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PROVINCE OF QUEBEC  
DISTRICT OF QUEBEC  
COURT. No.: 500-11-061483-224  
OFFICE No.:

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

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

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

**Debtors / Petitioners**

- and -

**DELOITTE RESTRUCTURING INC.**

**Proposed Monitor**

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

## **INTRODUCTION**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the *Application for the Issuance of a First Day Initial Order, a Deemed Extension of the Stay Period and a Bidding Procedures Order* (the "**Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**").
2. Unless otherwise stated, the Debtors/Petitioners in the Application are collectively referred to herein as the "**Petitioners**" or the "**Debtors**".
3. The Petitioners and the other material direct or indirect subsidiaries of Xebec Adsorption Inc. ("**Xebec Inc.**"), which are not currently parties in the CCAA proceedings, are collectively referred to herein as the "**Xebec Group**" or the "**Company**".
4. This report (the "**First Report**") has been prepared by Deloitte Restructuring Inc. in its capacity as proposed monitor ("**Deloitte**" or the "**Proposed Monitor**") prior to its appointment as monitor in these CCAA proceedings to provide information to this Court for its consideration in respect of the Application.
5. The purpose of the First Report of the Proposed Monitor is to provide information to the Court with respect to:
  - I. The business, financial affairs and financial results of Xebec Group;
  - II. The Petitioners' main creditors;
  - III. The proposed restructuring process (the "**Restructuring Process**");
  - IV. The proposed sale and investment solicitation process (the "**SISP**");
  - V. Charges sought in the proposed "**First Day Initial Order**";
  - VI. Payments to Critical Suppliers;
  - VII. Intercompany Payments;
  - VIII. Overview of the Cash Flow Projections;
  - IX. Deloitte's qualification to act as Monitor;
  - X. Recognition Proceedings in the United States; and
  - XI. The Proposed Monitor's conclusions and recommendations.
6. In preparing the First Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, the Petitioners' books and records and financial information prepared by the same and discussions with management ("**Management**") of the Petitioners (collectively, the "**Information**"). Except as described in this First Report in respect of the Debtors' Cash Flow Statement (as defined below):
  - (i) The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

- (ii) Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
7. Future oriented financial information referred to in this First Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
  8. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this First Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
  9. The Information that was analyzed does not include the extent of the impact of Coronavirus ("COVID-19") on the Petitioners' operations. At the time of the Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and may continue to have on the Petitioners and the broader domestic and global economies.
  10. The Proposed Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and may continue to have on the Petitioners.

## **I. THE BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL RESULTS OF XEBEC GROUP**

### Streams of Business of the Xebec Group and Entities Part of the CCAA Process

11. The entities forming part of the Xebec Group are described in detail in the Application. The operating entities of the Xebec Group are involved in five principal streams of business, namely:
  - a) **Renewable Natural Gas ("RNG"):**
    - i. Systems converting biogas to renewable natural gas from agricultural digesters, organic facilities, landfills and wastewater treatment plants; and
    - ii. Containerized and automated systems converting biogas to renewable natural gas (BGX Biostream units).
  - b) **Hydrogen:**
    - i. On-site systems for hydrogen generation;
    - ii. Hydrogen purification and recycling systems;
    - iii. Decentralized production hubs; and
    - iv. Gas-as-a-Service model allowing customers to pay for the gas they use versus owning the systems.
  - c) **Carbon Capture:**
    - i. Compression of carbon dioxide for transport; and
    - ii. Pressure swing adsorption (or "PSA") units used to capture and purify carbon dioxide from gas streams.
  - d) **Industrial Service and Support:**
    - i. Service and support to cleantech businesses by providing ancillary services; and

- ii. Includes installation, commissioning and maintenance.
  - e) **Nitrogen & Oxygen:**
    - i. PSA technology used for continuous production of nitrogen and/or oxygen; and
    - ii. Production of nitrogen and/or oxygen generators for on-site gas production.
- 12. The Debtors are all of the subsidiaries of Xebec Inc. located in Canada and in the United States, not including a small number of entities which are not wholly owned. The entities of Xebec Group located outside North America are not, at this time, included in the CCAA proceedings nor involved in a formal restructuring process in a foreign jurisdiction. The Company, in consultation with the Proposed Monitor, is considering the evolution of the Restructuring Process to determine the next steps regarding these entities, in the best interest of all stakeholders.
- 13. The following table illustrates the entities of the Xebec Group, including the Petitioners and the non-Petitioners, their location and their stream(s) of business:

