decl. ¶ 13 - 16.)

### **RELIEF REQUESTED**

16. The Foreign Representative respectfully requests entry of the Proposed Order, pursuant to sections 105(a), 1507, 1521, and 1522 of the Bankruptcy Code, recognizing and enforcing the Allocation Order, including the Allocation Method described therein.

### **BASIS FOR RELIEF**

#### **I. The Allocation Order Should Be Recognized and Enforced Pursuant to Section 1521 of the Bankruptcy Code.**

17. Section 1521(a)(7) of the Bankruptcy Code provides that, "where necessary to effectuate the purpose of [chapter 15] and to protect the assets of the debtor or the interest of the

creditors, the court may, at the request of the foreign representative, grant any appropriate relief, including . . . any additional relief that may be available to a trustee[.]” 11 U.S.C. § 1521(a)(7). Recognition and enforcement of the Allocation Order, which approves the methodology to allocate the Net Proceeds, Intercompany Transactions, and Restructuring Costs, grants relief to the Debtors similar to the relief that would otherwise be available to them in a chapter 11 case during the plan confirmation process and is appropriate and within the Court’s authority pursuant to section 1521 of the Bankruptcy Code. *See In re Energy Future Holdings Corp.*, 593 B.R. 217, 257-63 (Bankr. D. Del. 2018) (allocating termination fee claim, professional fee claims, and substantial contribution claim amongst estates of parent debtor and subsidiary debtor, pursuant to confirmation order, which contemplated one or more separate orders allocating certain reserved amounts and material claims).

18. Moreover, recognizing and enforcing the Allocation Order is appropriate because “the interests of the creditors and the other interested entities, including the debtor, are sufficiently protected.” 11 U.S.C. § 1522(a); *In re Energy Coal S.P.A.*, 582 B.R. 619, 627 (Bankr. D. Del. 2018). Although the Bankruptcy Code does not define “sufficient protection,” courts should “tailor relief granted to the foreign representative and the interests of those affected by such relief, without unduly favoring one group of creditors over another.” *In re Hanjin Shipping Co., Ltd.*, No. 16-27041 (JKS), 2016 WL 6679487, at \*5 (Bankr. D.N.J. Sept. 20, 2016) (quoting *In re Tri-Cont’l Exch. Ltd.*, 349 B.R. 627, 637 (Bankr. E.D. Cal. 2006)); *see also In re Petro forte Brasileiro de Petroleo Ltda.*, 542 B.R. 899, 909 (Bankr. S.D. Fla. 2015) (requiring “a balancing of the interest of [d]ebtors, creditors, and other interested parties”). Here, the proposed relief granted by the Allocation Order is appropriate because it will protect the interests of the debtors, creditors, and other interested parties by ensuring a fair allocation of the Net Proceeds, the Intercompany

Transactions, and the Restructuring Costs, secured debt reimbursements, and DIP financing receipts and repayments amongst the Debtors' estates. By using the Allocation Method, the Monitor will be able to provide the basis for determining the pool of cash available for distribution for each Debtor's creditors, which cash is currently held in trust by the Monitor. Therefore, the Allocation Method will ultimately allow for a fair, equitable, and beneficial distribution among the creditors of the Debtors' respective estates.

**II. The Relief Requested Herein Is Appropriate and Warranted Pursuant to Section 1507 of the Bankruptcy Code.**

19. The Foreign Representative respectfully submits that the relief requested herein is also warranted as "additional assistance" under section 1507 of the Bankruptcy Code. 11 U.S.C. § 1507; *In re Elpida Memory, Inc.*, No. 12-10947 CSS, 2012 WL 6090194, at \*4 (Bankr. D. Del. Nov. 20, 2012) ("Section 1507 further provides that the Court is authorized to grant any 'additional assistance' available under the Bankruptcy Code or under 'other laws of the United States,' provided that such assistance is consistent with the principles of comity and satisfies the fairness considerations set out in the statute."); *see also In re Vitro SAB de CV*, 701 F.3d 1031, 1057 (5th Cir. 2012) (section 1507's "broad grant of assistance is intended to be a catch-all"); *see also* H.R. Rep. No. 109-31, pt. 1, at 109 (2005) (noting that section 1507 authorizes "additional relief" beyond that available under section 1521 of the Bankruptcy Code).

20. In determining whether to exercise its discretion to grant additional relief under section 1507(a), the Court's analysis should be guided by the principle of comity. *See* 11 U.S.C. § 1507(b). Specifically, section 1507(b) of the Bankruptcy Code, in relevant part, directs the Court to consider "whether such additional assistance, consistent with the principles of comity, will reasonably assure" the:

- (a) just treatment of all holders of claims against or interests in the debtor's property;

(b) protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in such foreign proceeding; . . .  
[and]

(d) distribution of proceeds of the debtor's property substantially in accordance with the order prescribed by this title . . . .

11 U.S.C. § 1507(b).

21. Recognition and enforcement of the Allocation Order is permitted pursuant to section 1507 of the Bankruptcy Code, as all applicable factors are satisfied. Specifically, reasonable assurance of “just treatment of all holders of claims” is met when “foreign insolvency law provides a comprehensive procedure for the orderly resolution of claims and the equitable distribution of assets among all of the estate’s creditors in one proceeding.” *In re Oi S.A.*, 587 B.R. 253, 267 (Bankr. S.D.N.Y. 2018). The CCAA provides for such a procedure, as previously recognized by United States courts, and a scheme for the “equitable, orderly, and systematic” distribution. *Allstate Life Ins. Co. v. Linter Group Ltd.*, 994 F.2d 996, 1000 (2d Cir. 1993); *see also Vertiv, Inc. v. Wayne Burt PTE, Ltd.*, No. 3:20-CV-00363, 2022 WL 17352457, at \*8 (D.N.J. Nov. 30, 2022) (citing *JP Morgan Chase Bank v. Altos Hornos de Mex., S.A. de C.V.*, 412 F.3d 418, 424 (2d Cir. 2005); *Stonington Partners v. Lernout & Hauspie Speech Prods. N.V.*, 310 F.3d 118, 126 (3d Cir. 2002); *Victrix S.S. Co., S.A. v. Salen Dry Cargo A.B.*, 825 F.2d 709, 713-14 (2d Cir. 1987)); *Smith v. Dominion Bridge Corp.*, No. CIV. A. 96-7580, 1999 WL 111465, at \*2 (E.D. Pa. Mar. 2, 1999) (“Accordinging comity to a foreign bankruptcy proceeding enables ‘the assets of debtor to be disbursed in an equitable, orderly, and systematic manner, rather than in a haphazard, erratic, or piecemeal fashion.’”) (quoting *Cunard S.S. Co. v. Salen Reefer Servs. A.B.*, 773 F.2d 452, 457-58 (2d Cir. 1985)).

22. The proposed relief being granted by the Allocation Order is similar to relief routinely afforded to debtors under chapter 11 and will facilitate the orderly resolution of claims

and equitable distribution of the Debtors' assets. As noted above, the ability of the Monitor to use the Allocation Method is a critical first step to ensure that the ultimate distribution to the Debtors' creditors is "equitable, orderly, and systematic." Accordingly, recognizing and enforcing the Allocation Order would provide just treatment for creditors who entitled to distributions from any of the Debtors' estates.

23. In addition, the Allocation Method will protect the Debtors' United States creditors against prejudice. More specifically, because the Debtors operated on a financially consolidated basis during these proceedings, with certain entities assuming larger costs on behalf of other Debtor entities, the Allocation Method ensures that the proceeds, disbursements, and expenses are allocated in a fair manner between the Debtors' estates. The foregoing will ensure that United States creditors are not prejudiced in the Canadian Proceeding, as they are and will be afforded the same protection as, and will be subject to the same procedures and requirements as, local creditors.

24. Finally, the Foreign Representative submits that the Allocation Method will ensure the fair and equitable distribution of the proceeds of the Debtors' estates to the Debtors' creditors. Specifically, properly allocating the Net Proceeds, Intercompany Transactions, and Restructuring Costs, secured debt reimbursements, and DIP financing receipts and repayments will ensure that each Debtor's creditors receive a fair and equitable distribution from such Debtor's estate substantially in accordance with the order of distributions required by the Bankruptcy Code.

25. Therefore, recognition and enforcement of the Allocation Order is appropriate under section 1507 of the Bankruptcy Code. Such relief will provide all parties in interest with certainty that the Allocation Method is appropriate and will be enforceable not only in Canada, but also in the United States, and will therefore protect and prevent prejudice to creditors by ensuring uniform application of the Allocation Order.

**III. The Relief Requested Herein Is Not Contrary to United States Public Policy.**

26. A court may deny a request for any chapter 15 relief that would be “manifestly contrary to the public policy of the United States.” 11 U.S.C. § 1506. Courts have emphasized that “public policy exception” in section 1506 of the Bankruptcy Code is narrow, and its application should be restricted to the most fundamental policies of the United States. *In re ABC Learning Ctrs. Ltd.*, 728 F.3d 301, 309 (3d Cir. 2013); *see also In re Irish Bank Resolution Corp. Ltd.*, No. 13-12159 (CSS), 2014 WL 9953792, at \*18 (Bankr. D. Del. Apr. 30, 2014), *aff’d*, 538 B.R. 692 (D. Del. 2015) (citing *ABC Learning Ctrs.*, 728 F.3d at 309). A foreign judgment should generally be afforded comity if the foreign jurisdiction’s proceedings meet fundamental standards of fairness. *ABC Learning Ctrs.*, 728 F.3d at 309. Notably, the Third Circuit has held that “[t]he public policy exception applies ‘where the procedural fairness of the foreign proceeding is in doubt or cannot be cured by the adoption of additional protections’ or where recognition ‘would impinge severely a U.S. constitutional or statutory right.’” *Id.* (quoting *In re Qimonda AG Bankr. Litig.*, 433 B.R. 547, 570 (E.D. Va. 2010)). Courts need not employ the public policy exception simply because some procedural or constitutional rights are absent from the foreign proceeding. *Id.* (noting, for example, that “Canada’s lack of a right to a jury trial did not contravene a fundamental policy because the Canada proceedings afforded substantive and procedural due process protections”) (citing *In re Ephedra Prods. Liab. Litig.*, 349 B.R. 333, 337 (S.D.N.Y. 2006)). Rather, U.S. bankruptcy courts have applied this narrow exception only where public policy is drastically hindered or violated. *Id.* (finding a foreign receiver’s seizure of the debtor’s assets in violation of the bankruptcy court’s stay order hindered two fundamental policy objectives of the automatic stay: “preventing one creditor from obtaining an advantage over other creditors, and providing for the efficient and orderly distribution of a debtor’s assets to all creditors in accordance

with their relative priorities”) (quoting *In re Gold & Honey, Ltd.*, 410 B.R. 357, 372 (Bankr. E.D.N.Y. 2009)).

27. The recognition and enforcement of the Allocation Order does not violate United States public policy. First, the Canadian Proceeding, operating within the parameters of the CCAA, complies with fundamental standards of fairness and due process, as the CCAA generally requires notice of proceedings and an opportunity to be heard by a neutral court that contends with each party’s arguments. The Allocation Order was granted after, and provided for procedures furthering, such compliance. The Canadian Application was uncontested and, after a hearing, the Canadian Court entered the Allocation Order. (Abitan Decl. ¶ 17 - 18.) Second, recognition and enforcement of the Allocation Order is not offensive to United States public policy, as it is similar to allocation procedures frequently utilized in chapter 11 cases. Accordingly, recognizing and enforcing the Allocation Order does not contravene United States public policy, and the relief requested herein is therefore appropriate.

**NOTICE**

28. Notice of this Motion will be provided to the following parties or their counsel: (a) the Office of the United States Trustee for the District of Delaware; (b) all parties to litigation in which any Debtor is a party and that is pending in the United States as of the date that the Chapter 15 Petitions were filed; (c) the Debtors’ DIP Lenders and prepetition secured lenders; (d) the 20 largest unsecured creditors of the Debtors in these cases; (e) the Debtors’ counsel in the Canadian Proceeding; (f) the Monitor; and (g) all other parties that have requested notice in these cases. In light of the relief requested herein, the Foreign Representative respectfully submits that no other or further notice of this Motion is necessary under the circumstances.

**NO PRIOR REQUEST**

29. No previous request for the relief requested herein has been made to this or any other court.

*[Remainder of Page Intentionally Left Blank]*

**CONCLUSION**

WHEREFORE, the Foreign Representative respectfully request entry of the Proposed Order, substantially in the form attached hereto as **Exhibit A**, granting the relief requested by this Motion and such other and further relief as may be just and proper.

Dated: July 5, 2023  
Wilmington, Delaware

**BIELLI & KLAUDER, LLC**

*/s/ David M. Klauder*

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*Counsel for the Foreign Representative*

**Exhibit A**

**Proposed Order**

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re:

FORMERXBC HOLDING USA INC.  
(f/k/a XEBEC HOLDING USA INC.), *et al.*,

Debtor in a foreign proceeding.<sup>1</sup>

Chapter 15

Case No. 22-10934 (KBO)

Jointly Administered

Re: D.I No. \_\_\_\_

**ORDER (I) RECOGNIZING AND ENFORCING CCAA ORDER APPROVING  
ALLOCATION METHOD; AND (II) GRANTING RELATED RELIEF**

Upon the motion (the “**Motion**”)<sup>2</sup> of FormerXBC Inc. (f/k/a Xebec Adsorption Inc.), in its capacity as the authorized foreign representative (the “**Foreign Representative**”) for the above-captioned debtors (collectively, the “**Debtors**”) in a proceeding (the “**Canadian Proceeding**”) commenced under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended, and pending before the Superior Court of Québec, in the Province of Québec, District of Montréal (the “**Canadian Court**”), seeking entry of an order (this “**Order**”), pursuant to sections 105(a), 1507, 1521, and 1522 of title 11 of the United States Code (the “**Bankruptcy Code**”): (i) recognizing and enforcing the terms, conditions, and provisions of the order issued by the Canadian Court (the “**Allocation Order**”), a copy of which is attached hereto as **Exhibit 1**; and (ii) granting such other and further relief as the Court deems just and proper; and it appearing

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<sup>1</sup> The Debtors in the chapter 15 proceedings and the last four digits of their federal tax identification numbers are: FormerXBC Inc. (f/k/a Xebec Adsorption Inc.) (0228), 11941666 Canada Inc. (f/k/a Xebec RNG Holdings Inc.) (N/A), Applied Compression Systems Ltd. (N/A), 1224933 Ontario Inc. (f/k/a Compressed Air International Inc.) (N/A), FormerXBC Holding USA Inc. (f/k/a Xebec Holding USA Inc.) (8495), Enerphase Industrial Solutions Inc. (1979), CDA Systems, LLC (6293), FormerXBC Adsorption USA Inc. (f/k/a Xebec Adsorption USA Inc.) (0821), FormerXBC Pennsylvania Company (f/k/a The Titus Company) (9757), FormerXBC NOR Corporation (f/k/a Nortekbelair Corporation) (1897), FormerXBC Flow Services – Wisconsin Inc. (f/k/a XBC Flow Services – Wisconsin Inc.) (7493), California Compression, LLC (4752), and FormerXBC Systems USA, LLC (f/k/a Xebec Systems USA LLC) (4156). The location of the Debtors’ corporate headquarters and the Debtors’ foreign representative is: 730 Industriel Boulevard, Blainville, Quebec, J7C 3V4, Canada.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; venue being proper before the Court pursuant to 28 U.S.C. § 1410; and the Court having determined that appropriate and timely notice of the filing of the Motion having been given; and this Court having reviewed the Motion and having considered the statements of counsel with respect to the Motion at the hearing on July 19, 2023; and it appearing that the relief requested in the Motion is necessary and beneficial to the Debtors; and no other or further notice being necessary or required; and this Court having determined that the legal and factual bases set forth in the Motion, and all other pleadings and papers in these cases establish just cause to grant the relief ordered herein, and no objections or other responses having been filed that have not been overruled, withdrawn, or otherwise resolved, and after due deliberation therefor;

**THIS COURT HEREBY FINDS AND DETERMINES THAT:**

A. The findings and conclusions set forth herein constitute this Court’s findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. The findings by the Court in its previously entered Recognition Order [Docket No. 36], dated October 27, 2022, are hereby incorporated by reference herein and such Recognition Order shall continue in effect in all respects except to the extent this Order directly modifies or directly contradicts such Recognition Order.

C. On June 29, 2023, the Canadian Court entered the Allocation Order, which approved the allocation method with respect to the net proceeds held by the Monitor in the

Canadian Proceeding, under which the proceeds from sale transactions, the Intercompany Transactions, and the Restructuring Costs, secured debt reimbursements, and DIP financing receipts and payments are allocated between the Debtors' estates (the "**Allocation Method**"), as more fully described in the Monitor's Allocation Method Report.

D. The relief granted hereby is necessary and appropriate to effectuate the objectives of chapter 15 of the Bankruptcy Code to the protect the Debtors and the interests of their creditors and other parties in interest, is consistent with the laws of the United States, international comity, public policy, and the policies of the Bankruptcy Code, and will not cause any hardship to any party in interest that is not outweighed by the benefits of the relief granted.

E. Absent the requested relief, the efforts of the Debtors, the Canadian Court, and the Foreign Representative in conducting the Canadian Proceeding and effectuating the restructuring under Canadian law may be frustrated, a result contrary to the purposes of chapter 15 of the Bankruptcy Code.

F. Good, sufficient, appropriate, and timely notice of the filing of, and the hearing on, the Motion was given, which notice is adequate for all purposes, and no further notice need be given.

G. All creditors and other parties in interest, including the Debtors are sufficiently protected by the grant of relief ordered hereby. The relief granted herein will, in accordance with sections 1507(b) and 1521 of the Bankruptcy Code, reasonably assure: (i) the just treatment of all holders of claims against or interests in the Debtors' property; (ii) the protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in the Canadian Proceedings; and (iii) the distribution of proceeds of the Debtors' property substantially in accordance with the order prescribed by the Bankruptcy Code.

**BASED ON THE FOREGOING FINDINGS OF FACT AND AFTER DUE DELIBERATION AND SUFFICIENT CAUSE APPEARING THEREFORE, IT IS HEREBY ORDERED THAT:**

1. The Motion is Granted as set forth herein.
2. All objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived, or settled by stipulation filed with the Court, and all reservations of rights included therein, are hereby overruled on the merits.
3. The Allocation Method is hereby approved, and the relief granted pursuant to the Allocation Order is hereby recognized by the Court and shall apply with respect to creditors located in the United States.
4. All persons and entities subject to the jurisdiction of the United States are permanently enjoined and restrained from taking any actions inconsistent with, or interfering with the enforcement and implementation of, the Allocation Order, or any documents incorporated into such Allocation Order.
5. The Foreign Representative is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion and the Allocation Order.
6. The Court retains jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and/or enforcement of this Order.
7. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Order shall be effective immediately and enforceable upon entry; (b) neither the Foreign Representative nor the Debtors are subject to any stay in the implementation, enforcement, or realization of the relief granted in this Order; and (c) the Foreign Representative is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order.