*[Table on separate page]*

	Entities	Holding	Petitioners entities	Country	RNG	Hydrogen	Carbon Capture & Sequestration	Industrial Service & Support	Oxygen & Nitrogen
<b>Canada</b>	Xebec Adsorption Inc.			Canada	[80 - 90 %]	[5 - 10 %]	-	[10 - 20 %]	-
	Compressed Air International Inc.			Canada	-	-	-	[100 %]	-
	Applied Compression Systems Limited			Canada	[100 %]	-	-	-	-
	Xebec RNG Holdings Inc.			Canada	-	-	-	-	-
	GNR Bromont Management Inc. / Gestion GNR Bromont Inc.			Canada	-	-	-	-	-
	GNR Bromont S.E.C. / GNR Bromont L.P.			Canada	-	-	-	-	-
	GNR Québec Capital Management Inc. / Gestion GNR Québec Capital Inc.			Canada	-	-	-	-	-
GNR Québec Capital S.E.C. / GNR Québec Capital L.P.		Note 1	Canada	-	-	-	-	-	
<b>United States</b>	Xebec Holding USA Inc.			United States	-	-	-	-	-
	Xebec Adsorption USA Inc.			United States	-	-	-	[100 %]	-
	CDA Systems, LLC			United States	-	-	-	[100 %]	-
	Enerphase Industrial Solutions Inc. (doing business as Air Flow)			United States	-	-	-	[100 %]	-
	The Titus Company			United States	-	-	-	[100 %]	-
	Nortekbelair Corporation			United States	-	-	-	[100 %]	-
	XBC Flow Services - Wisconsin Inc.			United States	-	-	-	[100 %]	-
	California Compression LLC			United States	-	-	-	[100 %]	-
Xebec Systems USA LLC (previously known as UEC, LLC)			United States	[20 - 30 %]	-	[20 - 30 %]	[40 - 60 %]	-	
<b>Europe</b>	Xebec Europe B.V.			Netherlands	-	-	-	-	-
	Xebec Deutschland GmbH			Germany	-	-	-	-	-
	Inmatec GaseTechnologie GmbH & Co. KG			Germany	-	-	-	-	[100 %]
	Xebec Komplementär GmbH			Germany	-	-	-	-	-
	Green Vision Holding B.V.			Netherlands	-	-	-	-	-
	HyGear Technology and Services B.V.			Netherlands	-	[100 %]	-	-	-
	HyGear Operations B.V.			Netherlands	-	[100 %]	-	-	-
	HyGear B.V.			Netherlands	-	[100 %]	-	-	-
	HyGear Fuel Cell Systems B.V.			Netherlands	-	[100 %]	-	-	-
	HyGear Hydrogen Plant B.V.			Netherlands	-	[100 %]	-	-	-
	Buse HyGear Limited			United Kingdom	-	[100 %]	-	-	-
	Xebec Italy S.r.l. (previously known as Xebec Adsorption Europe S.r.l.)			Italy	[100 %]	-	-	-	-
	Xebec Holding UK Limited			United Kingdom	-	-	-	-	-
Tiger Filtration Limited			United Kingdom	-	-	-	[100 %]	-	
<b>Other</b>	Inmatec Gas Technology FZC-LLC			United Arab Emirates	-	-	-	-	[100 %]
	Xebec Adsorption Asia PTE LTD			Singapore	-	[100 %]	-	-	-
	Xebec Adsorption (Shanghai) Co. Ltd.			China	-	[100 %]	-	-	-

(1) Xebec Inc. has a direct and indirect interest of 50% in GNR Québec Capital L.P.

14. The names and defined terms used for the entities of the Xebec Group are found in Appendix A of this report and the organizational chart of the Xebec Group is found in Appendix B of this report.

Preliminary Summary Financial Analysis

15. With revenues increasing by \$106M over the last four years, from \$20M in fiscal 2018 to \$126M in fiscal 2021, the Xebec Group consolidated financial statements demonstrate significant growth in a short timeframe. This growth stemmed mainly from acquisitions, made primarily by Xebec Holding for North America acquisitions and Xebec Europe for European acquisitions.

<b>Xebec Adsorption Inc.</b>	Dec. 31	Dec. 31	Dec. 31	Dec. 31	June 30
Consolidated income statement (in \$000's CAD)	2018 (12 months)	2019 (12 months)	2020 (12 months)	2021 (12 months)	2022 (6 months)
Revenues	20 208	49 318	56 520	125 901	85 694
Gross margin	5 688 28%	15 488 31%	266 0%	29 504 23%	6 340 7%
Operating income (loss)	(1 583)	3 992	(29 218)	(14 396)	(38 172)
Net Profit (Net loss)	(2 904)	2 020	(31 958)	(23 450)	(41 997)

16. During that same four-year period, the Xebec Group reported an overall operating loss of \$41M and an overall net loss of \$56M.
17. During the first 6 months of fiscal 2022, the Xebec Group reported revenues of \$86M combined with a net loss of \$42M.
18. As reflected in the table below, during the four-year period ending December 31, 2021, the Xebec Group's liquidities were used to cover operating losses and other operating activities (\$92M) as well as to make investments and acquisitions (\$177M). Between fiscal years 2019 and 2021, the operating and investment activities were mostly funded through equity financing in the aggregate amount of \$281M, an unsecured loan from Fonds de solidarité des travailleurs du Québec (F.T.Q.) ("**FTQ**") of \$15M and a secured loan from Export and Development Canada ("**EDC**") of \$15M US.

<b>Xebec Adsorption Inc.</b>	Dec. 31	Dec. 31	Dec. 31	Dec. 31	June 30
Consolidated statements of cash flows (in \$000's CAD)	2018 (12 months)	2019 (12 months)	2020 (12 months)	2021 (12 months)	2022 (6 months)
Operating activities	(2,958)	(5,459)	(26,762)	(56,701)	7,700
Investing activities	(273)	(10,574)	(79,747)	(87,163)	(2,288)
Financing activities	6,197	34,813	244,703	22,319	(4,846)
<b>Net increase in cash and cash equivalent during the year</b>	<b>2,966</b>	<b>18,780</b>	<b>138,194</b>	<b>(121,545)</b>	<b>566</b>

19. As shown in the table below, the Xebec Group made numerous acquisitions in various geographies and sectors from 2019 to 2021:

Acquired entities	Country	Province / State	Acquisition date
1 Xebec Systems USA LLC (previously known as UEC, LLC)	United States	North Carolina / Colorado / Montana / Wyoming	2021
2 Xebec Deutschland GmbH	Germany	-	2021
3 Xebec Komplementär GmbH	Germany	-	2021
4 XBC Flow Services - Wisconsin Inc.	North Carolina	North Carolina / Wisconsin	2021
5 California Compression LLC	United States	North Carolina / California	2021
6 Tiger Filtration Limited	United Kingdom		2021
7 Nortekbelair Corporation	United States	Tennessee	2021
8 Inmatec Gase Technologie GmbH & Co.KG	Germany	-	2021
9 Inmatec Gas Technology FZ-LLC	United Arab Emirates	-	2021
10 Green Vision Holding B.V.	The Netherlands	-	2020
11 HyGear Technology and Services B.V.	The Netherlands	-	2020
12 HyGear Operations B.V.	The Netherlands	-	2020
13 HyGear B.V.	The Netherlands	-	2020
14 HyGear Fuel Cell Systems B.V.	The Netherlands	-	2020
15 HyGear Hydrogen Plant B.V.	The Netherlands	-	2020
16 The Titus Company	United States	Pennsylvania	2020
17 Enerphase Industrial Solutions Inc. (doing business as Air Flow)	United States	North Carolina	2020
18 Applied Compression Systems Limited	Canada	British Columbia	2020
19 CDA Systems, LLC	United States	North Carolina / California	2019
20 Compressed Air International Inc.	Canada	Ontario	2019

20. Several factors contributed to the main cash outflows and to the strain placed on the cash flow:

- a) Acquisitions: considering the number of acquisitions over a relatively short period of time, the Xebec Group has faced significant challenges in attempting to achieve optimal integration of its business units.
- b) Legacy RNG contracts: losses on legacy, production-type RNG contracts. Losses stem from production of unstandardized equipment. The Xebec Group registered a special charge in its financial statements, including remaining costs on projects, potential penalties, inventory obsolescence, potential warranty claims, legal settlements and related costs.
- c) Hydrogen (relates mainly to HyGear): unforeseen supply chain issues, and higher capital investments required to support the decentralized production hub strategy.
- d) Oxygen business: declining oxygen demand due to declining intensity of the COVID-19 pandemic.
- e) Supply chain – general: increased supply chain and logistics costs.