**Exhibit 1**

**Allocation Order**

**SUPERIOR COURT**  
(Commercial Division)

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

No.: 500-11-061483-224

DATE: June 29, 2023

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**BEFORE THE HONOURABLE CHRISTIAN IMMER, J.S.C.**

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***IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF:***

**FORMERXBC INC., (FORMERLY, XEBEC ADSORPTION INC.)  
11941666 CANADA INC., (FORMERLY, XEBEC RNG HOLDINGS INC.)  
12224933 ONTARIO INC., (FORMERLY, COMPRESSED AIR INTERNATIONAL INC.)  
APPLIED COMPRESSION SYSTEMS LTD.  
FORMERXBC HOLDING USA INC. (FORMERLY, XEBEC HOLDING USA INC.)  
ENERPHASE INDUSTRIAL SOLUTIONS, INC.  
CDA SYSTEMS, LLC  
FORMER XBC ADSORPTION USA INC., (FORMERLY, XEBEC ADSORPTION USA  
INC.)  
FORMER PENNSYLVANIA COMPANY (FORMERLY, THE TITUS COMPANY)  
FORMERXBC NOR CORPORATION (FORMERLY, NORTEKBELAIR CORPORATION)  
FORMERXBC FLOW SERVICES – WISCONSIN INC. (FORMERLY, XBC FLOW  
SERVICES – WISCONSIN INC.)  
CALIFORNIA COMPRESSION, LLC  
-AND-  
FORMERXBC SYSTEMS USA, LLC (FORMERLY XEBEC SYSTEMS USA, LLC)  
Debtors / Petitioners**

And

**DELOITTE RESTRUCTURING INC.**  
Monitor

500-11-061483-224

PAGE: 2

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**ORDER TO APPROVE A PROPOSED ALLOCATION PLAN (S. 11 CCAA)**

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[1] On September 29, 2022, the Court, relying on the *Companies' Creditors Arrangement Act* ("CCAA")<sup>1</sup>, issued an Initial First Day Order ("IFDO")<sup>2</sup>. Since then, it has issued several amended and restated initial orders ("ARIO"). Presently, the Debtors/Petitioners are subject to a Fifth ARIO.

[2] As the Court has already explained in previous reasons<sup>3</sup>, when the IFDO was filed, Xebec Group was comprised of a myriad of corporations across Canada, the USA, the Middle East and Asia. Only some of these entities are Debtors/Petitioners and therefore subject to the IFDO and the ARIOs.

[3] The Group has operated, *de facto*, from a cashflow perspective, on a consolidated basis. The operations and accounting of all entities are and remain, since the IFDO, intertwined due, amongst others, to the following factors:

- 3.1. Money transfers occur on a continuous basis between the various entities.
- 3.2. Assets are sold and purchased on a continuous basis amongst the entities.
- 3.3. Services are provided and expenses are paid for all entities of the Group by Xebec Adsorption inc. ("BLA") and Xebec Adsorption USA, Inc. ("XSU"). In fact, XSU's sole function was to provide such services, while BLA, aside from providing such services and assuming such expenses, also carried on commercial operations.
- 3.4. The two secured creditors, National Bank of Canada ("NBC") and Export Development Canada ("EDC") hold security on some, but not all assets. NBC holds first ranking priority on BLA, Xebec RNG Holdings Inc. ("GNR"), Applied Compression Systems Ltd. ("ACS"), Compressed Air International Inc. ("CAI"), Enerphase Industrial Solutions Inc. ("AIR"), CDA Systems LLC ("CDA"), XSU and the Titus Company ("TIT"), while EDC holds first ranking priority on Nortkbelair Corporation ("NOR"), XBC Flow Services Wisconsin Inc. ("XBC"), California Compression, LLC ("CAL") and Xebec Systems USA, LLC ("UEC"), and second ranking security on BLA.

[4] As authorized by various ARIOs, interim financing was provided to BLA, but for the benefit of all Debtor Petitioners. Also, since the IFDO, XSU and BLA have assumed

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<sup>1</sup> R.S.C. (1985), c. C-36.

<sup>2</sup> *Arrangement relatif à Xebec Adsorption Inc.*, 2022 QCCS 3596.

<sup>3</sup> *Arrangement relatif à Xebec Adsorption Inc.*, 2022 QCCS 3888

500-11-061483-224

PAGE: 3

significant portions of corporate expenses, as well as the restructuring costs which have benefited all entities.

[5] As early as its first report filed in support of the request for the IFDO, the Monitor reported that the Debtors/Petitioners intended to continue ordinary course intercompany transactions within the Xebec Group. The Monitor, presciently, anticipated that there would be circumstances where intercompany funding will be required between the Xebec Group entities in order to preserve value, maintain going concern operations and/or ensure an orderly wind-down of certain non-core operations. Consequently, the Monitor undertook to include in its future reports all relevant information with respect to material post-filing intercompany payments.

[6] In support of the request for the issuance of the first ARIO, the Monitor reiterated that it would include in its reports all relevant information with respect to material post-filing intercompany payments to take place during the CCAA process. This material post-filing intercompany payments information was then indeed provided in appendices to each of the subsequent Monitor's reports.

[7] To further streamline the process, the Monitor set up an Intercompany Protocol to "supplement 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 Monitor's reporting".

[8] It was clear that a reallocation of all these intercompany transactions would eventually need to be carried out.

[9] Hence, as early as the first ARIO, orders were issued by the undersigned to ensure that these issues were dealt with which were then, with very minor modifications, reiterated in each of the second, third and fourth ARIOS<sup>4</sup>. In the fifth ARIO, which is presently in effect<sup>5</sup> one finds the following orders:

[28] **ORDERS** that, subject to the consent of the Monitor, each of the Petitioners is authorized to complete outstanding transactions and engage in new transactions with other Petitioners or their affiliates, including, without limitation, (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 (collectively, "Intercompany Transactions"), and to continue, on and after the date of this Order, to effect Intercompany Transactions. All Intercompany Transactions among the Petitioners shall continue on terms

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<sup>4</sup> *Arrangement relatif à Xebec Adsorption Inc.*, 2023 QCCS 271 ; *Arrangement relatif à Xebec Adsorption Inc.*, 2023 QCCS 381 et *Arrangement relatif à FormerXBC Inc. (Xebec Adsorption Inc.)* 2023 834.

<sup>5</sup> *Arrangement relatif à FormerXBC Inc.*, 2023 QCCS 922.

500-11-061483-224

PAGE: 4

thereto, or to such governing principles, policies or procedures as the Monitor may require, or subject to this Order or further Order of this Court.

[29] **ORDERS** that, in conformity with the Third DIP Term Sheet, the Petitioners shall notify, at least two (2) days in advance, Export Development Canada ("EDC") of any monetary payment from a Petitioner to another Petitioner or their affiliates, and that the Monitor shall continue to report from time to time to the Court on such monetary payments constituting Intercompany Transactions.

[30] **ORDERS** that prior to the distribution of any net sale proceeds resulting from the sale or divestiture of any Business or Property (but excluding any distribution made in respect of any amounts owing under the CCAA Charges (as defined herein), as the case may, it being understood that in each such case, said distribution may in itself constitute an Intercompany Transaction to form part of a subsequent Intercompany Transactions Report, as defined herein), the Monitor shall prepare and file with the Court a report (each, an "Intercompany Transactions Report") detailing all Intercompany Transactions which occurred on or after the date of the Initial Order with respect to the applicable Petitioner(s), which Intercompany Transactions Report shall include the Monitor's proposed allocation of the net amount to be attributed to each Petitioner as a result of the applicable Intercompany Transactions, if any, and any net sale proceeds to be remitted by one Petitioner to another Petitioner as the case may be (the "Proposed Allocation").

[31] **ORDERS** the Monitor to serve a copy of the Intercompany Transactions Report upon the service list in these proceedings and DECLARES that any interested creditor shall be entitled to apply to this Court within five (5) calendar days of said notification to the service list of the Intercompany Transactions Report to contest or make representations with respect to the Proposed Allocation.

[The Court's underlining]

[10] As a result of the sale of most of the group's assets, significant proceeds have been collected. In May, realizing that there would be sufficient proceeds to present plans of arrangements for certain of the Debtors/Petitioners, the Monitor asked the Court to approve a Claims Procedure, which not only the undersigned, but also the U.S. Court did approve. The Debtors/Petitioners announced that they would present an allocation plan. June 27, 2023 was reserved for a hearing to approve such an allocation plan.

[11] The Monitor has indeed now prepared a detailed proposed allocation methodology which also contains the relevant information relating to the Intercompany Transactions Report (the "**Proposed Allocation Methodology**")<sup>6</sup>.

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<sup>6</sup> Exhibit M-1, hereafter the ("**PAM Report**").

500-11-061483-224

PAGE: 5

[12] This Proposed Allocation Methodology was presented at an information session held on June 20, 2023, prior notice having been provided to the service list on June 14. Minutes of this information session were prepared to which a list of attendees is appended<sup>7</sup>.

[13] By way of its Application<sup>8</sup>, the Monitor now asks this Court to approve this Proposed Allocation Methodology. Mr. Jean-François Nadon, testifying on behalf on the Monitor, presented in great detail the Proposed Allocation Methodology and answered all the questions posed by the Court.

[14] No one contested the Proposed Allocation Methodology.

[15] The Court will approve the Proposed Allocation Methodology.

[16] In the reasons that follow, the Court will first explain why (1) it has the power to render the orders sought. It will then (2) summarize the Proposed Allocation Methodology and its underlying considerations. Finally (3), it will explain why it is appropriate to exercise its discretion in favour of issuing the order sought.

## 1. This Court's powers

[17] The Supreme Court of Canada has given clear directions on the nature of the CCAA supervising judge's discretion to render orders and how this discretion should be exercised. In *Callidus*, the Court explains that s. 11 of the CCAA, which it qualifies as the "anchor of the discretionary authority", grants the CCAA Court discretion to make any "order that it considers appropriate" and which responds "to the circumstances of each case and [meets] contemporary business and social needs".<sup>9</sup> This authority is "not boundless". The Court must keep in mind "three "baseline considerations" which the applicant bears the burden of demonstrating: (1) that the order sought is appropriate in the circumstances, and (2) that the applicant has been acting in good faith and (3) with due diligence".<sup>10</sup> These teachings were reiterated in *Canada North Group*.<sup>11</sup> The Supreme Court adds that appropriateness must be assessed "by considering whether the order would advance the policy and remedial objectives of the CCAA".<sup>12</sup>

[18] In the present case, it is the Monitor who is making the application. A Monitor is an "independent and impartial expert, acting as "the eyes and the ears of the court"

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<sup>7</sup> Exhibit M-2.

<sup>8</sup> *Application of the Monitor for the Approval of a Proposed Allocation Method*, June 16, 2023.

<sup>9</sup> *9354-9186 Québec inc. v. Callidus Capital Corp.*, 2020 SCC 10 (CanLII), [2020] 1 SCR 521, par. 48 [« *Callidus* »].

<sup>10</sup> *Idem*, par. 49.

<sup>11</sup> *Canada v. Canada North Group Inc.*, 2021 SCC 30, par 21 [« *Canada North* »].

<sup>12</sup> *Idem*.

500-11-061483-224

PAGE: 6

throughout the proceedings”.<sup>13</sup> S. 23 CCAA sets out the non-exhaustive list of statutory duties and functions of Monitor, which include at subparagraph (k) “carrying out any other functions in relation to the company that the court may direct”. This subparagraph is the conduit by which the Monitor’s “minimum powers” set out at s. 23 “may be augmented through the exercise of a court’s discretion”.<sup>14</sup>

[19] The undersigned did indeed “augment” such powers in directing, in each of the ARIOs, the Monitor to carry out “ 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 (collectively, “Intercompany Transactions”), and to continue, on and after the date of this Order, to effect Intercompany Transactions”. It asked the Monitor to set up an Intercompany Transactions Report which would include the proposed allocation of the net amount to be attributed to each Petitioner. Through its reports, and through countless hours of detailed testimony by the partners in charge, Jean-François Nadon and Julie Mortreux, in the numerous hearings which were held since the inception of this file, the Monitor has kept the Court abreast of its efforts in carrying out these functions. As a result, the undersigned acquired what the Supreme Court in *Callidus* qualifies as “extensive knowledge and insight into the stakeholder dynamics and the business realities of the proceedings from their ongoing dealings with the parties”.<sup>15</sup>

[20] In the present matter, no stakeholder has suggested to this Court that it does not have the power to approve the Proposed Allocation Method. The approval of the Proposed Allocation Methodology rests on numerous “building blocks” put in place throughout the CCAA process, a metaphor used by Justice Morawetz in *Target Canada Co. (Re)*.<sup>16</sup> Prior to each of the ARIOs having been rendered, any stakeholder could review and, if they saw fit, oppose their issuance. There was no contestation. It would be problematic if the foundational building blocks which were laid were now questioned. Once again, despite an information session having been held and attended by several stakeholders where the Proposed Allocation Methodology was presented in full and despite the holding of the present hearing, no one opposes this methodology.

[21] This Court therefore concludes that it has the power to approve an allocation methodology as long as the three basic requirements set out by the Supreme Court of Canada are met. Prior to examining these three requirements, the methodology being proposed must be summarized.

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<sup>13</sup> *Callidus*, par. 52.

<sup>14</sup> *Ernst & Young Inc. v. Essar Global Fund Limited*, 2017 ONCA 1014, par. 106.

<sup>15</sup> *Callidus*, par. 47.

<sup>16</sup> *Target Canada Co. (Re)*, 2016 ONSC 316, par. 81.

500-11-061483-224

PAGE: 7

## 2. The Proposed Allocation Method

[22] The Proposed Allocation Method contains three main components: a) the proceeds allocation; b) the intercompany transactions allocation and c) the allocation of Restructuring Costs, Secure Debt reimbursement and DIP financing.

### (a) The Proceeds from Transaction allocation

[23] Assets of various entities of the Xebec Group were disposed of in numerous transactions carried out throughout the CCAA process, either as part of the Court authorized SISF, or otherwise.<sup>17</sup> Asset vesting orders were issued by this Court for most of these transactions save for those where the monetary value was below the maximum value the Court authorized the Monitor to carry out without express court authorization.

[24] The value of the proceeds ascribed to an entity is that appearing in the relevant transaction documents. Where several entities' assets were sold in the same transaction, the sales price allocation set out in the relevant transaction documents was deemed to be a proper allocation.

[25] Added to these proceeds is the estimated impact of the recovery which BLA earned from its subsidiary, Xebec UK, further to the sale of its subsidiary Tiger. The proceeds of the sale were paid to NBC in reduction of its secured debt in consideration of which NBC's security held on the shares of Tiger and on its assets was released and discharged. The Monitor explains the consequences of this in its Argumentation Plan as follows:

78. The Proposed Allocation Method Report assumes that the amount paid by Xebec UK, subrogated in the rights of NBC as secured creditor (in light of the repayment of the secured debt that it made as guarantor from the proceeds of the Xebec UK transaction), is repaid in full. This allows for the treatment of claims at Xebec UK, which claims include an intercompany claim of BLA against Xebec UK resulting in additional net proceeds to BLA (net of the amount estimated to pay the other known unsecured creditor, each on a pro rata basis).

79. The figures used in the illustration of the Proposed Allocation Method Report remain subject to a final resolution of the claims against Xebec UK and are not submitted for the approval of the Court at this stage, such that the final amount of Proceeds from transaction relating to the Xebec UK Transaction may vary.

[26] Taking into account all these proceeds which for illustration purposes total approximately \$36M, it is then possible to calculate the proportion which the share of proceeds of each entity bears to this \$36 M. This share will constitute the basis for

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<sup>17</sup> For details see p. 10 of the PAM Report M-1.

500-11-061483-224

PAGE: 8

allocating charges (the “**Pro-Rata Result Based Approach**”), unless another method is stipulated for allocation purposes.

[27] A few transactions are still being negotiated, including the significant Biostream Transaction which the Court described in its reasons of May 26, 2023. Negotiations are ongoing with third parties relating to the London Gas claim and the rights of third parties in the proceeds of the sale of Tiger by Xebec UK. Hence, although very useful for illustration purposes, the scenarios set out in the Proposed Allocation Methodology cannot be held to be etched in stone.

### **(b) The Intercompany Transactions**

[28] This category comprises four subcategories which each have their particularities.

[29] Monetary transfers: the allocation of these transfers is based on the entries in the books and records of each relevant Debtor/Petitioner. They have been tracked and reported in the Monitor’s reports. All advances are converted in Canadian dollars.<sup>18</sup>

[30] Sales and purchases: these relate to the allocation of sales and purchase made post-filing between entities, other than monetary transfers, and for which no payment was made. They are converted into Canadian dollars. The allocation of these sales and purchases is based on the entries appearing in the books and records of each relevant Debtor/Petitioner.<sup>19</sup>

[31] SXU corporate overhead charges: XSU’s sole mission is to provide services and pay for expenses on behalf of various entities. Hence, XSU’s payroll covers finance and operations employees for several entities. XSU also pays for other entities’ expenses such as corporate and medical insurance premiums, employee plans, payroll, leases and other expenses. The Monitor carried out a detailed review of all expenses and invoices for one representative month. This provided a realistic portrait of the allocation of expenses and invoices to a given entity. The percentages generated by this exercise were then carried over to all the expenses, after conversion of such charges into Canadian dollars, to carry out the allocation.<sup>20</sup>

[32] BLA Corporate overhead charges: just as for XSU, BLA also incurs expenses which benefit all entities such as marketing, investor relation, integration, legal, IT, finance and accounting, D&O insurance, corporate and administration costs and head office rent and expenses paid by BLA on behalf of all entities. These expenses do not include the Restructuring Costs which are dealt with distinctly in the Proposed Allocation Methodology, as set out in c) below. These BLA corporate overhead expenses were already being allocated amongst all entities prior to the CCAA filing, by employing a

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<sup>18</sup> See p. 11 of the PAM Report M-1.

<sup>19</sup> See p. 12 of the PAM M-1.

<sup>20</sup> See p. 13 of the PAM M-1.

500-11-061483-224

PAGE: 9

weighted method based on each entity's asset value, number of employees and sales level. The same percentages continued to be used after the IFDO. However, for the non-petitioner entities, their share of allocated expenses was attributed to BLA, just as any recovery from these entities would be for the benefit of BLA.

**(c) Allocation of Restructuring Costs, Secure Debt Reimbursement and DIP Financing**

[33] Restructuring Costs: they are set at \$24.62M for illustration purposes and are broken down as follows:

- 33.1. the professional fees (\$14.1M paid and \$3.4M projected) of petitioners' counsel in Canada, in the USA and in foreign jurisdictions, of the Monitor and of its counsel in Canada and in the USA, of NBC's and EDC's counsel in Canada, in the USA and in the U.K., NBC's and EDC's financial advisors fee and National Bank Financial's ("NFB") monthly fee;
- 33.2. a theoretical amount of \$1M representing the amount of the Administrative Charge
- 33.3. NFB's Transaction Fee (\$975K) the payment of which was authorized by the Court;
- 33.4. the interest and fees on the DIP financing (\$545K);
- 33.5. the KERP payments (\$1.375M);
- 33.6. BLA and XSU restructuring expenses and payroll since May 2023 (\$2.992M);
- 33.7. Foreign exchange variances, bank fees and other expenses (\$144K).

[34] These Restructuring Costs will be allocated using the Pro-Rata Result Based Approach.

[35] DIP Financing: A total of \$8.95M was received by BLA. The charge will be allocated using the Pro-Rata Results Based Approach.

[36] Secured Debt reimbursements NBC: over the months, regular payments were made in capital and interest and fees to reimburse the NBC secured debt. These reimbursements were allocated, amongst the Debtors/Petitioners on which NBC held a first ranking security, in proportion of these entities share of proceeds.

[37] Secured Debt reimbursements EDC: over the months, regular payments were made in capital and interest and fees to reimburse the EDC secured debt. These interest and fees reimbursements were recharacterized as capital reimbursements in conformity

500-11-061483-224

PAGE: 10

with the “interest stops rule”<sup>21</sup> given that EDC’s secured debt is not expected to be fully reimbursed. They were allocated between the Debtors/Petitioners on the assets of which EDC has a security interest, in proportion of their share of the proceeds.

[38] Finally, the outstanding letter of credit will be allocated to the relevant entity to which it relates.

[39] As a final remark, it must be stressed, once again, that the Monitor’s report contains a scenario for illustration purposes only which estimates what net proceeds will be available for distribution. Also, future restructuring costs are based on projections which may or may not be borne out in reality. Foreign exchange rates may also play a role. Hence, the amount of final distributions remain to be determined. The Court reiterates that although very useful, these illustrations are not binding and no stakeholder should expect that these will be the proceeds available for distribution in due course.

### 3. Conclusions

[40] Having presented the Proposed Allocation Methodology and the considerations which underpin it, the Court must now apply the three requirements mandated by the Supreme Court of Canada to determine if it should order the approval of the Proposed Allocation Methodology.

[41] The context of this file makes it abundantly clear that the Monitor and the Debtors/Petitioners have acted diligently and in good faith. The Proposed Allocation Methodology was presented at an information session. No one is contesting the Monitor’s application.

[42] The Court’s examination must therefore focus on the appropriateness of the allocations which are proposed. The Proposed Allocation Methodology must treat all creditors equitably.<sup>22</sup>

[43] In *Bloom Lake*, Justice Hamilton, while sitting at the Superior Court, saw merit in the Proposed Allocation Methodology because it was put forth on a “principled basis, without reference to the result of any specific creditor” and noted that the Monitor had “developed rules that would be applied in the same way to each realization and costs as

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<sup>21</sup> EDC has not made representations before this Court as to the appropriateness of this recharacterization. The interest stops rule was deemed to be applicable to CCAA proceedings in *Nortel Networks Corporation (Re)*, 2015 ONCA 681; application for leave dismissed *Ad Hoc Group of Bondholders v. Ernst & Young Inc. in its capacity as Monitor, et al.*, 2016 CanLII 24877 (SCC).

<sup>22</sup> *Arrangement relatif à Bloom Lake*, 2017 QCCS 3529, par. 16 ([« *Bloom Lake* QCCS »]); confirmed in *Ville de Fermont c. Bloom Lake*, 2018 QCCA 551 [« *Bloom Lake* QCCA »].

500-11-061483-224

PAGE: 11

opposed". Otherwise, this could "lead to disputes as different creditors are treated differently".<sup>23</sup>

[44] Justice Daniel M. Brown, while still sitting as a judge of the Superior Court of Justice of Ontario, summarized the principles governing allocation of receiver's costs between various assets in six propositions:<sup>24</sup>

(i) The allocation of such costs must be done on a case-by-case basis and involves an exercise of discretion by a receiver or trustee;

(ii) Costs should be allocated in a fair and equitable manner, one which does not readjust the priorities between creditors, and one which does not ignore the benefit or detriment to any creditor;

(iii) A strict accounting to allocate such costs is neither necessary nor desirable in all cases. To require a receiver to calculate and determine an absolutely fair value for its services for one group of assets vis-à-vis another likely would not be cost-effective and would drive up the overall cost of the receivership;

(iv) A creditor need not benefit "directly" before the costs of an insolvency proceeding can be allocated against that creditor's recovery;

(v) An allocation does not require a strict cost/benefit analysis or that the costs be borne equally or on a pro rata basis;

(vi) Where an allocation appears prima facie as fair, the onus falls on an opposing creditor to satisfy the court that the proposed allocation is unfair or prejudicial.

[45] The Court finds these propositions to be highly relevant for the purpose of examining allocation of costs and expenses in a CCAA context such as in the present case where there are multiple petitioners whose operations give rise to a dizzying number of intercompany transfers and transactions, two secured creditors with security interests on different assets and multiple geographical sites.

[46] It also bears repeating that no third party has opposed this Proposed Allocation Methodology. It was put forward by the Monitor which, as already mentioned, is an impartial and independent expert. The Court therefore must start its examination from the viewpoint that the Proposed Allocation Methodology is, *prima facie*, equitable. In *Bloom Lake*, the Court of Appeal, relying on Justice Brown's sixth proposition, explained that when transaction documents make allocations, the onus falls on the opposing creditor to satisfy the court that the proposed allocation is unfair or prejudicial.<sup>25</sup> The same can be

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<sup>23</sup> *Bloom Lake QCCS*, par. 13 and 14.

<sup>24</sup> *Royal Bank of Canada v. Atlas Block Co. Limited*, 2014 ONSC 1531, par. 43.

<sup>25</sup> *Ville de Fermont c. Bloom Lake*, 2018 QCCA 551, par. 18.

500-11-061483-224

PAGE: 12

said, with even greater force, of the Monitor's proposed allocation, given the Monitor's status.

[47] Taking into consideration these principles, the Court concludes that the Proposed Allocation Methodology is indeed equitable and appropriate. Its principled approach, its adaptability to the ever changing proceeds and costs, and its transparency advances the policy and remedial objectives of the CCAA. More particularly:

- 47.1. The method provided is clear and can be easily applied.
- 47.2. It allows for easy recalibration if further proceeds are collected or expenses incurred.
- 47.3. When books and records can be relied on for a determinative allocation, such as for allocating Monetary Transfers and Intercompany Transactions, this was done.
- 47.4. When a strict accounting to allocate the costs was simply unrealistic and would not have been cost-effective and would have driven up even more the already impressive restructuring costs, a method was developed.
- 47.5. The methods once again first try to adhere as closely as possible to available data.
  - 47.5.1. Historical pre CCAA filing work processes were used such as for BLA's corporate overhead recharge of certain expenses and adapted to the specific circumstances.
  - 47.5.2. For XSU corporate overhead recharges, there was no allocation practice. The recharge process was therefore based on one month of actual numbers to determine the average allocation to various entities. This average was then applied to other months.
  - 47.5.3. These methods were not open for Restructuring Costs and DIP financing. They were therefore allocated using the Prorata Result based Approach on the philosophy that a transaction which generated the greatest proceeds should also bear the greatest share of Restructuring costs and DIP financing.
  - 47.5.4. For Secured debt reimbursements, allocation would also use the Prorata Result Based Approach, but solely for those where NBC had a first ranking security interest or EDC had a security interest.

[48] The Court finds nothing amiss with this Proposed Allocation Methodology and the finely tuned principled approach it puts forth. Hence, the Court has approved the Proposed Methodology more fully set out in the conclusions of this judgment.

**FOR THESE REASONS, THE COURT:**

500-11-061483-224

PAGE: 13

[49] **GRANTS** the Application.

[50] **DECLARES** that, unless otherwise defined, all capitalized terms in this Order shall have the meaning ascribed thereto in the Application or in the Proposed Allocation Method Report (Exhibit M-1), as applicable.

[51] **APPROVES** the proposed methodology to allocate the net proceeds held in trust by the Monitor, including the main sections forming part of the Proposed Allocation Method Report and further detailed and illustrated therein, as well as in the Application, namely the following:

- (a) Proceeds Allocation: Proceeds from transactions converted to Canadian dollars at the transaction date and allocated to the relevant Petitioner. Where multiple entities are parties to a transaction, the allocation of proceeds as between such entities shall be based on the allocation set forth in the relevant transaction documents.
- (b) Intercompany Transactions: adjustments shall be made to reflect Intercompany Transactions having occurred since the Filing Date (September 29, 2022), which include:
  - a) Monetary Transfers between Petitioners having occurred from and after the Filing Date, based on the books and records of the relevant Petitioners and as reported in the Monitor's reports filed from time to time as part of the CCAA proceedings in accordance with the ARIOs;
  - b) Intercompany Transactions, excluding Monetary Transfers, for sales and purchases between Petitioners since the Filing Date, for which no payment has been received by the selling Petitioner, based on the books and records of the relevant Petitioners;
  - c) Corporate overhead recharge of certain expenses and payroll items incurred by XSU for and on behalf of other Petitioners from the Filing Date until the end of April 2023, which are allocated based on the average monthly expenses compiled by the Petitioners with the assistance of the Monitor; and
  - d) Corporate overhead recharge of certain expenses, excluding Restructuring Costs, from the Filing Date until the end of April 2023, which are allocated based on the methodology used by BLA in the course of fiscal year 2021 (based on asset value, employees and sales) and considering expenses paid by BLA on behalf of other entities directly recharged, and providing that the share of the non-Petitioners, being direct or indirect subsidiaries of BLA, is allocated to BLA.

500-11-061483-224

PAGE: 14

- (c) Allocation of Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts and disbursements and treatment of the impact of the Xebec UK Transaction and of any shortfall:
- a) Restructuring Costs: shall be allocated using the *pro rata* result-based approach, based on the Proceeds from transactions (the “**Pro Rata Result-Based Approach**”), amongst all Petitioners, and shall include, amongst others, the XSU and BLA disbursements since the month of May 2023;
  - b) Secured Debt Reimbursements made to EDC by the Petitioners since the Filing Date: shall be allocated based on the *Pro Rata* Result-Based Approach, but solely for Petitioners on which EDC has a security interest. Furthermore, the fees and interest payments paid to EDC since the Filing Date shall be re-characterized as capital reimbursements;
  - c) Secured Debt Reimbursements made to NBC by the Petitioners since the Filing Date: shall be allocated based on the *Pro Rata* Result-Based Approach, but solely for those Petitioners in respect of which NBC has a first-ranking security interest;
  - d) DIP Financing receipts and repayments: shall be allocated based on the *Pro Rata* Result-Based Approach, amongst all Petitioners;
  - e) Xebec UK Transaction impact: the deemed allocation to BLA of the net proceeds (which shall form part of its Proceeds from transactions) resulting from the Xebec UK Transaction completed as part of the SISP, taking into account Xebec UK’s secured subrogation claim resulting from its payment to NBC as guarantor as well as the resolution of BLA’s intercompany claim and any third-party claim(s) against Xebec UK; and
  - f) Shortfall: any resulting shortfall for a Petitioner shall be allocated to the other Petitioners with sufficient allocated funds available, based on the *Pro Rata* Result-Based Approach, but solely amongst Petitioners with sufficient allocated funds available (excluding Petitioners with insufficient funds).

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

[52] **PRAYS ACT** of the fact that the amounts shown as “Allocated net proceeds prior to distribution to creditors” for each Petitioner in the Proposed Allocation Method Report are presented only for illustrative purposes of the application of the Proposed Allocation Method, and are based on estimates, restrictions and limitations further detailed in the

500-11-061483-224

PAGE: 15

Proposed Allocation Method Report, such that the final amounts of net proceeds that will be available for distribution to creditors will be definitively determined at a later stage of the CCAA proceedings, applying the Proposed Allocation Method to any updated amounts and estimates;

[53] **RESERVES** the possibility for the Monitor to make modifications to the Proposed Allocation Method which do not materially affect the ultimate results of its application to the final amounts and estimates, including without limitation in order to allocate some minimum Restructuring Costs to Petitioners which, further to the application of the Proposed Allocation Method, would have no or nominal allocated Restructuring Costs, the whole subject to the approval of this Court;

[54] **CONFIRMS AND RESTATES** its order issued at the hearing that Exhibit M-3 filed in support of the Application shall be filed under seal and kept confidential until further order of this Court.

[55] **DECLARES** that this Order shall have full force and effect in all provinces and territories of Canada.

[56] **DECLARES** that the Monitor may, from time to time, apply to this Court for directions concerning the exercise of its powers, duties and rights hereunder or in respect of the proper execution of this Order.

[57] **REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body in any Province of Canada and any Canadian federal court or in the United States of America, including without limitation the United States Bankruptcy Court for the District of Delaware, and any court or administrative body elsewhere, to give effect to this Order, and to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and the Monitor as may be necessary or desirable to give effect to this Order in any foreign proceeding, to assist the Petitioners and the Monitor and their respective agents in carrying out this Order.

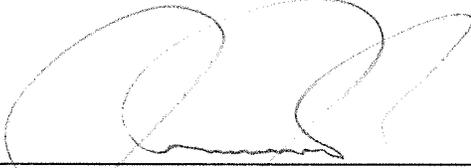
[58] **ORDERS** that any prior delay for the presentation of the Application is hereby abridged and validated so that the Application is properly returnable and dispenses with further service thereof.

[59] **PERMITS** service of this Order at any time and place and by any means whatsoever.

500-11-061483-224

PAGE: 16

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



---

CHRISTIAN IMMER, J.S.C.

Me Sandra Abitan  
Me Julien Morissette  
Me Sophie Courville  
Me Jessica Harding  
OSLER, HOSKIN & HARCOURT LLP  
Representing the Debtors

Me Jocelyn T. Perreault  
Me Marc-Étienne Boucher  
McCARTHY TÉTREAULT  
Representing the Monitor

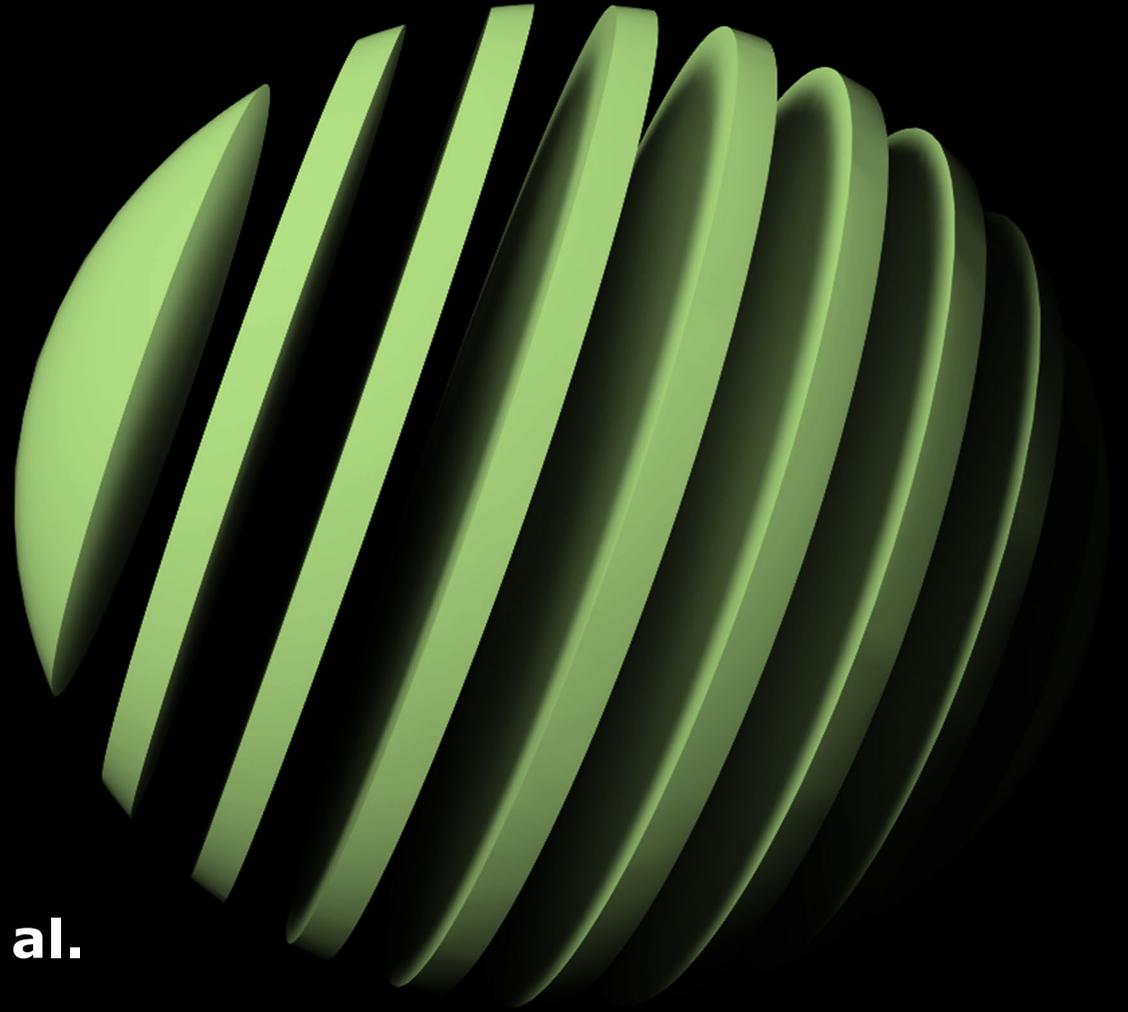
Me Eli Karp  
KND COMPLEX LITIGATION  
Me David Assor  
LEX GROUP ATTORNEYS  
Representing the Class Action Applicants Maurice Leclair and Evert Schuringa

Me Samuel Perron  
NORTON ROSE FULBRIGHT  
Representing the Export Development Canada

Date of hearing: June 27, 2023

**Exhibit B**

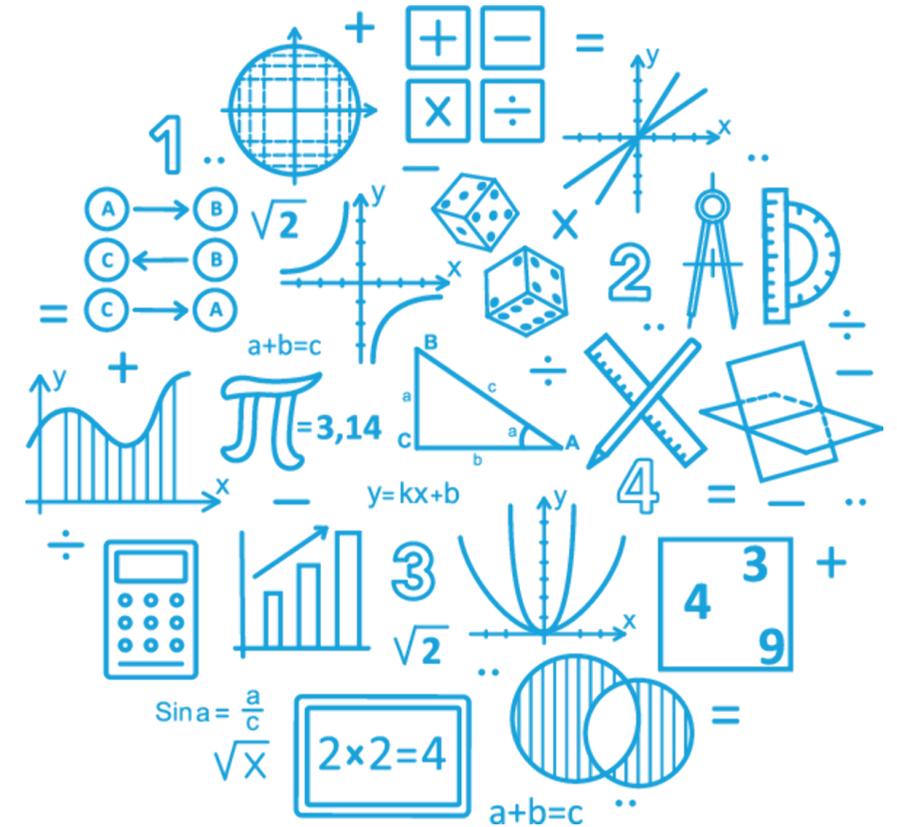
**Allocation Method Report**



**FORMERXBC INC.  
(formerly, Xebec Adsorption Inc.) et al.  
Proposed Allocation Method  
June 16, 2023**

# Table of contents

Introduction and Restrictions	3
Definitions	5
Proposed Allocation Method – Main Scenario	
Main Sections	7
Main Executive Summary	8
Proceeds Allocation	10
Intercompany Transactions	11
Allocation of the Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts	15
Impact of Xebec UK transaction, DIP Financing repayments and other Secured Debt Reimbursements	16
Alternate Scenario	18
Monitor’s Recommendation	23
Appendices	25