21. Considering the Xebec Group’s financial results and cash outflows, Management developed a three-year plan to optimize operations and formalized a comprehensive “Center of Excellence Framework” to assess all activities in order to help the Company improve margins and increase cash generation from operations.

22. Implementing such a plan requires sufficient time and liquidity. However, as demonstrated below, the Xebec Group’s cash position was depleted during the last few years:

(in \$000 CAD)	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Cash on hand excluding restricted cash	160 938	99 912	70 262	51 967	39 905	24 159	39 652

23. In the context of its going concern operations, the Company continued to receive regularly scheduled payments from its customers, including milestone payments. The cash increase of the most recent quarter shown above stems mainly from deposits and scheduled milestone

payments received from customers. Significant disbursements for certain projects are scheduled during the last two quarters of fiscal 2022, to the extent these projects are maintained and adequately financed.

24. During the summer of 2022, considering the Xebec Group's cash position, the Company retained National Bank Financial ("**NBF**") as financial advisor to undertake, in cooperation with Management, a structured process to seek to raise additional funds or otherwise effect a beneficial transaction.
25. Despite NBF running a broad solicitation process, the Xebec Group was not able to secure a transaction allowing for implementation of the Company's three-year plan to optimize operations and "Centers of Excellence Framework."
26. Simultaneously, Management started implementing the Company's three-year plan to optimize operations with, amongst other initiatives, a recent headcount reduction in North America of approximately 13%.
27. Unfortunately, the Company faced time and liquidity constraints to implement sufficient measures to maintain a sufficient level of liquidity.
28. As a result, the Xebec Group finds itself in a precarious financial situation, and is now facing the necessity to review its plan of action and cash generating initiatives, such as streamlined operations and potential asset divestitures, in order to ensure its viability in the long-term.

## II. THE PETITIONERS' MAIN CREDITORS

29. Based on the Xebec Group's books and records, the following tables summarize amounts due to secured and unsecured creditors of the Petitioners as of August 31, 2022, which total of \$282M on a consolidated basis:

### a) Canadian Petitioners

<b>Canadian entities</b> (in \$000 CAD)	Xebec Adsorption	CAI	ACS	Total
Secured <sup>(1)</sup>	7 000	-	-	7 000
Unsecured				
Trade payables	11 166	462	973	12 601
Non-trade payables	4 306	12	8	4 326
Government payables	2	94	10	106
Employee payables	1 353	73	134	1 560
Business acquisition balance payable	-	2 078	4 828	6 906
Interco	28 071	178	3 105	31 354
Deferred revenue	18 621	66	2 320	21 007
Liability Provisions	2 784	-	97	2 881
Loans <sup>(2)</sup>	10 875	-	5	10 880
	<u>77 178</u>	<u>2 963</u>	<u>11 480</u>	<u>91 621</u>
	84 178	2 963	11 480	98 621

(1) This amount does not include outstanding letters of credit in the amount of \$7.5M.

(2) FTQ granted a \$15M unsecured loan with warrants thus explaining the lower value accounted as debt in the financial statements.

b) US Petitioners

United States entities (in \$000 CAD)	Xebec Holding	Air Flow	CDA	Xebec USA	Titus	Nortek	XBC	California Compression	UEC	Total
Secured <sup>(1)</sup>	17 633	-	-	-	-	-	-	-	-	17 633
Unsecured										
Trade payables	47	1 504	218	763	558	675	373	2 055	9 626	15 819
Non-trade payables	5	-	266	185	59	46	14	378	-	953
Government payables	-	8	-	34	165	4	7	530	58	806
Employee payables	-	173	210	254	390	55	122	412	1 086	2 702
Business acquisition balance payable	9 157	5 655	7 361	-	8 108	-	-	-	-	30 281
Interco	33 190	197	306	8 609	1	2 263	3 189	423	4 737	52 915
Deferred revenue	-	755	51	298	324	-	245	301	58 649	60 623
Liability Provisions	-	-	-	28	-	36	105	-	1 378	1 547
Loans	-	-	-	-	-	-	393	84	49	526
	42 399	8 292	8 412	10 171	9 605	3 079	4 448	4 183	75 583	166 172
	60 032	8 292	8 412	10 171	9 605	3 079	4 448	4 183	75 583	183 805

(1) This amount does not include outstanding letters of credit in the amount of \$7.5M.