# Introduction & Restrictions

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## This document is subject to the following restrictions and limitations:

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- Deloitte Restructuring Inc. ("**Deloitte**" or the "**Monitor**") has prepared the attached proposed allocation methodology (the "**Proposed Allocation Method**") for the net proceeds held by the Monitor in respect of Former XBC Inc. (formerly Xebec Adsorption Inc.) and the other Petitioners (collectively, "**Xebec**" or the "**Company**") as part of the ongoing proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") supervised by the Superior Court of Québec (the "**Court**").
- The CCAA proceedings were initiated by a First Day Initial Order rendered on September 29, 2022 (the "**Filing Date**"), pursuant to which, namely, Deloitte was appointed as Monitor. The First Day Initial Order has been extended, amended and restated by orders of the Court rendered from time to time, including by the Fifth Amended and Restated Initial Order dated March 27, 2023 (the "**Fifth ARIO**").
- This Proposed Allocation Method Report, including the Intercompany Transactions Report forming part thereof, was prepared by the Monitor pursuant to paras. 28 and 30 of the Fifth ARIO and will be submitted to the Court for approval on June 27, 2023.
- This Proposed Allocation Method Report was prepared by the Monitor with the assistance of Xebec Management and based on available information from Xebec and from the CCAA proceedings.
- The Monitor will hold a virtual Information Session in respect of the Proposed Allocation Method for interested stakeholders on June 20, 2023. A notice of said meeting has been sent to the parties to the service list in the CCAA proceedings and is posted on the Monitor's website, and a request to attend the meeting must be sent made to the Monitor prior to the session. Upon reception of such request, the Monitor will provide the electronic link to the virtual meeting.
- Readers should be cautioned that this report presents the Proposed Allocation Method, and not the final amounts available for distribution to creditors. In this report, the Proposed Allocation Method contains certain amounts that are estimates and accordingly will be subsequently adjusted based on future events, transactions and actual receipts and disbursements. The final allocation calculation will be presented to the Court in due time prior to a distribution to the creditors, as part of the filing of one or more plan(s) of arrangement or otherwise.
- Certain assumptions relate to the treatment and allocation of the proceeds paid directly to NBC, in its capacity as first ranking secured creditor, from the transaction pursuant to which Xebec Holding UK Limited ("**Xebec UK**") sold its shares of Tiger Filtration Limited, which are both non-Petitioners. These assumptions include settlement of potential third-party claim(s) against Xebec UK.
- Moreover, be advised that the Proposed Allocation Method does not currently take into account certain elements, including without limitation:
  - The fact that the Monitor obtained an opinion stating that EDC and NBC do not have a perfected security interest in the cash balances of certain Petitioners in the U.S., as was namely reported in the Seventh, Ninth and Tenth Reports of the Monitor. The potential effect of this is not considered in this Proposed Allocation Method Report, which is meant to establish the methodology to allocate the net proceeds between the Petitioners, and not to determine how the final allocated amounts should be distributed between the creditors of the respective Petitioners (including EDC in the estates where it has security);
  - The professional fees and costs to be incurred after September 30, 2023 to the end of the file, including with respect to the monetization of certain remaining assets, the determination of the various creditors' rights, the claims received as part of the Claims Process, the distributions to the various creditors (as part of one or more plan(s) of arrangement or otherwise), and the orderly wind-down of the various entities;
  - The impact of actuals costs in comparison with the projections for the period from May to September 30, 2023;
  - The potential impact of the final resolution of BLA's and the third-party claim(s) against Xebec UK;
  - The potential adjustments of the Petitioners' books and records; and
  - The potential impact of the foreign exchange rates on the calculation.

# Introduction & Restrictions

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**This document is subject to the following restrictions and limitations:**

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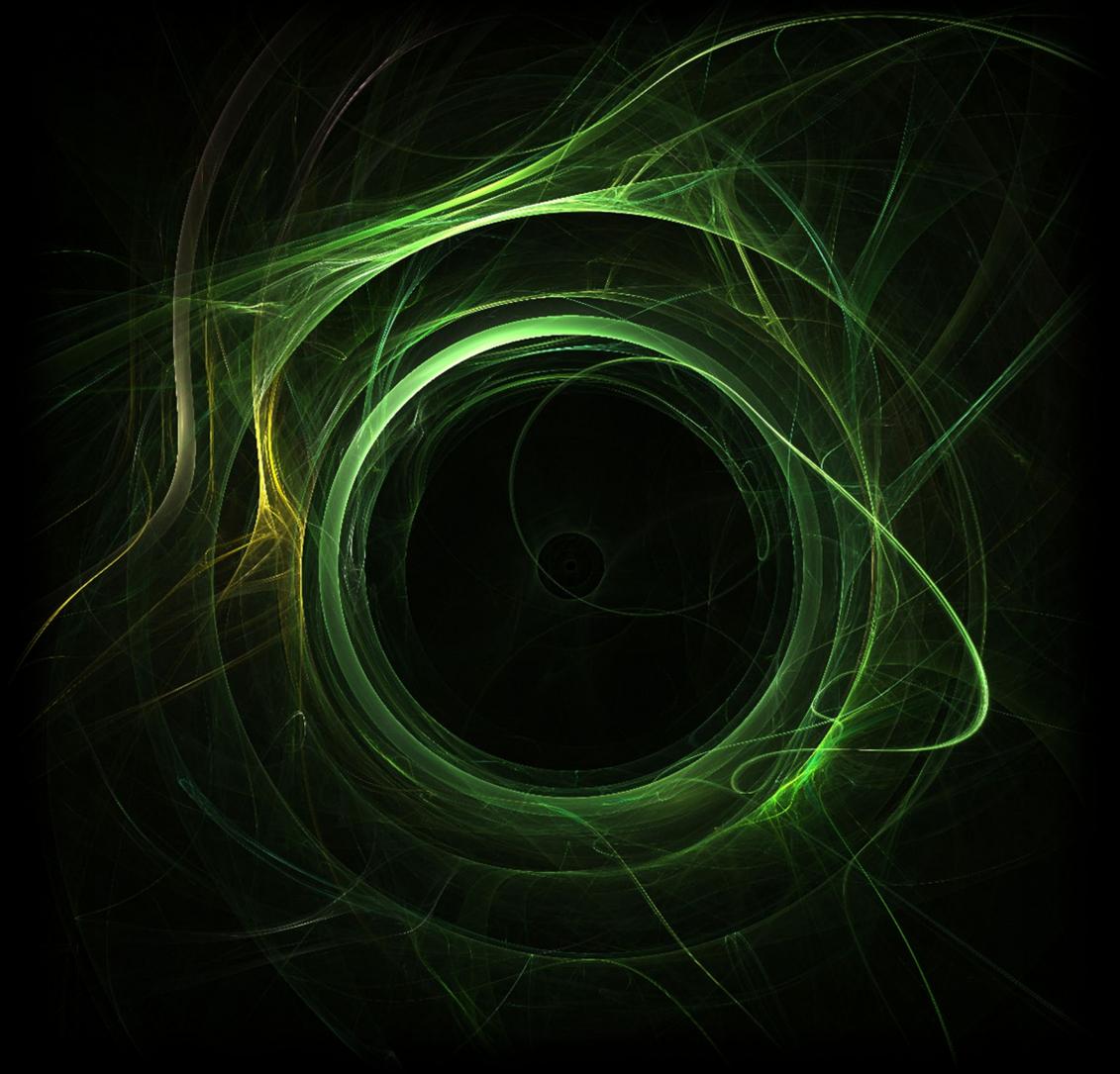
- The Proposed Allocation does not constitute an opinion and/or an admission whatsoever from the Monitor in respect to the potential recovery of any party and may not be interpreted or used as such.
- Without limiting the foregoing and in preparing the Proposed Allocation Method, the Monitor has been 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 herein:
  - 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
  - Some of the information referred to in this Proposed Allocation Method consists of estimates, forecasts and projections. An examination or review of the financial estimates, forecasts and projections has not been performed.
- Future oriented financial information referred to in this Proposed Allocation Method, including in respect of professional fees and restructuring costs, was prepared based on the cash flow projections for the period ending September 30, 2023 filed with the Court pursuant to Management's estimates and assumptions, and adding the theoretical amount of the Administration Charge for the period from and after October 1<sup>st</sup>, 2023 for which there are no cash flow projections yet. 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.
- Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Proposed Allocation Method concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
- Unless otherwise indicated, all amounts are presented in Canadian dollars. In addition, due to the fact that some information is presented in thousands of dollars, there might be some rounding differences that will not materially impact the final calculation.
- Unless otherwise indicated and where applicable, amounts were converted with the FX rate as at June 8, 2023 per the Bank of Canada.

# Definitions

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- **Proposed Allocation Method:** Proposed methodology of the allocation of (i) the Proceeds from transactions [page 10], (ii) the Intercompany Transactions [pages 11 to 14] and (iii) the Restructuring Costs, the Secured Debt Reimbursements and the DIP Financing receipts and repayments [pages 15 to 17], as described and illustrated in this Proposed Allocation Method Report..
- **Filing Date:** September 29, 2022, being the date of the First Day Initial Order rendered by the Court.
- **Petitioners / Debtors:** Debtors / petitioners subject to the protection of the Court as detailed in the Initial Order and in the Subsequent Amended and Restated orders rendered by the Court, including the Fifth ARIO. Refer to Appendix E for the naming convention and entity codes.
- **Management:** Management team of the Petitioners.
- **SISP:** Sale and Investment Solicitation Process ("SISP") approved by the Court.
- **Proceeds from transactions:** Proceeds (realization of the assets) from sale transactions, out of the ordinary course transactions since the Filing Date as part of the SISP and otherwise. This includes all of the sale transactions involving the Petitioners for which the proceeds were received by the Monitor, as well as the estimated impact of the BLA recovery from Xebec UK further to the Xebec UK transaction realized as part of the SISP and the subrogation of Xebec UK in the rights of NBC.
- **Intercompany Transactions:** The intercompany monetary transfers, intercompany sales and purchases (unpaid) and corporate overhead recharges since the Filing Date. This includes all Intercompany Transactions defined in the Fifth ARIO, other than the Restructuring Costs, the Secured Debt Reimbursements and the DIP Financing receipts and repayments which are dealt in a separate section.
- **KERP:** Key employee retention plan approved by the Court and paid to key employees and secured by a prior ranking charge.
- **EDC:** Export Development Canada, secured creditor on certain Petitioners (1<sup>st</sup> or 2<sup>nd</sup> ranking).
- **NBC:** National Bank Canada, secured creditor on all Petitioners (1<sup>st</sup> or 2<sup>nd</sup> ranking) and on Xebec UK and Tiger Filtration Limited.
- **Secured Debt Reimbursements:** The reimbursements of capital, interest and fees made to NBC since the Filing Date and the reimbursements of capital (after recharacterization of all amounts paid as capital reimbursements) made to EDC since the Filing Date, excluding reimbursements under the Interim Financing. This also includes the estimated impact of the reimbursement of Xebec UK as subrogated in the rights of NBC as well as the estimated future repayments of the outstanding letters of credit.
- **DIP Financing or Interim Financing:** The First DIP from EDC and NBC and the Second and Third DIP from EDC approved by the Court during the CCAA proceedings, for a total principal amount of \$8.95M CAD and secured by a prior ranking charge.
- **Restructuring Costs:** Include the professional fees (Petitioners' counsel in Canada, the U.S. and the foreign jurisdictions, Monitor, Monitor's counsel in Canada and in the U.S., NBC's counsel in Canada, in the U.S. and in the U.K., NBC's financial advisor, EDC's counsel in Canada and in the U.S, EDC's financial advisor), the fees of National Bank Financial as part of the SISP (monthly fee and Transaction Fee), the interest and fees on the DIP Financing, the KERP, as well as BLA and XSU disbursements since the month of May 2023.
- **Main Scenario:** Methodology recommended by the Monitor and Management to allocate as per the Proposed Allocation Method.
- **Alternate Scenario:** Alternate methodology analyzed by the Monitor and Management to allocate the professional fees forming part of the Restructuring Costs and the BLA corporate overhead and management costs.
- **Allocated net proceeds prior to distribution to creditors:** Calculated based on the Proposed Allocation Method in the Main Scenario. This is an estimate only, and is namely subject to future realized proceeds and disbursements to be allocated under the Proposed Allocation Method.

# Xebec Proposed Allocation Method



# Proposed Allocation Method – Main Sections

## Overview of the methodology



**Proceeds Allocation:** Proceeds from transactions converted at the transaction date. Where multiple entities are part of a transaction, the allocation of proceeds is based on the transaction documents.

**Intercompany Transactions:** Adjustments to reflect Intercompany Transactions since the Filing Date (Monetary transfers, Interco sales & purchases and corporate overhead recharge).

**Allocation of the Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts:**

1. Restructuring Costs: Prorata result-based approach based on Proceeds from transactions
2. Secured Debt Reimbursements - NBC: Allocated between Petitioners on which NBC has 1<sup>st</sup> ranking security interest based on Proceeds from transactions
3. Secured Debt Reimbursements - EDC: Allocated between Petitioners on which EDC has a security interest based on Proceeds from transactions
4. DIP Financing receipts: Prorata result-based approach based on Proceeds from transactions

**Impact of Xebec UK transaction, DIP Financing repayments and other Secured Debt Reimbursements:**

1. Xebec UK transaction: The report assumes that Xebec UK, subrogated in the rights of NBC as secured creditor (in light of the repayment of the secured debt that it made as guarantor from the proceeds of the Xebec UK transaction), is repaid in order to allow for the consideration of additional Proceeds from transactions to BLA coming from its claim against Xebec UK, net of the amount estimated to pay the other known unsecured creditor on a prorata basis. This remains subject to a final resolution of the claims against Xebec UK and is not submitted to the approval of the Court at this stage.
2. DIP Financing repayments: Prorata result-based approach based on Proceeds from transactions
  - Shortfall allocation: Prorata result-based approach based on Proceeds from transactions to the Petitioners with sufficient funds available.
3. Secured Debt Reimbursements – NBC (EDC): Remaining letters of credit to be reimbursed (not covered by the Xebec UK transaction proceeds) and guaranteed by EDC. Allocated between Petitioners on which NBC has 1<sup>st</sup> ranking security interest based on Proceeds from transactions

**Allocated net proceeds prior to distribution to creditors:** Subject to future realized proceeds and disbursements to be allocated under the Proposed Allocation Method.

**Proceeds from transactions**

+ -

**Post-filing Intercompany Transactions**

+ -

**Allocation of the Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts**

+ -

**Impact of Xebec UK transaction, DIP Financing repayments and other Secured Debt Reimbursements**

=

**Allocated net proceeds prior to distribution to creditors**

# Xebec – Proposed Allocation Method

## Executive Summary – General Overview of the Proposed Allocation Method

<b>XEBEC ADSORPTION INC. &amp; AI.</b>		Consolidated All Petitioners	EDC		EDC		EDC		EDC		EDC		EDC		Monitor's trust accounts	Xebec UK XUK	
Proposed Allocation Method As at June 8, 2023 - In thousands CAD			CDA	CAL	BLA	CAI	ACS	UEC	Petitioners		NOR	GNR	AIR	XSU			XHU
<b>Proceeds from transactions</b>	 A	36,009	4,510	7,712	13,341	1,580	400	4,274	1,477	1,402	209	100	1,004	-	-	28,988	7,617
Proceed allocation %			12.52%	21.42%	37.05%	4.39%	1.11%	11.87%	4.10%	3.89%	0.58%	0.28%	2.79%	0.00%	0.00%		
<b>Post-Filing Intercompany Transactions</b>	 B	-	563	(156)	(7,166)	1,179	1,063	2,732	(60)	397	1,389	-	1,353	(1,307)	13	-	-
<b>Allocations</b>																	
<b>Restructuring Costs &amp; Secured Debt Reimbursements to be allocated</b>	 C1	28,619	-	-	20,110	-	-	-	-	54	-	-	-	1,344	-	7,111	-
<b>Restructuring Costs &amp; Secured Debt Reimbursements - Allocation</b>																	
Restructuring Costs		(24,620)	(3,084)	(5,274)	(9,114)	(1,081)	(275)	(2,924)	(1,009)	(959)	(144)	(70)	(686)	-	-	-	-
Restructuring Costs - Allocation %			12.52%	21.42%	37.05%	4.39%	1.11%	11.87%	4.10%	3.89%	0.58%	0.28%	2.79%	0.00%	0.00%		
NBC - Secured debt - Reimbursement		(1,866)	(378)	-	(1,119)	(133)	(34)	-	-	(118)	-	-	(84)	-	-	-	-
NBC - Secured debt - Fees and Interest		(138)	(28)	-	(83)	(10)	(2)	-	-	(9)	-	-	(6)	-	-	-	-
EDC - Secured debt - Reimbursement		(1,995)	-	(570)	(985)	-	-	(315)	(109)	-	(16)	-	-	-	-	-	-
<b>Total - Allocated disbursements</b>	 C2	(28,619)	(3,490)	(5,844)	(11,301)	(1,224)	(311)	(3,239)	(1,118)	(1,086)	(160)	(70)	(776)	-	-	-	-
<b>DIP Financing receipts to be allocated</b>	 C3	(8,950)	-	-	(8,950)	-	-	-	-	-	-	-	-	-	-	-	-
<b>DIP Financing receipts - Allocation</b>	 C4	8,950	1,121	1,916	3,314	393	100	1,062	369	347	53	25	250	-	-	-	-
<b>Total - Allocation net impact</b>	Σ C	-	(2,369)	(3,928)	3,173	(831)	(211)	(2,177)	(749)	(685)	(107)	(45)	(526)	1,344	-	7,111	-
<b>Use of proceeds to cover Restructuring Costs (authorized by the Court)</b>	D	(7,111)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,111)	-
<b>Net proceeds before DIP Financing and other Secured Debts reimbursements</b>	Σ A to D	28,898	2,704	3,628	9,348	1,928	1,252	4,829	668	1,114	1,491	55	1,831	37	13	21,877	7,617
<b>Net proceeds before DIP Financing and other Secured Debts reimbursements</b>	 <u>Xebec UK transaction - Impact</u>	28,898	2,704	3,628	9,348	1,928	1,252	4,829	668	1,114	1,491	55	1,831	37	13	21,877	7,617
<b>Repayment of NBC secured debt</b>																	
NBC --> Revolver		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,904)
NBC --> Mastercard		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48)
NBC --> EDC (guarantor) - LC Facility (drawn LCs)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(491)
NBC --> EDC (guarantor) - LC Facility (London RNG paid in trust to Monitor - Partial)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,176)
<b>Total</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,619)
<b>Xebec UK transaction - BLA estimated impact</b>																	
Pro forma repayment to Xebec UK (Subrogated in the rights of NBC)		(7,617)	-	-	(7,617)	-	-	-	-	-	-	-	-	-	-	-	-
Estimated proceeds to BLA (92.17%)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,021)
Other known unsecured creditors (7.83%)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(596)	(596)
<b>Total</b>		(7,617)	-	-	(7,617)	-	-	-	-	-	-	-	-	-	-	(596)	(7,617)
<b>Available net proceeds - After UK Transaction Impact</b>		21,281	2,704	3,628	1,731	1,928	1,252	4,829	668	1,114	1,491	55	1,831	37	13	21,281	-
<b>Total DIP Financing repayments (incl. shortfall allocation)</b>		(8,950)	(1,436)	(2,455)	(1,731)	(503)	(128)	(1,360)	(472)	(445)	(68)	(32)	(320)	-	-	(8,950)	-
<b>Available net proceeds - After allocated DIP repayments</b>		12,331	1,268	1,174	0	1,425	1,124	3,469	196	669	1,423	23	1,511	37	13	12,331	-
<b>Outstanding letters of credit - estimated future repayment</b>		(458)	(232)	-	-	(81)	(21)	-	-	(72)	-	-	(52)	-	-	(458)	-
<b>Allocated net proceeds prior to distribution to creditors</b>		11,873	1,036	1,174	0	1,343	1,103	3,469	196	597	1,423	23	1,459	37	13	11,873	-

# Xebec – Proposed Allocation Method

## Overview - Available Net Proceeds before DIP Financing and Other Secured Debts Reimbursements

XEBEC ADSORPTION INC. & AI. Proposed Allocation Method As at June 8, 2023 - In thousands CAD			Consolidated All entities Petitioners	EDC		EDC					EDC					Monitor's trust accounts	Xebec UK XUK
				Petitioners		CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR		
<b>Proceeds from transactions</b>	<b>A</b>	<b>36,009</b>	<b>4,510</b>	<b>7,712</b>	<b>13,341</b>	<b>1,580</b>	<b>400</b>	<b>4,274</b>	<b>1,477</b>	<b>1,402</b>	<b>209</b>	<b>100</b>	<b>1,004</b>	<b>-</b>	<b>-</b>	<b>28,988</b>	<b>7,617</b>
Proceed allocation %			12.52%	21.42%	37.05%	4.39%	1.11%	11.87%	4.10%	3.89%	0.58%	0.28%	2.79%	0.00%	0.00%		
<b>Post-Filing Intercompany Transactions</b>																	
Net intercompany monetary transfers	<b>B.1</b>	-	971	334	(9,513)	1,532	976	6,357	395	925	1,811	-	2,210	(6,011)	13	-	-
Net intercompany transactions (sales and purchases)	<b>B.2</b>	-	(59)	74	909	(149)	248	(537)	(99)	159	83	-	(16)	(613)	-	-	-
Management fees - Corporate recharge (XSU) (5,394k)	<b>B.3</b>	-	(239)	(393)	(714)	(94)	-	(2,221)	(258)	(481)	(377)	-	(617)	5,394	-	-	-
Management fees - Corporate recharge (BLA) up to Apr 30 (2,152k)	<b>B.4</b>	-	(110)	(171)	2,152	(110)	(161)	(867)	(98)	(206)	(128)	-	(224)	(77)	-	-	-
<b>Intercompany Transactions - Net</b>	<b>Σ B</b>	<b>-</b>	<b>563</b>	<b>(156)</b>	<b>(7,166)</b>	<b>1,179</b>	<b>1,063</b>	<b>2,732</b>	<b>(60)</b>	<b>397</b>	<b>1,389</b>	<b>-</b>	<b>1,353</b>	<b>(1,307)</b>	<b>13</b>	<b>-</b>	<b>-</b>
<b>Allocations</b>																	
<b>Restructuring Costs &amp; Secured Debt Reimbursements to be allocated</b>	<b>C1</b>	<b>28,619</b>	<b>-</b>	<b>-</b>	<b>20,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,344</b>	<b>-</b>	<b>7,111</b>	<b>-</b>
<b>Restructuring Costs &amp; Secured Debt Reimbursements - Allocation</b>																	
Restructuring Costs		(24,620)	(3,084)	(5,274)	(9,114)	(1,081)	(275)	(2,924)	(1,009)	(959)	(144)	(70)	(686)	-	-	-	-
NBC - Secured debt - Reimbursement		(1,866)	(378)	-	(1,119)	(133)	(34)	-	-	(118)	-	-	(84)	-	-	-	-
NBC - Secured debt - Fees and Interest		(138)	(28)	-	(83)	(10)	(2)	-	-	(9)	-	-	(6)	-	-	-	-
EDC - Secured debt - Reimbursement		(1,995)	-	(570)	(985)	-	-	(315)	(109)	-	(16)	-	-	-	-	-	-
<b>Total - Allocated disbursements</b>	<b>C2</b>	<b>(28,619)</b>	<b>(3,490)</b>	<b>(5,844)</b>	<b>(11,301)</b>	<b>(1,224)</b>	<b>(311)</b>	<b>(3,239)</b>	<b>(1,118)</b>	<b>(1,086)</b>	<b>(160)</b>	<b>(70)</b>	<b>(776)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DIP Financing receipts to be allocated</b>	<b>C3</b>	<b>(8,950)</b>	<b>-</b>	<b>-</b>	<b>(8,950)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DIP Financing receipts - Allocation</b>	<b>C4</b>	<b>8,950</b>	<b>1,121</b>	<b>1,916</b>	<b>3,314</b>	<b>393</b>	<b>100</b>	<b>1,062</b>	<b>369</b>	<b>347</b>	<b>53</b>	<b>25</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - Allocation net impact</b>	<b>Σ C</b>	<b>-</b>	<b>(2,369)</b>	<b>(3,928)</b>	<b>3,173</b>	<b>(831)</b>	<b>(211)</b>	<b>(2,177)</b>	<b>(749)</b>	<b>(685)</b>	<b>(107)</b>	<b>(45)</b>	<b>(526)</b>	<b>1,344</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Use of proceeds to cover Restructuring Costs (authorized by the Court)</b>	<b>D</b>	<b>(7,111)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,111)</b>	<b>-</b>
<b>Net proceeds before DIP Financing and other Secured Debts reimbursements</b>	<b>Σ A to D</b>	<b>28,898</b>	<b>2,704</b>	<b>3,628</b>	<b>9,348</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,877</b>	<b>7,617</b>

### Breakdown of the Restructuring Costs as detailed in the Appendix A

Professional fees (Paid)	\$ (14,118)
Professional fees (Future)	(3,470)
Professional fees - Theoretical amount (Administration Charge)	(1,000)
KERP	(1,375)
NBF Transaction fee	(976)
DIP Financing - Interest and fees	(545)
Other restructuring expenses (BLA & XSU since May 2023)	(1,292)
Payroll (Since May 2023)	(1,700)
FX Rate variance, bank fees and other expenses (Trust accounts)	(144)
<b>Total</b>	<b>(24,620)</b>

### Use of Net Proceeds to cover the Restructuring Costs

Note: Use of Net Proceeds held by the Monitor to cover Restructuring Costs as approved by the Court. These costs are subsequently allocated in the following section of the calculation.

### Impact of the allocation of disbursements and collections

Note: In order to properly allocate to each entity its proper share of Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts, certain payments/collections are first reversed in their entirety followed by the appropriate allocation on a per entity basis.

Ex: BLA disbursed \$20M however should be impacted only for its specific share of these disbursements. The same logic applies for the DIP Financing collected to fund the disbursements subsequently allocated.



# Proposed Allocation Method - Assumptions

## Proceeds Allocation

### Sale Transactions – Petitioners

- ✓ Proceeds from CCAA transactions paid to the Monitor.
- ✓ Converted in CAD as at each transaction date.
- ✓ Allocation of the Proceeds based on transaction documents.

### Xebec UK transaction

- ✓ Assumes that Xebec UK, subrogated to the rights of NBC as secured creditor (in light of the repayment of the secured debt that it made as guarantor from the proceeds of the Xebec UK transaction), is repaid in order to allow for the consideration of additional net proceeds to BLA coming from its claim against Xebec UK, net of the amount estimated to pay the other known unsecured creditor on a prorata basis.
- ✓ This remains subject to a final resolution of the claims against Xebec UK and is not submitted to the approval of the Court at this stage.

Xebec UK - Estimated impact calculation		CAD
BLA - Long-term advances	92.2%	7,021,108
Other creditor(s)	7.8%	596,209
	<b>100.0%</b>	<b>7,617,317</b>

Completed Transactions			Transactions - Proceeds			
Entity Code	Buyer	Transaction Date	Orig. Cur.	Currency	FX	CAD
CDA	Sullair	21-Feb-23	3,337	USD	1.3516	4,510
CAL	Sullair	21-Feb-23	5,706	USD	1.3516	7,712
BLA	Ivys Energy Solutions	24-Feb-23	6,320	CAD	1.0000	6,320
CAI	Ivys Energy Solutions	24-Feb-23	1,580	CAD	1.0000	1,580
ACS	1396905 B.C. LTD	7-Feb-23	400	CAD	1.0000	400
UEC	EnergyLink	5-Apr-23	3,000	USD	1.3457	4,037
XBC	Total Energy Systems	23-Mar-23	1,081	USD	1.3671	1,477
TIT	Fluid-Aire Dynamics	20-Mar-23	1,026	USD	1.3674	1,402
NOR	Next Air & Gas	14-Mar-23	153	USD	1.3677	209
GNR	FSTQ	15-Feb-23	100	CAD	1.0000	100
AIR	Curtis Toledo	15-Mar-23	27	USD	1.3778	38
AIR	Curtis Toledo	15-Mar-23	5	USD	1.3778	7
AIR	Curtis Toledo	15-Mar-23	4	USD	1.3778	6
AIR	Curtis Toledo	15-Mar-23	81	USD	1.3778	112
AIR	Curtis Toledo	15-Mar-23	532	USD	1.3778	733
UEC	Air Products	22-Apr-23	175	USD	1.3483	236
AIR	Hoho Buys Cars	4-May-23	80	USD	1.3566	109
<b>Sub-Total</b>						<b>28,988</b>
XUK	Forum - Estimated impact to BLA	27-Jan-23	4,857	EUR	1.4457	7,021
HYB	HoSt (1 Euro transaction)	6-Feb-23	0	EUR	1.3442	0
<b>Total</b>						<b>36,009</b>

### Potential and upcoming transactions

UEC	Biostream Assets	TBD	TBD	TBD
UEC	Western Midstream	TBD	TBD	TBD
XSU	Filters	TBD	TBD	TBD
IGT	Claims to Non-Petitionners	TBD	TBD	TBD
ITA	Claims to Non-Petitionners	TBD	TBD	TBD
BLA	London RNG	TBD	TBD	TBD



# Proposed Allocation Method - Assumptions

## Intercompany Transactions – Monetary Transfers

Net intercompany monetary transfers As at June 8, 2023 - In thousands CAD	Petitioners												
	CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU
Collections	-	106	11,010	-	-	400	162	234	320	-	-	6,111	-
Disbursements	(971)	(440)	(1,497)	(1,532)	(976)	(6,757)	(557)	(1,160)	(2,131)	-	(2,210)	(100)	(13)
<b>Intercompany Monetary Transfers - Net</b>	<b>(971)</b>	<b>(334)</b>	<b>9,513</b>	<b>(1,532)</b>	<b>(976)</b>	<b>(6,357)</b>	<b>(395)</b>	<b>(926)</b>	<b>(1,811)</b>	<b>-</b>	<b>(2,210)</b>	<b>6,011</b>	<b>(13)</b>

### 1 Net Intercompany Monetary Transfers

- ✓ Post-filing Intercompany Monetary Transfers made in accordance with (i) the ARIOs and (ii) with the protocol established by the Monitor.
- ✓ From September 29, 2022 to September 30, 2023 (including some projected transfers).
- ✓ Post-Filing monetary transfers have been reported in the Monitor’s reports in accordance with the ARIOs.
- ✓ This summary does not include non-Petitioner monetary transfers. Refer to Appendix D for the details of these transactions.
- ✓ All advances in foreign currency were converted to CAD with the FX Rate as of June 8, 2023.

Entities	BENEFICIARY													TOTAL	
	CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU		
<b>ISSUER</b>															
CDA			29	341	-	-	-	-	-	-	-	601	-	971	
CAL							67	-	-	-	-	373	-	440	
BLA			67			400	13	-	216	-	-	800	-	1,497	
CAI				1,532										1,532	
ACS				976										976	
UEC				6,683								74		6,757	
XBC				13								544		557	
TIT				618								541		1,159	
NOR				461				234				1,436		2,131	
GNR														-	
AIR			9	385			82		3			1,730		2,210	
XSU									100					100	
XHU												13		13	
			106	11,010			400	162	234	320			6,111		18,343

**Note - This table should be read as follow :**  
 (1) UEC transferred to BLA several advances since the Filing Date to support the restructuring process.  
 (2) AIR transferred to XSU several advances of funds to support the expenses of the US head office.



# Proposed Allocation Method - Assumptions

## Intercompany Transactions – Sales and Purchases

Net Intercompany transactions (sales and purchases) As at June 8, 2023 - In thousands CAD	Petitioners												
	CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU
Sales	17	91	1,291	51	260	99	-	160	83	-	-	-	-
Purchases	(76)	(17)	(381)	(199)	(12)	(636)	(99)	(1)	-	-	(16)	(613)	-
<b>Intercompany transactions (sales and purchases) - Net</b>	<b>(59)</b>	<b>74</b>	<b>910</b>	<b>(148)</b>	<b>248</b>	<b>(537)</b>	<b>(99)</b>	<b>159</b>	<b>83</b>	<b>-</b>	<b>(16)</b>	<b>(613)</b>	<b>-</b>

## 2 Net Intercompany transactions (Sales and Purchases)

- ✓ Post-filing Intercompany Transactions that are not monetary transfers and for which no payments were made since the Filing Date.
- ✓ From the Filing Date up to the date of this report.
- ✓ Example of transactions:
  - ✓ TIT → BLA: services rendered by Titus resources related to the Biostreams contract
  - ✓ BLA → UEC: Transfer of Biostreams inventory to UEC in December 2022
  - ✓ BLA → XSU: BLA has been selling products to a US based client through XSU.
- ✓ All unpaid intercompany transactions in foreign currency were converted to CAD with the FX Rate as of June 8, 2023

Entities	BUYER													TOTAL	
	CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU		
<b>SELLER</b>															
CDA		17	-	-	-	-	-	-	-	-	-	-	-	-	17
CAL	76		14	-	-	-	1	-	-	-	-	-	-	-	91
BLA	-	-		13	12	636	-	1	-	-	16	613	-	-	1,291
CAI	-	-	51		-	-	-	-	-	-	-	-	-	-	51
ACS	-	-	75	184		-	-	-	-	-	-	-	-	-	260
UEC	-	-	-	-	-		99	-	-	-	-	-	-	-	99
XBC	-	-	-	-	-	-		-	-	-	-	-	-	-	-
TIT	-	-	158	2	-	-	-		-	-	-	-	-	-	160
NOR	-	-	83	-	-	-	-	0		-	-	-	-	-	83
GNR	-	-	-	-	-	-	-	-	-		-	-	-	-	-
AIR	-	-	-	-	-	-	-	-	-	-		-	-	-	-
XSU	-	-	-	-	-	-	-	-	-	-	-		-	-	-
XHU	-	-	-	-	-	-	-	-	-	-	-	-		-	-
	<b>76</b>	<b>17</b>	<b>381</b>	<b>199</b>	<b>12</b>	<b>636</b>	<b>99</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>613</b>	<b>-</b>	<b>2,051</b>	

**Note - This table should be read as follow :**  
 (1) BLA sold \$624K worth of inventories to XSU  
 (2) TIT invoiced BLA for \$160k for services rendered by TIT resources on a BLA contract



# Proposed Allocation Method - Assumptions

## Intercompany Transactions – XSU Corporate Overhead

### 1 Corporate Overhead – XSU

- ✓ XSU - Cost center : Amounts allocated between Petitioners benefiting from XSU services and expenses paid on their behalf.
- ✓ **Payroll** includes finance (US) and operation employees servicing several entities.
  - ✓ Management prepared the allocation of the resources based on their responsibilities and the estimated efforts by entity.
- ✓ **Expenses** paid on behalf of other Petitioners include corporate and medical insurance premiums, employee plans, payroll, leases, and other expenses.
  - ✓ Allocation of the estimated expenses incurred since the Filing Date based on the average monthly expenses of each entity as identified by Management.
  - ✓ Detailed review of the main expenses for allocation by entity.
  - ✓ From the information available, review of invoices covering several months since the Filing Date.

Corporate overhead expenses - XSU					
Allocation of costs based on the average monthly expenses					
Entity Name (in USD unless otherwise indicated)	Code	Payroll	Expenses	Total	%
California Compression LLC	CAL	9,257	29,556	<b>38,813</b>	7.3%
CDA Systems, LLC	CDA	9,257	14,275	<b>23,532</b>	4.4%
Enerphase Industrial Solutions Inc.	AIR	9,257	51,600	<b>60,857</b>	11.4%
Nortekbelair Corporation	NOR	21,229	15,954	<b>37,183</b>	7.0%
The Titus Company	TIT	9,257	38,215	<b>47,472</b>	8.9%
XBC Flow Services - Wisconsin Inc.	XBC	9,257	16,231	<b>25,489</b>	4.8%
Xebec Systems USA LLC	UEC	53,984	165,113	<b>219,096</b>	41.2%
Xebec Adsorption Inc.	BLA	70,419	-	<b>70,419</b>	13.2%
Compressed Air International Inc.	CAI	9,257	-	<b>9,257</b>	1.7%
<b>Subtotal</b>		<b>201,175</b>	<b>330,945</b>	<b>532,120</b>	<b>100%</b>
Xebec Adsorption USA Inc.	XSU	-	27,859	<b>27,859</b>	
Other general expenses incurred by XSU since the Filing date	XSU	-	28,571	<b>28,571</b>	
<b>Total - Average monthly expenses incurred</b>		<b>201,175</b>	<b>387,375</b>	<b>588,550</b>	
Estimated expenses <sup>(1)</sup>		1,408,225	2,517,937	3,926,162	
FX Rate USD to CAD (average since filing for the same period)		1.3543	1.3543		
<b>Corporate Overhead recharge to be allocated in CAD</b>		<b>1,907,176</b>	<b>3,410,071</b>	<b>5,317,247</b>	<b>CAD</b>
<b>Corporate Overhead recharge from BLA</b>				77,251	<b>CAD</b>
<b>Total XSU Overhead recharged</b>				<b>5,394,498</b>	<b>CAD</b>

<sup>(1)</sup> For the period up to May (7 months) for the payroll and up to Mid-April (6.5 months) for the expenses consequent to the period covered by the Other Restructuring expenses and Payroll allocated in a separate section of the calculation.