Secured Creditors

30. The Petitioners have advised the Proposed Monitor that the main secured lenders are National Bank of Canada ("**NBC**") and EDC.
31. The NBC indebtedness is secured by hypothecs and liens on substantially all assets of Xebec Inc., as well as those of Applied, XBC Wisconsin, Xebec USA, Holding USA, CDA, Enerphase, Titus, Compressed, Tiger, California Compression, Nortekbelair, Holding UK and Xebec Systems.
32. As of the date of this First Report and based on the Debtors' information, the outstanding indebtedness amount due to NBC, excluding interest, costs, fees and expenses, is \$7M. This amount excludes outstanding letters of credit, which would total approximately \$7.5M, based on the Company's information, and are mostly guaranteed by EDC. The Proposed Monitor is currently validating information pertaining to the outstanding letters of credit and intends to report on this matter prior to the comeback hearing.
33. The EDC indebtedness is secured by security on the shares held by Holding USA in Nortekbelair, Xebec Systems, California Compression and XBC Wisconsin, and hypothecs and liens on the assets of Holding USA, as well as those of Xebec Inc., Nortekbelair, Xebec Systems, California Compression and XBC Wisconsin.
34. As of the date of this First Report and based on the Debtors' information, the outstanding amount due to EDC, excluding interest, costs, fees and expenses is \$17.6M. This amount excludes the outstanding letters of credit issued by NBC, which are mostly guaranteed by EDC.
35. This indebtedness and related security are more fully described in the Application, and their validity, opposability and rank have not yet been independently reviewed by the Proposed Monitor and its counsel.
36. The Petitioners and the Proposed Monitor have been in regular communication with NBC and EDC, and informed them of the Petitioners' intention to initiate proceedings under the CCAA and to implement the Restructuring Process.
37. In July 2022, the Xebec Group entered into a forbearance agreement with NBC, which was set to expire on September 30, 2022. Late on September 28, 2022, the Company and NBC entered into an amendment to this forbearance agreement, in order to extend the tolerance period until October 11, 2022 (subject to further extensions as may be agreed to by the parties) and to ensure that the Petitioners continue to have access to their banking facilities during said period.
38. NBC has retained the services of PricewaterhouseCoopers Inc. ("**PwC**") as its financial advisor in this matter and the Company and Deloitte are collaborating with NBC and PwC, including

by providing their representatives with requested information and documentation, and will continue to do so during the Restructuring Process.

39. The Company and EDC are engaged into discussions regarding the next steps relating to the Restructuring Process.
40. EDC has recently retained the services of Richter Inc. ("**Richter**") as its financial advisor in this matter and the Company and Deloitte are collaborating with EDC and Richter, including by providing their representatives with requested information and documentation, and will continue to do so during the Restructuring Process.

#### Employees

41. As of the date of this report, the Xebec Group employed approximately 586 persons worldwide.
42. The employees in Canada are located in Quebec, Ontario and British Columbia and a summary by entity and by province is presented in Appendix C of this report.
43. In the United States, the employees are located in 8 different States and a summary by entity and by state is presented in Appendix C of this report.
44. Management has informed the Proposed Monitor that amounts owed to Petitioners' employees are currently being paid in the ordinary course of business. Payments are currently made on a bi-weekly basis and the payroll management is done externally. The Company is considering to pre-fund the payroll going forward, which would necessitate modifications to the payroll funding mechanisms. As per Management, all deductions at source are current.
45. In the last few weeks, California Compression paid USD \$457,000 (CAD \$593,597) to certain of its employees and former employees as wage adjustments in respect of certain prior pay periods. The Proposed Monitor has been apprised of the payment and considers it is justified in the circumstances, namely since it pertains to earned wages and that the affected employees appear essential to the continuation of California Compression's activities in the short and/or the long term.
46. The Xebec Group does not have any pension or retirement plans aside from the DPS Plan (as defined and detailed in the Application) and employer-sponsored personal pension accounts (known as "401(k) plans") for certain U.S. entities, which are administered externally and are current based on information provided to the Proposed Monitor.