# Proposed Allocation Method - Assumptions

## Intercompany Transactions – BLA Corporate Overhead

### 2 Corporate Overhead – BLA

- ✓ BLA (Head Office) corporate overhead expenses for the benefit of all entities : governance, finance (corporate team), general expenses for the group, specific expenses paid by BLA on behalf of other entities, insurances and other general expenses incurred for the group.
- ✓ These expenses specifically exclude the Restructuring Costs paid by BLA (which are allocated in a separate section).
- ✓ Allocation of Post-Filing Corporate overhead expenses identified by Management based on the methodology used in FY21 (weighted based on asset value, employees and sales).
- ✓ Expenses paid by BLA on behalf of other entities directly recharged.
- ✓ Non-Petitioners allocated corporate overhead expenses are part of BLA's allocated expenses considering that they are assets of BLA and that these Non-Petitioners do not have the capacity to repay. Any recovery from the Non-Petitioners (e.g. XUK, IGT, ITA) is for the benefit of BLA.
- ✓ Refer to the Appendix B for a detailed allocation analysis.

Corporate Overhead expenses of BLA		Corporate Overhead expenses of BLA		
General costs to be allocated		Allocation of costs		Costs allocation
Category	CAD (000\$)	Entity Name	%	Entity
Marketing	186	Xebec Adsorption Inc.	24.5%	BLA
Investor Relation	2	Compressed Air International Inc.	2.5%	CAI
Integration	229	Applied Compression Systems Limitec	3.5%	ACS
Legal	164	Xebec Adsorption USA Inc.	1.8%	XSU
IT	481	CDA Systems, LLC	2.7%	CDA
Finance/Accounting	665	Enerphase Industrial Solutions Inc.	5.3%	AIR
D&O Insurance	513	The Titus Company	4.8%	TIT
Corporate/Administration	1,696	Nortekbelair Corporation	2.7%	NOR
Head Office Rent	111	XBC Flow Services - Wisconsin Inc.	2.1%	XBC
<b>Total</b>	<b>4,047</b>	California Compression LLC	3.8%	CAL
Paid on behalf of other entities	189	Xebec Systems USA LLC (UEC)	19.8%	UEC
<b>Total</b>	<b>4,236</b>	Xebec Italy	0.4%	BLA
Xebec Adsorption Inc.	2,084	Hygear	13.4%	BLA
Petitioners recharged (excluding BLA)	2,152	Inmatec Germany	8.5%	BLA
<b>Total</b>	<b>4,236</b>	Inmatec Dubai	1.3%	BLA
		Tiger	2.6%	BLA
		<b>Total</b>	<b>100%</b>	
		Xebec Adsorption Inc.	51%	BLA
		Petitioners recharged (excluding BLA)	49%	Other
		<b>Total</b>	<b>100%</b>	



# Proposed Allocation Method - Assumptions

## Restructuring Costs, Secured Debt Reimbursements and DIP Financing receipts

Proposed Allocation Method	Petitioners												
	CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU
Proceeds %	12.52%	21.42%	37.05%	4.39%	1.11%	11.87%	4.10%	3.89%	0.58%	0.28%	2.79%	0.00%	0.00%

1

- ✓ Restructuring Costs: includes actual and budgeted Restructuring Costs up to September 30, 2023, a theoretical amount of \$1M representing the amount of the Administrative Charge as well as BLA and XSU disbursements since the month of May 2023.
- ✓ Professional fees are before sales tax considering sales tax refunds.
- ✓ The allocation is made using the prorata result-based approach based on the Proceeds from transactions.
- ✓ Refer to page 9 for the breakdown of the Restructuring Costs.

2

- ✓ Secured Debt Reimbursements - EDC: Allocated between Petitioners on which EDC has a security interest based on Proceeds from transactions
- ✓ EDC fees and interest payments have been recharacterized as capital reimbursements considering that EDC's secured debt is not expected to be fully reimbursed (application of the "Interest Stop Rule")

3

- ✓ Secured Debt Reimbursements - NBC: Allocated between Petitioners on which NBC has 1st ranking security interest based on Proceeds from transactions

4

- ✓ The allocation of the DIP Financing receipts is made using the prorata result-based approach based on Proceeds from transactions.
- ✓ The DIP Financing repayments are allocated on the same basis in a separate section of the report.



# Proposed Allocation Method - Assumptions

## Impact of Xebec UK transaction, DIP Financing repayments and other Secured Debt Reimbursements

XEBEC ADSORPTION INC. & AI. Proposed Allocation Method As at June 8, 2023 - In thousands CAD	Consolidated All Petitioners	EDC														Monitor's trust accounts	Xebec UK XUK
		EDC		EDC		EDC		EDC		EDC		EDC		EDC			
		CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU			
<b>Net proceeds before DIP Financing and other Secured Debts reimbursements</b>	<b>28,898</b>	<b>2,704</b>	<b>3,628</b>	<b>9,348</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,877</b>	<b>7,617</b>	
<b>Xebec UK transaction - Impact</b>																	
<b>Repayment of NBC secured debt</b>																	
NBC --> Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,904)	
NBC --> Mastercard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48)	
NBC --> EDC (guarantor) - LC Facility (drawn LCs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(491)	
NBC --> EDC (guarantor) - LC Facility (London RNG paid in trust to Monitor - Partial)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,176)	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,619)</b>	
<b>Xebec UK transaction - BLA estimated impact</b>																	
Pro forma repayment to Xebec UK (Subrogated in the rights of NBC)	(7,617)	-	-	(7,617)	-	-	-	-	-	-	-	-	-	-	-	-	
Estimated proceeds to BLA (92.17%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,021)	
Other known unsecured creditors (7.83%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(596)	(596)	
<b>Total</b>	<b>(7,617)</b>	<b>-</b>	<b>-</b>	<b>(7,617)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(596)</b>	<b>(7,617)</b>	
<b>Available net proceeds - After UK Transaction Impact</b>	<b>21,281</b>	<b>2,704</b>	<b>3,628</b>	<b>1,731</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,281</b>	<b>-</b>	
<b>DIP Financing repayments - Allocation</b>																	
NBC - First DIP	(1,500)	(188)	(321)	(555)	(66)	(17)	(178)	(62)	(58)	(9)	(4)	(42)	-	-	-	-	
EDC - First DIP	(1,500)	(188)	(321)	(555)	(66)	(17)	(178)	(62)	(58)	(9)	(4)	(42)	-	-	-	-	
EDC - Second DIP	(2,500)	(313)	(535)	(925)	(110)	(28)	(297)	(103)	(97)	(15)	(7)	(70)	-	-	-	-	
EDC - Third DIP	(3,450)	(432)	(739)	(1,279)	(151)	(38)	(409)	(142)	(134)	(20)	(10)	(96)	-	-	-	-	
<b>Total</b>	<b>(8,950)</b>	<b>(1,121)</b>	<b>(1,916)</b>	<b>(3,314)</b>	<b>(393)</b>	<b>(100)</b>	<b>(1,062)</b>	<b>(369)</b>	<b>(347)</b>	<b>(53)</b>	<b>(25)</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>(8,950)</b>	<b>-</b>	
Excess (shortfall) after DIP Financing repayments	12,331	1,583	1,712	(1,583)	1,535	1,152	3,767	299	767	1,438	30	1,581	37	13	12,331	-	
Shortfall allocation	-	(315)	(539)	1,583	(110)	(28)	(298)	(103)	(98)	(15)	(7)	(70)	-	-	-	-	
<b>Total DIP Financing repayments (incl. shortfall allocation)</b>	<b>(8,950)</b>	<b>(1,436)</b>	<b>(2,455)</b>	<b>(1,731)</b>	<b>(503)</b>	<b>(128)</b>	<b>(1,360)</b>	<b>(472)</b>	<b>(445)</b>	<b>(68)</b>	<b>(32)</b>	<b>(320)</b>	<b>-</b>	<b>-</b>	<b>(8,950)</b>	<b>-</b>	
<b>Available net proceeds - After allocated DIP repayments</b>	<b>12,331</b>	<b>1,268</b>	<b>1,173</b>	<b>-</b>	<b>1,425</b>	<b>1,124</b>	<b>3,469</b>	<b>196</b>	<b>669</b>	<b>1,423</b>	<b>23</b>	<b>1,511</b>	<b>37</b>	<b>13</b>	<b>12,331</b>	<b>-</b>	
<b>Estimated outstanding letters of credit ("LC")</b>																	
NBC (EDC as guarantor) - Letter of credit (London RNG) - Unpaid portion	(218)	(111)	-	-	(39)	(10)	-	-	(34)	-	-	(25)	-	-	(218)	-	
NBC (EDC as guarantor) - Letters of credit (Outstanding LCs)	(240)	(122)	-	-	(43)	(11)	-	-	(38)	-	-	(27)	-	-	(240)	-	
<b>Outstanding letters of credit - estimated future repayment</b>	<b>(458)</b>	<b>(232)</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>(458)</b>	<b>-</b>	
<b>Allocated net proceeds prior to distribution to creditors</b>	<b>11,873</b>	<b>1,036</b>	<b>1,173</b>	<b>-</b>	<b>1,343</b>	<b>1,103</b>	<b>3,469</b>	<b>196</b>	<b>597</b>	<b>1,423</b>	<b>23</b>	<b>1,459</b>	<b>37</b>	<b>13</b>	<b>11,873</b>	<b>-</b>	



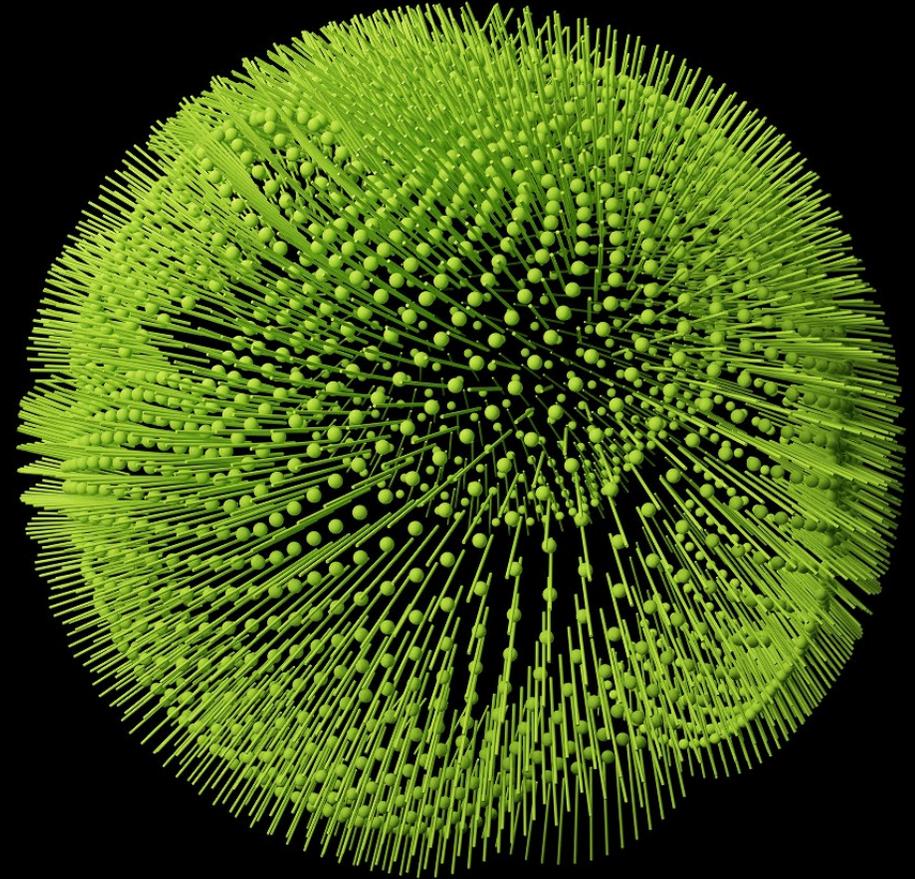
# Proposed Allocation Method - Assumptions

## Impact of Xebec UK transaction, DIP Financing repayments and other Secured Debt Reimbursements

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- 1 ✓ Assumes that Xebec UK, subrogated in the rights of NBC as secured creditor is repaid by BLA, in order to allow for the consideration of additional net proceeds to BLA coming from its claim against Xebec UK, net of the amount estimated to pay the other known unsecured creditor on a prorate basis.
  - ✓ This remains subject to a final resolution of the claims against Xebec UK and is not submitted to the approval of the Court at this stage.
- 2 ✓ DIP Financing repayments: Prorata result-based approach based on Proceeds from transactions.
  - ✓ Shortfall allocation: Prorata result-based approach based on Proceeds from transactions to the Petitioners with sufficient funds available.
- 3 ✓ Secured Debt Reimbursements – NBC (EDC): Remaining letters of credit to be reimbursed (not covered by the Xebec UK transaction proceeds) and guaranteed by EDC. Allocated between Petitioners with sufficient funds available on which NBC has 1st ranking security interest, based on Proceeds from transactions.

# Xebec Alternate Scenario



# Proposed Allocation Method – Alternate Scenario Assumptions

## Rational

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### Information on Alternate Scenario and rational:

- 1 ✓ To support the main assumptions forming part of the Main Scenario, the Monitor has considered alternate assumptions for certain key allocated disbursements.
- ✓ In consideration of the importance and to account for the main phases and efforts during the CCAA process, the Monitor has used alternate assumptions to allocate
  - the professional fees forming part of the Restructuring Costs, and
  - the corporate overhead and management costs of BLA.
- ✓ The alternate assumptions are “effort based” consequent to the transactions made during the CCAA proceedings. Refer to the next pages for the overview of the effort impact on each entity and the impact on the allocation %.
- ✓ For the other items being allocated, due to the absence of a direct impact from the “effort” and/or other form of allocation, and due to the low amounts for the costs portion, the allocation methodology remains the same.

# Proposed Allocation Method – Alternate Scenario Assumptions

## Corporate Overhead – BLA

### Alternate allocation key :

1

Corporate Overhead BLA –  
Allocation on the basis of efforts deployed (refer to Appendix C for the detailed analysis)

Corporate overhead expenses (BLA) Allocation of costs - Alternate scenario Entity Name (in thousand CAD)	Costs Attribution	Base Allocation <sup>(1)</sup>	Effort matrix (Post-Filing)				Alternate allocation			
		%	Oct-Jan	Feb	Mar	Apr +	Oct-Jan	Feb	Mar	Apr +
Xebec Adsorption Inc.	BLA	24.5%	In	In	Out	In	24.5%	30.5%	0.0%	24.5%
Compressed Air International Inc.	CAI	2.5%	In	In	Out	In	2.5%	3.2%	0.0%	2.5%
Applied Compression Systems Limited	ACS	3.5%	In	Out	Out	In	3.5%	0.0%	0.0%	3.5%
Xebec Adsorption USA Inc.	XSU	1.8%	In	In	In	In	1.8%	2.3%	3.9%	1.8%
CDA Systems, LLC	CDA	2.7%	In	In	Out	In	2.7%	3.4%	0.0%	2.7%
Enerphase Industrial Solutions Inc.	AIR	5.3%	In	In	In	In	5.3%	6.6%	11.4%	5.3%
The Titus Company	TIT	4.8%	In	In	In	In	4.8%	6.0%	10.3%	4.8%
Nortekbelair Corporation	NOR	2.7%	In	In	In	In	2.7%	3.4%	5.8%	2.7%
XBC Flow Services - Wisconsin Inc.	XBC	2.1%	In	In	In	In	2.1%	2.6%	4.5%	2.1%
California Compression LLC	CAL	3.8%	In	In	Out	In	3.8%	4.7%	0.0%	3.8%
Xebec Systems USA LLC (UEC)	UEC	19.8%	In	In	In	In	19.8%	24.6%	42.2%	19.8%
Xebec Italy	BLA	0.4%	In	In	In	In	0.4%	0.6%	1.0%	0.4%
Hygear	BLA	13.4%	In	Out	Out	In	13.4%	0.0%	0.0%	13.4%
Inmatec Germany	BLA	8.5%	In	In	In	In	8.5%	10.6%	18.2%	8.5%
Inmatec Dubai	BLA	1.3%	In	In	In	In	1.3%	1.7%	2.8%	1.3%
Tiger	BLA	2.6%	In	Out	Out	In	2.6%	0.0%	0.0%	2.6%
<b>Total</b>		<b>100%</b>					<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Xebec Adsorption Inc.	BLA	51%					51%	43%	22%	51%
Petitioners being recharged (excluding BLA)	Other	49%					49%	57%	78%	49%
<b>Total</b>		<b>100%</b>					<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Proposed Allocation Method – Alternate Scenario Assumptions

## Professional Fees

### Alternate allocation key :

- 2 Professional Fees – Allocation on the basis of efforts deployed

Entity code	Alternate Scenario - Based on Effort					Allocation - Based on Proceeds			
	Before	Jan	Jan	Feb	Mar	Apr +	General	Jan	Feb
<b>BLA</b>	In	In	In	Out	In	37.0%	48.3%	31.4%	0.0%
<b>CAI</b>	In	In	In	Out	In	4.4%	5.7%	7.9%	0.0%
<b>ACS</b>	In	In	Out	Out	In	1.1%	1.4%	0.0%	0.0%
<b>XSU</b>	In	In	In	In	In	0.0%	0.0%	0.0%	0.0%
<b>CDA</b>	In	In	In	Out	In	12.5%	16.3%	22.4%	0.0%
<b>AIR</b>	In	Out	Out	In	In	2.8%	0.0%	0.0%	12.0%
<b>TIT</b>	In	Out	Out	In	In	3.9%	0.0%	0.0%	16.8%
<b>NOR</b>	In	Out	Out	In	In	0.6%	0.0%	0.0%	2.5%
<b>XBC</b>	In	Out	Out	In	In	4.1%	0.0%	0.0%	17.7%
<b>CAL</b>	In	In	In	Out	In	21.4%	27.9%	38.3%	0.0%
<b>UEC</b>	In	Out	Out	In	In	11.9%	0.0%	0.0%	51.1%
<b>Hygear</b>	In	In	In	In	In	0.0%	0.0%	0.0%	0.0%
<b>TIGER</b>	In	In	Out	Out	In	0.0%	0.0%	0.0%	0.0%
<b>GNR</b>	In	In	Out	Out	In	0.3%	0.4%	0.0%	0.0%
						<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Proposed Allocation Method – Alternate Scenario

## Sensitivity Analysis – Main Scenario vs Alternate Scenario

XEBEC ADSORPTION INC. & AI. Main Scenario vs Alternate Scenario As at June 8, 2023 - In thousands CAD	Consolidated All entities Petitioners	EDC													XUK
		Petitioners													
		CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU	
<b>Allocated net proceeds prior to distribution to creditors</b>															
Main Scenario	11,873	1,036	1,173	-	1,343	1,103	3,469	196	597	1,423	23	1,459	37	13	-
Alternate Scenario	11,873	1,087	1,257	-	1,365	1,179	3,337	170	561	1,408	36	1,425	37	13	-
<b>Variance compared to main scenario - Favorable (Unfavorable)</b>	-	51	83	-	21	75	(132)	(26)	(36)	(16)	13	(34)	-	-	-
<b>Variance - Bridge between scenarios - Favorable (Unfavorable) on the Alternate Scenario</b>															
Corporate recharge (BLA)	-	7	8	116	6	23	(90)	(11)	(22)	(13)	-	(24)	-	-	-
Professional fees	-	(94)	(160)	576	(33)	40	(172)	(60)	(57)	(9)	10	(41)	-	-	-
<b>Net variance before shortfall allocation</b>	-	(87)	(152)	692	(27)	63	(262)	(71)	(79)	(22)	10	(65)	-	-	-
<b>Shortfall allocation variance</b>	-	138	235	(692)	48	12	130	45	43	6	3	31	-	-	-
<b>Total variance</b>	-	51	83	-	21	75	(132)	(26)	(36)	(16)	13	(34)	-	-	-

## Observations

- ✓ This alternative method is much more granular and imprecise, and more complex than the Main Scenario.
- ✓ Nominal variance with the Main Scenario for each Petitioner.
- ✓ For these reasons, the Monitor recommends the approval of the Main Scenario as the Proposed Allocation Method.