#### Government payables

47. Management has informed the Proposed Monitor that, as of the date of this report, all amounts owed to the tax authorities by the Debtors are paid in the normal course and that there is therefore no known past due amount owed to tax authorities, which could give rise to any deemed trust.
48. In the last month, California Compression paid sales taxes of USD \$391,000 (CAD \$507,870). Such payment was made following a post-acquisition review of California Compression's sales tax records. The Proposed Monitor has been made aware of the payment, which it considers justified in the circumstances, namely since it pertains to payments of ongoing obligations and that such payments are often authorized as part of CCAA proceedings.
49. In this context, amounts related to deductions at source, sales taxes and income taxes are current.

Other Unsecured Creditors

50. The Petitioners have advised the Proposed Monitor that its other principal unsecured liabilities are as follows:
- a) Trade payables: Mainly composed of suppliers located in North America on which Xebec Group's supply chain largely depends on for production inputs;
  - b) Non-trade payables: Mainly composed of accruals related to operations;
  - c) Business acquisition balances payable: Mainly composed of amounts due following the acquisitions of entities located in the United States, the Netherlands and the United Kingdom;
  - d) Intercompany liabilities: Mainly comprised of amounts due to entities owned by Xebec Inc. The pre-filing intercompany liabilities have not been reviewed by the Proposed Monitor;
  - e) Deferred revenue: Mainly composed of payments received in advance from customers located in the United States related to certain major contracts;
  - f) Liability Provisions: Composed of expected losses on legacy contracts; and
  - g) Loans: Mainly composed of loans from FTQ.

**III. THE PROPOSED RESTRUCTURING PROCESS**

51. The Restructuring Process is intended to include a continuation of steps and measures that have been implemented by the Xebec Group in the past months, as further described in the Application and below.
52. The CCAA proceedings aim to allow the Petitioners to benefit from a controlled environment in order to focus on their restructuring, including namely by implementing a Sales and Investment Solicitation Process ("**SISP**") in order to facilitate potential transactions, in the best interest of their stakeholders.
53. The Company and its advisors are deploying all available and reasonable efforts to secure an interim financing facility which would allow for maximization of the value of the Company, for the benefit of all stakeholders.
54. In the past weeks, several parties were approached by NBF in order to ascertain their interest in providing a potential interim facility. The Proposed Monitor was kept apprised of these steps taken by the Company and NBF to secure interim financing.
55. Despite interest manifested by certain potential lenders (other than the existing secured creditors) and the efforts deployed, the Petitioners have not been able to secure an interim facility from a third party. Discussions are ongoing with the existing secured creditors and their advisors to secure an interim facility, and the Proposed Monitor will report on any development in this respect prior to the comeback hearing.
56. In the absence of an interim facility, at some point the Petitioners will likely have no alternative but to implement additional cash preservation measures, while ensuring the preservation of the value of the Company's assets, for the purposes of facilitating a possible transaction for the benefit of all stakeholders.

57. Such measures could notably include temporary layoffs of employees throughout the Xebec Group, the resiliation or termination of certain agreements, the scale back and/or shut-down of business locations, as well as negotiations with respect to leases and/or other agreements. The Petitioners' preferred path to maximize the value of the businesses would be to avoid these measures or limit them as much as possible, hence the continuation of the discussions pertaining to a potential interim facility.
58. Accordingly, considering the limited cash on hand, the Petitioners, in consultation with the Proposed Monitor, believe that the Restructuring Process constitutes the most viable option under the circumstances.
59. The Restructuring Process has four main purposes: (i) to implement the SISP while further streamlining operations, (ii) to redefine the operating model to focus on profitable and core business operations, (iii) to review the terms of contracts and agreements to which the Company is part, and (iv) depending on the outcome of the SISP, to propose a compromise and arrangement and/or other forms of distribution to its creditors.
60. Considering the early stage of the Restructuring Process, a comprehensive restructuring strategy regarding the Petitioners and their various business streams has yet to be fully developed. Further discussions, analysis and negotiations will be required to establish the optimal turnaround solution in the circumstances.
61. At this time, the initial steps of the Restructuring Process will likely include the following:
- a) Implement the SISP;
  - b) Identify potential cash generating opportunities such as potential non-core asset divestitures through one or multiple transactions;
  - c) Review and assess customer contracts to focus on profitable projects; and
  - d) Review and assess the Xebec Group's operations to focus on profitable and core business operations.
62. The ensuing steps of the Restructuring Process, including a potential claims process, the treatment of liabilities and negotiations with creditors, both secured and unsecured, will highly depend on the transaction(s) resulting from the SISP.