# Xebec Monitor's Recommendation



# Proposed Allocation Method Report

## Monitor's Recommendation and Conclusion

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The Monitor respectfully submits that the Court should approve the Proposed Allocation Method set forth in the Proposed Allocation Report.

The Proposed Allocation Method is the result of a detailed analysis and significant efforts deployed by the Monitor, with the assistance of the Petitioners.

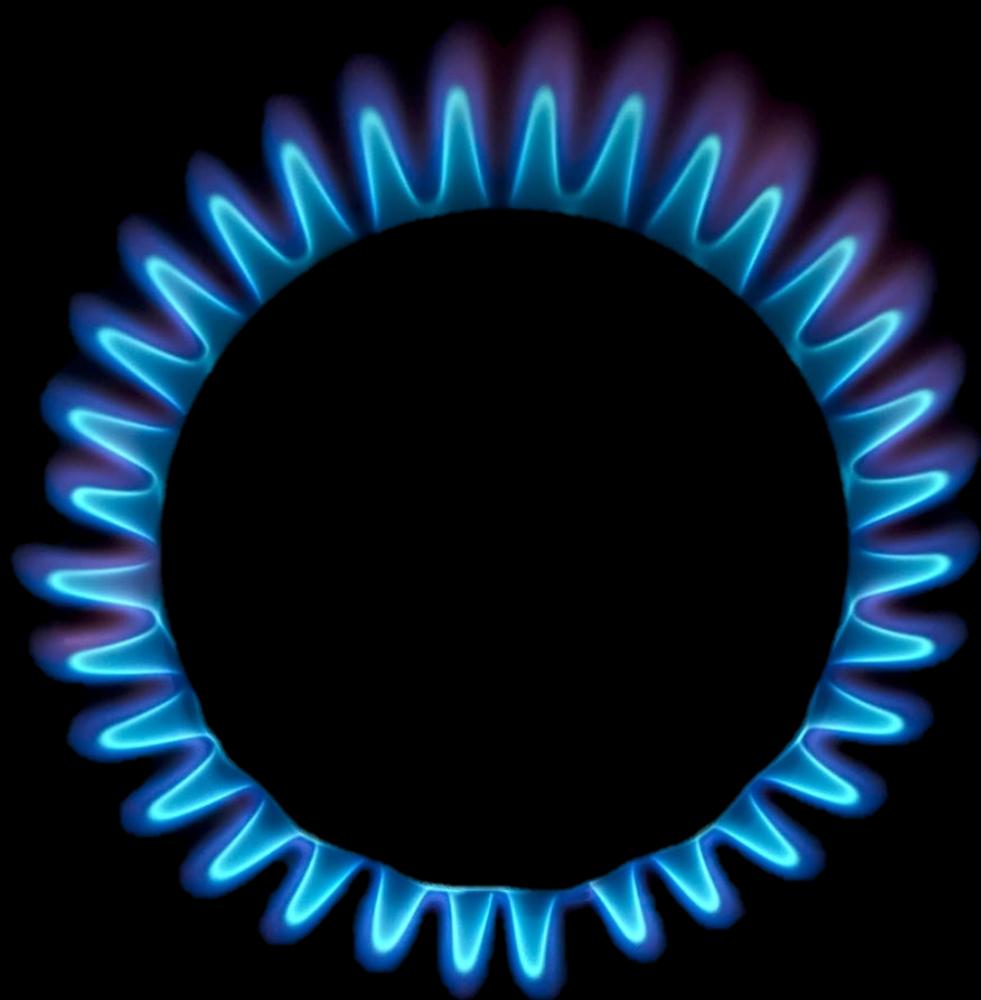
It is a fair, just and equitable methodology prepared based on the specifics of this particular file and is as extensive as possible in the circumstances, without being overly granular.

Moreover, the absence of significant variances between the Alternate Scenario and the Main Scenario demonstrates the equitable nature of the Proposed Allocation Method.

The approval of the Proposed Allocation Method will allow the Petitioners to reach a significant milestone in the CCAA Proceedings, with a view of progressing towards one or more plans of arrangement to their respective creditors, followed by distributions, as applicable.

Next steps will include the completion of the ongoing claims process, the determination of the final allocated amounts by Petitioner, using the Proposed Allocation Method, and the determination of how these final allocated amounts should be distributed to the creditors of the respective Petitioners, namely the unsecured creditors with proven claims in the estates where EDC has no security and EDC and/or the unsecured creditors with proven claims in the estates where EDC has security. These steps are expected to lead to the filing of one or more plan(s) of arrangement by the end of September 2023

# Appendices



# Appendix A

## Detailed Calculation – Main Scenario

<b>XEBEC ADSORPTION INC. &amp; AI.</b>		Consolidated All Petitioners	EDC												Monitor's trust accounts	Xebec UK XUK		
Proposed Allocation Method As at June 8, 2023 - In thousands CAD			Petitioners															
		CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU				
<b>Proceeds from transactions - Allocation</b>																		
Proceeds from transactions		28,988	4,510	7,712	6,320	1,580	400	4,274	1,477	1,402	209	100	1,004	-	-	28,988	7,617	
Xebec UK Transaction estimated impact from BLA		7,021	-	-	7,021	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Proceeds</b>		<b>A</b>	<b>36,009</b>	<b>4,510</b>	<b>7,712</b>	<b>13,341</b>	<b>1,580</b>	<b>4,274</b>	<b>1,477</b>	<b>1,402</b>	<b>209</b>	<b>100</b>	<b>1,004</b>	<b>-</b>	<b>-</b>	<b>28,988</b>	<b>7,617</b>	
Allocation %			100.00%	12.52%	21.42%	37.05%	4.39%	1.11%	11.87%	4.10%	3.89%	0.58%	0.28%	2.79%	0.00%	0.00%		
<b>Post-Filing Intercompany Transactions</b>																		
Net intercompany monetary transfers		B.1	-	971	334	(9,513)	1,532	976	6,357	395	925	1,811	-	2,210	(6,011)	13	-	
Net intercompany transactions (sales and purchases)		B.2	-	(59)	74	909	(149)	248	(537)	(99)	159	83	-	(16)	(613)	-	-	
Management fees - Corporate recharge (XSU) (5,394k)		B.3	-	(239)	(393)	(714)	(94)	-	(2,221)	(258)	(481)	(377)	-	(617)	5,394	-	-	
Management fees - Corporate recharge (BLA) up to Apr 30 (2,152k)		B.4	-	(110)	(171)	2,152	(110)	(161)	(867)	(98)	(206)	(128)	-	(224)	(77)	-	-	
<b>Intercompany Transactions - Net</b>		<b>Σ B</b>	<b>-</b>	<b>563</b>	<b>(156)</b>	<b>(7,166)</b>	<b>1,179</b>	<b>1,063</b>	<b>2,732</b>	<b>(60)</b>	<b>397</b>	<b>1,389</b>	<b>-</b>	<b>1,353</b>	<b>(1,307)</b>	<b>13</b>	<b>-</b>	
<b>Allocations</b>																		
<b>Restructuring Costs &amp; Secured Debt Reimbursements to be allocated</b>																		
Aggregate disbursements to be allocated - From Petitioners		C.1	21,508	-	-	20,110	-	-	-	54	-	-	-	1,344	-	-	-	
Aggregate disbursements to be allocated - From Proceeds		C.2	7,111	-	-	-	-	-	-	-	-	-	-	-	-	7,111	-	
<b>Total to be allocated</b>		<b>Σ C</b>	<b>28,619</b>	<b>-</b>	<b>-</b>	<b>20,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,344</b>	<b>-</b>	<b>7,111</b>	<b>-</b>	
<b>Restructuring Costs &amp; Secured Debt Reimbursements - Allocation</b>																		
<b>Disbursements - Paid</b>																		
Professional fees			(14,118)	(1,769)	(3,025)	(5,227)	(620)	(157)	(1,676)	(579)	(550)	(82)	(39)	(394)	-	-	-	
KERP			(1,328)	(166)	(284)	(492)	(58)	(15)	(158)	(54)	(52)	(8)	(4)	(37)	-	-	-	
DIP Financing - Interest and fees			(545)	(68)	(117)	(202)	(24)	(6)	(65)	(22)	(21)	(3)	(2)	(15)	-	-	-	
EDC - Secured debt - reimbursement			(1,007)	-	(288)	(497)	-	-	(159)	(55)	-	(8)	-	-	-	-	-	
NBC - Secured debt - reimbursement			(1,866)	(378)	-	(1,119)	(133)	(34)	-	-	(118)	-	-	(84)	-	-	-	
EDC - Secured debt - Fees and Interest (Capital reimbursement)			(988)	-	(282)	(488)	-	-	(156)	(54)	-	(8)	-	-	-	-	-	
NBC - Secured debt - Fees and Interest			(138)	(28)	-	(83)	(10)	(2)	-	-	(9)	-	-	(6)	-	-	-	
NBF Transaction charge			(976)	(122)	(209)	(361)	(43)	(11)	(116)	(40)	(38)	(6)	(3)	(27)	-	-	-	
<b>Total - Paid</b>		<b>D.1</b>	<b>(20,966)</b>	<b>(2,531)</b>	<b>(4,205)</b>	<b>(8,469)</b>	<b>(888)</b>	<b>(225)</b>	<b>(2,330)</b>	<b>(804)</b>	<b>(788)</b>	<b>(115)</b>	<b>(48)</b>	<b>(563)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Disbursements - Future</b>																		
Professional fees			(3,470)	(435)	(743)	(1,285)	(152)	(39)	(412)	(142)	(135)	(20)	(10)	(97)	-	-	-	
KERP			(47)	(6)	(10)	(17)	(2)	(1)	(6)	(2)	(2)	-	-	(1)	-	-	-	
Other restructuring expenses			(1,292)	(162)	(277)	(478)	(57)	(14)	(153)	(53)	(50)	(8)	(4)	(36)	-	-	-	
Payroll			(1,700)	(213)	(364)	(629)	(75)	(19)	(202)	(70)	(66)	(10)	(5)	(47)	-	-	-	
<b>Total - Future</b>		<b>D.2</b>	<b>(6,509)</b>	<b>(816)</b>	<b>(1,394)</b>	<b>(2,409)</b>	<b>(286)</b>	<b>(73)</b>	<b>(773)</b>	<b>(267)</b>	<b>(253)</b>	<b>(38)</b>	<b>(19)</b>	<b>(181)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Other items to be allocated</b>																		
Professional fees - Theoretical amount (Administration Charge)			(1,000)	(125)	(214)	(370)	(44)	(11)	(119)	(41)	(39)	(6)	(3)	(28)	-	-	-	
FX Rate variance, bank fees and other expenses (Trust accounts)			(144)	(18)	(31)	(53)	(6)	(2)	(17)	(6)	(6)	(1)	-	(4)	-	-	-	
<b>Total - Other items to be allocated</b>		<b>D.3</b>	<b>(1,144)</b>	<b>(143)</b>	<b>(245)</b>	<b>(423)</b>	<b>(50)</b>	<b>(13)</b>	<b>(136)</b>	<b>(47)</b>	<b>(45)</b>	<b>(7)</b>	<b>(3)</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total - Allocated disbursements</b>		<b>Σ D</b>	<b>(28,619)</b>	<b>(3,490)</b>	<b>(5,844)</b>	<b>(11,301)</b>	<b>(1,224)</b>	<b>(311)</b>	<b>(3,239)</b>	<b>(1,118)</b>	<b>(1,086)</b>	<b>(160)</b>	<b>(70)</b>	<b>(776)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>DIP Financing receipts to be allocated</b>																		
DIP Financing receipts - To be allocated		E	(8,950)	-	-	(8,950)	-	-	-	-	-	-	-	-	-	-	-	
DIP Financing receipts - Allocation		F	8,950	1,121	1,916	3,314	393	100	1,062	369	347	53	25	250	-	-	-	
<b>Total - Allocation net impact</b>		<b>Σ C to F</b>	<b>-</b>	<b>(2,369)</b>	<b>(3,928)</b>	<b>3,173</b>	<b>(831)</b>	<b>(211)</b>	<b>(2,177)</b>	<b>(749)</b>	<b>(685)</b>	<b>(107)</b>	<b>(45)</b>	<b>(526)</b>	<b>1,344</b>	<b>-</b>	<b>-</b>	
<b>Use of proceeds to cover Restructuring Costs (authorized by the Court)</b>		<b>G</b>	<b>(7,111)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,111)</b>	<b>-</b>	
<b>Net proceeds before DIP Financing and other Secured Debts reimbursement</b>		<b>Σ A to G</b>	<b>28,898</b>	<b>2,704</b>	<b>3,628</b>	<b>9,348</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,877</b>	<b>7,617</b>

# Appendix A – cont'd

## Detailed Calculation – Main Scenario



XEBEC ADSORPTION INC. & AI. Proposed Allocation Method As at June 8, 2023 - In thousands CAD	Consolidated All Petitioners	EDC													Monitor's trust accounts	Xebec UK XUK
		Petitioners														
		CDA	CAL	BLA	CAI	ACS	UEC	XBC	TIT	NOR	GNR	AIR	XSU	XHU		
<b>Net proceeds before DIP Financing and other Secured Debts reimbursements</b>	<b>28,898</b>	<b>2,704</b>	<b>3,628</b>	<b>9,348</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,877</b>	<b>7,617</b>
<b>Xebec UK transaction - Impact</b>																
<b>Repayment of NBC secured debt</b>																
NBC --> Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,904)
NBC --> Mastercard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(48)
NBC --> EDC (guarantor) - LC Facility (drawn LCs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(491)
NBC --> EDC (guarantor) - LC Facility (London RNG paid in trust to Monitor - Partial)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,176)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,619)</b>
<b>Xebec UK transaction - BLA estimated impact</b>																
Pro forma repayment to Xebec UK (Subrogated in the rights of NBC)	(7,617)	-	-	(7,617)	-	-	-	-	-	-	-	-	-	-	-	-
Estimated proceeds to BLA (92.17%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,021)
Other known unsecured creditors (7.83%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(596)
<b>Total</b>	<b>(7,617)</b>	<b>-</b>	<b>-</b>	<b>(7,617)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(596)</b>	<b>(7,617)</b>
<b>Available net proceeds - After UK Transaction Impact</b>	<b>21,281</b>	<b>2,704</b>	<b>3,628</b>	<b>1,731</b>	<b>1,928</b>	<b>1,252</b>	<b>4,829</b>	<b>668</b>	<b>1,114</b>	<b>1,491</b>	<b>55</b>	<b>1,831</b>	<b>37</b>	<b>13</b>	<b>21,281</b>	<b>-</b>
<b>DIP Financing repayments - Allocation</b>																
NBC - First DIP	(1,500)	(188)	(321)	(555)	(66)	(17)	(178)	(62)	(58)	(9)	(4)	(42)	-	-	-	-
EDC - First DIP	(1,500)	(188)	(321)	(555)	(66)	(17)	(178)	(62)	(58)	(9)	(4)	(42)	-	-	-	-
EDC - Second DIP	(2,500)	(313)	(535)	(925)	(110)	(28)	(297)	(103)	(97)	(15)	(7)	(70)	-	-	-	-
EDC - Third DIP	(3,450)	(432)	(739)	(1,279)	(151)	(38)	(409)	(142)	(134)	(20)	(10)	(96)	-	-	-	-
<b>Total</b>	<b>(8,950)</b>	<b>(1,121)</b>	<b>(1,916)</b>	<b>(3,314)</b>	<b>(393)</b>	<b>(100)</b>	<b>(1,062)</b>	<b>(369)</b>	<b>(347)</b>	<b>(53)</b>	<b>(25)</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>(8,950)</b>	<b>-</b>
Excess (shortfall) after DIP Financing repayments	12,331	1,583	1,712	(1,583)	1,535	1,152	3,767	299	767	1,438	30	1,581	37	13	12,331	-
Shortfall allocation	-	(315)	(539)	1,583	(110)	(28)	(298)	(103)	(98)	(15)	(7)	(70)	-	-	-	-
<b>Total DIP Financing repayments (incl. shortfall allocation)</b>	<b>(8,950)</b>	<b>(1,436)</b>	<b>(2,455)</b>	<b>(1,731)</b>	<b>(503)</b>	<b>(128)</b>	<b>(1,360)</b>	<b>(472)</b>	<b>(445)</b>	<b>(68)</b>	<b>(32)</b>	<b>(320)</b>	<b>-</b>	<b>-</b>	<b>(8,950)</b>	<b>-</b>
<b>Available net proceeds - After allocated DIP repayments</b>	<b>12,331</b>	<b>1,268</b>	<b>1,173</b>	<b>-</b>	<b>1,425</b>	<b>1,124</b>	<b>3,469</b>	<b>196</b>	<b>669</b>	<b>1,423</b>	<b>23</b>	<b>1,511</b>	<b>37</b>	<b>13</b>	<b>12,331</b>	<b>-</b>
<b>Estimated outstanding letters of credit ("LC")</b>																
NBC (EDC as guarantor) - Letter of credit (London RNG) - Unpaid portion	(218)	(111)	-	-	(39)	(10)	-	-	(34)	-	-	(25)	-	-	(218)	-
NBC (EDC as guarantor) - Letters of credit (Outstanding LCs)	(240)	(122)	-	-	(43)	(11)	-	-	(38)	-	-	(27)	-	-	(240)	-
<b>Outstanding letters of credit - estimated future repayment</b>	<b>(458)</b>	<b>(232)</b>	<b>-</b>	<b>-</b>	<b>(81)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>(458)</b>	<b>-</b>
<b>Allocated net proceeds prior to distribution to creditors</b>	<b>11,873</b>	<b>1,036</b>	<b>1,173</b>	<b>-</b>	<b>1,343</b>	<b>1,103</b>	<b>3,469</b>	<b>196</b>	<b>597</b>	<b>1,423</b>	<b>23</b>	<b>1,459</b>	<b>37</b>	<b>13</b>	<b>11,873</b>	<b>-</b>

# Appendix B

## BLA Corporate Overhead – Detailed Allocation

Corporate overhead expenses (BLA) Allocation of costs		Allocation of general corporate overhead costs <sup>(1)</sup>					Direct <sup>(2)</sup>	Total
Entity Name (in thousand CAD)	Costs Attribution	Sales	Headcount	Assets	Average	\$	\$	\$
Xebec Adsorption Inc.	BLA	17.1%	23.3%	33.1%	<b>24.5%</b>	992	-	992
Compressed Air International Inc.	CAI	4.1%	2.4%	1.1%	<b>2.5%</b>	103	8	<b>111</b>
Applied Compression Systems Limited	ACS	2.0%	4.6%	3.9%	<b>3.5%</b>	141	20	<b>161</b>
Xebec Adsorption USA Inc.	XSU	0.8%	3.4%	1.2%	<b>1.8%</b>	73	4	<b>77</b>
CDA Systems, LLC	CDA	3.6%	1.8%	2.7%	<b>2.7%</b>	110	-	<b>110</b>
Enerphase Industrial Solutions Inc.	AIR	7.9%	5.6%	2.5%	<b>5.3%</b>	216	8	<b>224</b>
The Titus Company	TIT	6.3%	4.6%	3.6%	<b>4.8%</b>	195	11	<b>206</b>
Nortekbelair Corporation	NOR	3.9%	3.4%	0.8%	<b>2.7%</b>	110	17	<b>127</b>
XBC Flow Services - Wisconsin Inc.	XBC	3.0%	2.0%	1.4%	<b>2.1%</b>	85	13	<b>98</b>
California Compression LLC	CAL	6.0%	3.0%	2.4%	<b>3.8%</b>	154	18	<b>172</b>
Xebec Systems USA LLC (UEC)	UEC	23.0%	13.7%	22.7%	<b>19.8%</b>	801	67	<b>866</b>
Xebec Italy	BLA	0.2%	0.0%	1.2%	<b>0.4%</b>	18	-	18
Hygear	BLA	7.0%	17.1%	16.1%	<b>13.4%</b>	543	18	563
Inmatec Germany	BLA	10.1%	10.0%	5.6%	<b>8.5%</b>	345	-	345
Inmatec Dubai	BLA	2.1%	1.2%	0.7%	<b>1.3%</b>	54	-	54
Tiger	BLA	2.8%	4.0%	1.1%	<b>2.6%</b>	107	5	112
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>4,047</b>	<b>189</b>	<b>4,236</b>
Xebec Adsorption Inc.	BLA	39%	56%	58%	51%	2,059	23	2,084
Petitioners recharged (excluding BLA)	Other	61%	44%	42%	49%	1,988	166	<b>2,152</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>4,047</b>	<b>189</b>	<b>4,236</b>

### Note

- 1** General overhead costs were allocated based on the methodology used by Xebec Management in FY21.
- 2** Some expenses incurred by BLA on behalf of other entities (such as insurances, employee benefits, etc.) are specifically charged back to these entities.

# Appendix C

## BLA Corporate Overhead – Detailed Allocation – Alternate scenario

Corporate overhead expenses (BLA) Allocation of costs - Alternate scenario		Base Allocation <sup>(1)</sup>	Effort matrix (Post-Filing)				Alternate allocation				Allocation by month based on effort					
Entity Name (in thousand CAD)	Costs Attribution	%	Before Jan	Feb	Mar	Apr +	Before Jan	Feb	Mar	Apr +	Jan	Feb	Mar	Other	Direct	Total
Xebec Adsorption Inc.	BLA	24.5%	In	In	Out	In	24.5%	30.5%	0.0%	24.5%	156	103	-	675	-	934
Compressed Air International Inc.	CAI	2.5%	In	In	Out	In	2.5%	3.2%	0.0%	2.5%	16	11	-	70	8	105
Applied Compression Systems Limited	ACS	3.5%	In	Out	Out	In	3.5%	0.0%	0.0%	3.5%	22	-	-	96	20	138
Xebec Adsorption USA Inc.	XSU	1.8%	In	In	In	In	1.8%	2.3%	3.9%	1.8%	12	8	12	50	4	85
CDA Systems, LLC	CDA	2.7%	In	In	Out	In	2.7%	3.4%	0.0%	2.7%	17	11	-	75	-	103
Enerphase Industrial Solutions Inc.	AIR	5.3%	In	In	In	In	5.3%	6.6%	11.4%	5.3%	34	23	36	147	8	248
The Titus Company	TIT	4.8%	In	In	In	In	4.8%	6.0%	10.3%	4.8%	31	20	33	133	11	228
Nortekbelair Corporation	NOR	2.7%	In	In	In	In	2.7%	3.4%	5.8%	2.7%	17	11	18	75	17	139
XBC Flow Services - Wisconsin Inc.	XBC	2.1%	In	In	In	In	2.1%	2.6%	4.5%	2.1%	13	9	14	58	13	108
California Compression LLC	CAL	3.8%	In	In	Out	In	3.8%	4.7%	0.0%	3.8%	24	16	-	104	18	163
Xebec Systems USA LLC (UEC)	UEC	19.8%	In	In	In	In	19.8%	24.6%	42.2%	19.8%	126	83	134	545	67	955
Xebec Italy	BLA	0.4%	In	In	In	In	0.4%	0.6%	1.0%	0.4%	3	2	3	12	-	20
Hygear	BLA	13.4%	In	Out	Out	In	13.4%	0.0%	0.0%	13.4%	85	-	-	369	18	473
Inmatec Germany	BLA	8.5%	In	In	In	In	8.5%	10.6%	18.2%	8.5%	54	36	58	235	-	383
Inmatec Dubai	BLA	1.3%	In	In	In	In	1.3%	1.7%	2.8%	1.3%	8	6	9	37	-	60
Tiger	BLA	2.6%	In	Out	Out	In	2.6%	0.0%	0.0%	2.6%	17	-	-	73	5	95
<b>Total</b>		<b>100%</b>					<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>637</b>	<b>339</b>	<b>317</b>	<b>2,754</b>	<b>189</b>	<b>4,236</b>
Xebec Adsorption Inc.	BLA	51%					51%	43%	22%	51%	324	147	70	1,401	23	1,965
Petitioners being recharged (excluding BLA)	Other	49%					49%	57%	78%	49%	313	192	247	1,353	166	2,271
<b>Total</b>		<b>100%</b>					<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>637</b>	<b>339</b>	<b>317</b>	<b>2,754</b>	<b>189</b>	<b>4,236</b>

# Appendix D

## Non-Petitioners Intercompany Transactions – Detail

Non-Petitioners Intercompany Sales & Purchases						
Seller	Purchaser	Invoice Date	Amount	Currency	FX Rate	Converted Amount
TIGER	BLA	10-Oct-22	18,367	GBP	1.6809	30,872
TIGER	BLA	12-Oct-22	6,063	GBP	1.6809	10,192
TIGER	TIT	21-Oct-22	65	GBP	1.6809	109
TIGER	TIT	8-Nov-22	542	GBP	1.6809	912
TIGER	TIT	8-Nov-22	1,628	GBP	1.6809	2,737
BLA	HYB	16-Dec-22	2,113	EUR	1.4622	3,090
BLA	HYB	17-Jan-23	76,602	EUR	1.4622	112,008
BLA	ITA	19-Jan-23	56,251	EUR	1.4622	82,249

Non-Petitioners Intercompany Monetary Transfers						
Issuer	Beneficiary	Transfer Date	Amount	Currency	FX Rate	Converted Amount
TIT	TIGER	16-Nov-22	491	USD	1.3582	667
TIGER	BLA	20-Dec-22	150,000	EUR	1.4622	219,330
BLA	GVH	20-Dec-22	150,000	EUR	1.4622	219,330
IGT	BLA	22-Dec-22	50,000	EUR	1.4622	73,110

### NOTES

- ✓ This list represent solely the transactions with non-petitioners involving petitioners and do not include any transactions between non-petitioners.
- ✓ The transactions on December 20, 2022 between Tiger → BLA → GVH represent an advance of funds that was made by Tiger to GVH which transited via an account of BLA to take advantage of more favorable exchange rate and to accelerate the transfer of funds.

# Appendix E

## Group Naming Convention and Entity Codes

Naming convention - Xebec Group		
Legal names	Entity Code	Petitioners
FormerXBC Inc. (formerly, Xebec Adsorption Inc.)	<b>BLA</b>	<b>Petitioner</b>
11941666 Canada Inc. (formerly, Xebec RNG Holdings Inc.)	<b>GNR</b>	<b>Petitioner</b>
1224933 Ontario Inc. (formerly, Compressed Air International Inc.)	<b>CAI</b>	<b>Petitioner</b>
Applied Compression Systems Limited	<b>ACS</b>	<b>Petitioner</b>
FormerXBC Holding USA Inc. (formely, Xebec Holding USA Inc. )	<b>XHU</b>	<b>Petitioner</b>
Enerphase Industrial Solutions Inc.	<b>AIR</b>	<b>Petitioner</b>
CDA Systems, LLC	<b>CDA</b>	<b>Petitioner</b>
FormerXBC Adsorption USA Inc. (formely, Xebec Adsorption USA Inc.)	<b>XSU</b>	<b>Petitioner</b>
FormerXBC Pennsylvania Company (formerly, The Titus Company)	<b>TIT</b>	<b>Petitioner</b>
FormerXBC NOR Corporation (formely, Nortekbelair Corporation)	<b>NOR</b>	<b>Petitioner</b>
FormerXBC Flow Services - Wisconsin Inc. (formerly, XBC Flow Services - Wisconsin Inc. )	<b>XBC</b>	<b>Petitioner</b>
California Compression LLC	<b>CAL</b>	<b>Petitioner</b>
FormerXBC Systems USA, LLC (formerly, Xebec Systems USA LLC)	<b>UEC</b>	<b>Petitioner</b>
Tiger Filtration Limited	<b>TIGER</b>	Non-Petitioner
Xebec Holding UK Limited	<b>XUK</b>	Non-Petitioner
Inmatec Gas Technology FZC-LLC	<b>IGT</b>	Non-Petitioner
Inmatec GaseTechnologie GmbH & Co. KG	<b>IGG</b>	Non-Petitioner
Xebec Komplementär GmbH / Xebec Complimentar GmbH	<b>XKG</b>	Non-Petitioner
Xebec Italy S.r.l.	<b>ITA</b>	Non-Petitioner
Xebec Europe B.V.	<b>EUR</b>	Non-Petitioner
Green Vision Holding B.V.	<b>GVH</b>	Non-Petitioner
HyGear B.V.	<b>HYB</b>	Non-Petitioner
HyGear Technology and Services B.V.	<b>HYT</b>	Non-Petitioner
HyGear Operations B.V.	<b>HYO</b>	Non-Petitioner
HyGear Fuel Cell Systems B.V.	<b>HYF</b>	Non-Petitioner
HyGear Hydrogen Plant B.V.	<b>HYH</b>	Non-Petitioner
Buse HyGear Limited	<b>BHY</b>	Non-Petitioner
GNR Québec Capital Management Inc. / Gestion GNR Québec Capital Inc.	<b>GNR1</b>	Non-Petitioner
GNR Québec Capital S.E.C. / GNR Québec Capital L.P.	<b>GNR2</b>	Non-Petitioner
GNR Bromont Management Inc. / Gestion GNR Bromont Inc.	<b>GNR3</b>	Non-Petitioner
GNR Bromont S.E.C. / GNR Bromont L.P.	<b>GNR4</b>	Non-Petitioner
Xebec Deutschland GmbH	<b>DEU</b>	Non-Petitioner
Xebec Adsorption Asia PTE LTD	<b>ASIA</b>	Non-Petitioner
Xebec Adsorption (Shanghai) Co. Ltd.	<b>SHG</b>	Non-Petitioner

# Appendix F

## Monitor's trust account reconciliation

<b>XEBEC ADSORPTION INC. &amp; AI.</b>		
Breakdown of net proceeds and transactions from the Monitor's trust accounts		
<i>In \$000s CAD, as of June 8, 2023</i>		
	<b>Petitioners</b>	<b>Amounts</b>
<b>PROCEEDS FROM TRANSACTIONS</b>		
<b>Transactions - Part of the SISF process</b>		
1396905 B.C. LTD	ACS	400
FSTQ	GNR	100
Sullair	CDA & CAL	12,222
Ivys Energy Solutions	BLA & CAI	7,900
Next Air & Gas	NOR	209
Curtis Toledo	AIR	895
Fluid-Aire Dynamics	TIT	1,402
Total Energy Systems	XBC	1,477
EnergyLink	UEC	4,037
		<u>28,643</u>
<b>Closed transactions - Remaining Other Assets</b>		
Air Products	UEC	236
Enerphase - Vehicle Fleet sales	AIR	109
<b>Total proceeds</b>	<b>A</b>	<u><b>28,988</b></u>
<b>PAYMENTS MADE TO THE BENEFICIARIES OF THE CCAA CHARGES AND OTHER DISBURSEMENTS</b>		
Professionnal fees		1,489
Interest and fees on DIP Financing		31
Transaction Fee		975
KERP		432
Interest revenues (net of bank fees)		(39)
Foreign exchange loss (gain)		178
	<b>B</b>	<u><b>3,066</b></u>
DIP Facility - Reimbursement to NBC		1,500
DIP Facility - Reimbursement to EDC		1,500
Second DIP Facility - Reimbursement to EDC		2,500
Third DIP Facility - Reimbursement to EDC		3,450
	<b>B</b>	<u><b>8,950</b></u>
<b>Outstanding balance as of May 18, 2023</b>	<b>C=(A-B)</b>	<u><b>16,972</b></u>
<b>UPCOMING DISBURSEMENTS FROM THE TRUST ACCOUNTS</b>		
KERP		45
Professional Fees - Theoretical amount of the Administration Charge		1,000
Funds from net proceeds - Transfer to the operation accounts		3,000
Other potential distribution related to the Xebec UK Transaction		596
	<b>D</b>	<u><b>4,641</b></u>
<b>Outstanding balance after priority charges</b>	<b>E=(C-D)</b>	<u><b>12,331</b></u>
<b>POTENTIAL TRANSACTIONS - OTHER REMAINING ASSETS</b>		
Biostream Assets	UEC	TBD
Western Midstream	UEC	TBD
Filters	XSU	TBD
Claims to Non-Petitionners	IGT	TBD
Claims to Non-Petitionners	ITA	TBD
London RNG	BLA	TBD
<b>Total proceeds from transactions to be completed</b>	<b>F</b>	<u><b>-</b></u>
<b>Estimated net proceeds and transactions from the Monitor's trust accounts</b>	<b>G=(E+F)</b>	<u><b>12,331</b></u>



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**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re:

FORMERXBC HOLDING USA INC.  
(f/k/a XEBEC HOLDING USA INC.), *et al.*,

Debtor in a foreign proceeding.<sup>1</sup>

Chapter 15

Case No. 22-10934 (KBO)

Jointly Administered

**Hearing Date: July 19, 2023 at 1:00 p.m. (ET)**

**Objection Deadline: July 12, 2023 at 4:00 p.m. (ET)**

**NOTICE OF THE FOREIGN REPRESENTATIVE'S MOTION FOR ENTRY OF AN ORDER (I) RECOGNIZING AND ENFORCING CCAA ORDER APPROVING ALLOCATION METHOD; AND (II) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE THAT FormerXBC Inc. (f/k/a Xebec Adsorption Inc.), (the “**Foreign Representative**” or “**Xebec Adsorption**”) has filed the *Foreign Representative’s Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; and (II) Granting Related Relief* (the “**Motion**”) in the above-captioned chapter 15 cases.

You are required to file a response to the Motion on or before **July 12, 2023 at 4:00 p.m. (ET)**

At the same time, you must also serve a copy of the response upon the Foreign Representative’s attorney:

David M. Klauder, Esquire  
**BIELLI & KLAUDER, LLC**  
1204 N. King Street  
Wilmington, DE 19801  
Phone: (302) 803-4600  
Email: dklauder@bk-legal.com

<sup>1</sup> The Debtors in the chapter 15 proceedings and the last four digits of their federal tax identification numbers are: FormerXBC Inc. (f/k/a Xebec Adsorption Inc.) (0228), 11941666 Canada Inc. (f/k/a Xebec RNG Holdings Inc.) (N/A), Applied Compression Systems Ltd. (N/A), 1224933 Ontario Inc. (f/k/a Compressed Air International Inc.) (N/A), FormerXBC Holding USA Inc. (f/k/a Xebec Holding USA Inc.) (8495), Enerphase Industrial Solutions Inc. (1979), CDA Systems, LLC (6293), FormerXBC Adsorption USA Inc. (f/k/a Xebec Adsorption USA Inc.) (0821), FormerXBC Pennsylvania Company (f/k/a The Titus Company) (9757), FormerXBC NOR Corporation (f/k/a Nortekbelair Corporation) (1897), FormerXBC Flow Services – Wisconsin Inc. (f/k/a XBC Flow Services – Wisconsin Inc.) (7493), California Compression, LLC (4752), and FormerXBC Systems USA, LLC (f/k/a Xebec Systems USA LLC) (4156). The location of the Debtors’ corporate headquarters and the Debtors’ foreign representative is: 730 Industriel Boulevard, Blainville, Quebec, J7C 3V4, Canada.

HEARING ON THE MOTION IS **July 19, 2023 at 1:00 p.m. (ET)** before the Honorable Karen B. Owens at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6<sup>th</sup> Floor, Wilmington, DE 19801 in Courtroom Number 3.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: July 5, 2023  
Wilmington, Delaware

**BIELLI & KLAUDER, LLC**

*/s/ David M. Klauder*

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*Counsel for the Foreign Representative*

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re:

FORMERXBC HOLDING USA INC.  
(f/k/a XEBEC HOLDING USA INC.), *et al.*,

Debtor in a foreign proceeding.<sup>1</sup>

Chapter 15

Case No. 22-10934 (KBO)

Jointly Administered

**CERTIFICATE OF SERVICE**

I, David M. Klauder, Esquire, certify that on July 5, 2023, the *Foreign Representative's Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; and (II) Granting Related Relief, Declaration of Sandra Abitan, as Canadian Counsel to the Debtors, in Support of Foreign Representative's Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; and (II) Granting Related Relief and Declaration of Jean-François Nadon, CPA, CIRP, LIT, on Behalf of Deloitte Restructuring Inc., in its Capacity as Court-Appointed Monitor in the Canadian Proceeding, in Support of Foreign Representative's Motion for Entry of an Order (I) Recognizing and Enforcing CCAA Order Approving Allocation Method; and (II) Granting Related Relief* were served on the parties on the attached Service List via electronic mail and/or U.S. First Class mail.

<sup>1</sup> The Debtors in the chapter 15 proceedings and the last four digits of their federal tax identification numbers are: FormerXBC Inc. (f/k/a Xebec Adsorption Inc.) (0228), 11941666 Canada Inc. (f/k/a Xebec RNG Holdings Inc.) (N/A), Applied Compression Systems Ltd. (N/A), 1224933 Ontario Inc. (f/k/a Compressed Air International Inc.) (N/A), FormerXBC Holding USA Inc. (f/k/a Xebec Holding USA Inc.) (8495), Enerphase Industrial Solutions Inc. (1979), CDA Systems, LLC (6293), FormerXBC Adsorption USA Inc. (f/k/a Xebec Adsorption USA Inc.) (0821), FormerXBC Pennsylvania Company (f/k/a The Titus Company) (9757), FormerXBC NOR Corporation (f/k/a Nortekbelair Corporation) (1897), FormerXBC Flow Services – Wisconsin Inc. (f/k/a XBC Flow Services – Wisconsin Inc.) (7493), California Compression, LLC (4752), and FormerXBC Systems USA, LLC (f/k/a Xebec Systems USA LLC) (4156). The location of the Debtors' corporate headquarters and the Debtors' foreign representative is: 730 Industriel Boulevard, Blainville, Quebec, J7C 3V4, Canada.

Dated: July 5, 2023  
Wilmington, Delaware

**BIELLI & KLAUDER, LLC**

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