#### **IV. THE PROPOSED SALE AND INVESTMENT SOLICITATION PROCESS**

63. As mentioned previously, the Xebec Group appointed NBF as financial advisor, in June 2022, in its efforts to raise additional funds for either an equity, debt or structured investment.
64. In that context, the Company, with NBF's assistance, conducted a broad solicitation process focused on targeted institutional investors and potential strategic parties that may have been interested in pursuing an opportunity with the Xebec Group.
65. Despite NBF running a broad process and generating interest from potential parties, the Company was not able to secure the required additional funding to implement its three-year plan to optimize operations and "Centers of Excellence Framework".
66. The Petitioners, in consultation with NBF and with the Proposed Monitor, believe that conducting a SISP is the appropriate course of action as a means of seeking to maximize the value of the various business streams of the Company, on a going concern basis. NBC and EDC, and their respective advisors, have been kept apprised of this course of action.
67. The SISP was developed by the Petitioners in consultation with the Proposed Monitor and NBF (in such capacity, the "**SISP Manager**"), and the Petitioners' secured lenders, NBC and EDC, have been informed of the proposed SISP.

68. The SISP is intended to solicit interest in:
- a) Sales in respect of Xebec Group's businesses through one or multiple transactions; and/or
  - b) An investment, recapitalization, refinancing or other form of reorganization transaction(s).
69. The difficult liquidity situation of the Company requires the implementation of a SISP within a short and critical timeframe. Considering the limited liquidities, the complexity of the business, and the multiple entities, jurisdictions and languages involved, the proposed SISP is expected to be launched as soon as September 29, 2022. Consequently, the Xebec Group, in consultation with NBF, believes that the SISP should be approved upon the issuance of the First Day Initial Order.
70. The Proposed Monitor also believes that approving the SISP upon the issuance of the First Day Initial Order is reasonable and appropriate in the circumstances.
71. The SISP Manager was selected given its experience in implementing and conducting solicitation processes in the manufacturing / energy sectors and in court-supervised CCAA sales and investment solicitation processes as well as its extensive knowledge of the Company, of its potential strategic partners, purchasers and investors.
72. In accordance with the terms of the engagement letter entered into with the SISP Manager (the "**NBF Engagement Letter**"), which is filed *under seal* with the Application, the SISP Manager's duties and obligations include, *inter alia*:
- a) Identifying financial and strategic alternatives available to the Company;
  - b) Providing financial advice pertaining to a potential transaction;
  - c) Conducting market analyses in connection with a potential transaction;
  - d) Handling all SISP related documents (including the elaboration of the target list, teasers, NDAs, presentations, etc.) and all information to be provided to the potential bidders;
  - e) Reporting to the Company and the Proposed Monitor on progress; and
  - f) Advising the Company in respect of any indications of interest that may be received.
73. The fees payable to the SISP Manager pursuant to the NBF Engagement Letter include the following items (collectively, the "**SISP Manager Fee**"):
- a) "**Engagement Fee**": a fee payable monthly, which shall be credited in part in the event where a transaction materializes;
  - b) "**Fairness Opinion Fee**": a fee payable should such opinion be required by the Company and which, for the first fairness opinion (if any), shall be credited against a potential Transaction Fee;
  - c) "**Disbursements**": reimbursement of reasonable and documented expenses incurred by NBF in performing its duties;
  - d) "**Financing Advisory Fee**": a percentage of the value of any financing obtained in the form of a transaction as part of the SISP or an interim financing prior to a transaction; and
  - e) "**Transaction Fee**": a percentage of the transaction value of a transaction (other than a financing), which may vary depending on value, as illustrated in Appendix D filed *under seal*, (the "**Transaction Fee**");
74. The Proposed Monitor has reviewed the terms of the NBF Engagement Letter and considers same to be reasonable in the circumstances.
75. Subject to Court approval, a two-phase SISP is proposed to be conducted as follows:

- a) Distribution of solicitation letters and signature of non-disclosure agreements (starting on September 29, 2022);
- b) Access to the confidential information memorandum and virtual data room to potentially interested parties who entered into non-disclosure agreements (by October 6, 2022);
- c) Phase 1: bid deadline for non-binding letters of intent (November 11, 2022), followed by identification and notification in respect of Phase 1 successful bids (by November 18, 2022);
- d) Phase 2: definitive offers bid deadline (January 6, 2023) and selection of final successful bids (by January 13, 2023);
- e) Closing of successful bid(s) (January 31, 2023 or such earlier date as is achievable).

76. The proposed SISP procedures are more fully detailed in the Application.

77. The Proposed Monitor is to be kept fully informed in connection with the SISP by the SISP Manager and the Company in order to allow the Proposed Monitor to report on same as may be necessary.

#### **V. CHARGES SOUGHT IN THE PROPOSED FIRST DAY INITIAL ORDER**

78. For the purposes of clarity and as further described in the Application, all charges described in this section are proposed to rank ahead of existing security over the assets of the Petitioners.

##### Administration Charge

79. The proposed First Day Initial Order provides for a priority charge in the amount of up to \$250,000 in favour of the Debtors' counsel, the Proposed Monitor and its counsel as security for their professional fees and disbursements incurred both before and after the issuance of the First Day Initial Order in respect of these CCAA proceedings, as well as for NBF for the portion of the SISP Manager Fee excluding the Transaction Fee and the Financing Advisory Fee (the "**Administration Charge**"). The Administration Charge has been established based on the respective professionals' previous experience with restructurings of similar magnitude and complexity.

80. The Proposed Monitor believes that the Administration Charge is required and is reasonable under the circumstances.

81. The amount of the Administration Charge is expected to be adjusted as part of the amended and restated initial order that will be sought at the comeback hearing, and the Proposed Monitor will file a supplement to this report at such time.

##### Directors' and Officers' Charge

82. The Proposed Monitor understands that the Xebec Group holds insurance which provides for coverage with respect to directors' and officers' liability ("**D&O Insurance**") as well as for various self-insured amounts depending on the nature of the loss. The Monitor has been advised that the D&O insurance expires on December 1, 2022 and is unlikely to be renewed in the current circumstances. The D&O Insurance has not been reviewed by the Proposed Monitor as of the date hereof.

83. The Proposed Monitor understands from the information provided by Management that there might be insufficient coverage in respect of certain potential directors' and officers' liabilities, notably in respect of wages, including accrued and accruing vacation pay and other employee-related obligations.

84. It is expected that the directors of the Company will continue to serve once a First Day Initial Order is granted by the Court, and the committed and continued involvement of the directors and officers is key to complete the Restructuring Process. The directors and officers are requiring indemnification against obligations and liabilities that they may incur in such capacity.
85. The Proposed Monitor has been informed that given the importance of the continued involvement of the directors and officers of Xebec Group, at the end of August 2022, Xebec Inc. made a deposit to secure extended reporting period coverage under its existing D&O Insurance policy for the 365 day period to follow the current expiry date of December 1, 2022, for an amount of \$846,000. The Company advised the Proposed Monitor that it was able to obtain this extended coverage for its directors and officers, at a cost that is reasonable considering the circumstances and the current market for such type of insurance. However, as for any insurance of this nature, it is subject to various conditions and exclusions.
86. The proposed First Day Initial Order provides for a charge in an amount not exceeding \$2.2M, which secures the indemnity provided to the directors and officers in respect of liabilities incurred in such capacity after the issuance of the First Day Initial Order, except to the extent that such obligation or liability was incurred as a result of the directors' and officers' gross negligence or willful misconduct (the "**D&O Charge**"). A copy of the potential exposure calculation is attached as Appendix E to this report.
87. As per the Application, the D&O Charge becomes effective only if the existing D&O Insurance is not responsive or sufficient, such that the added D&O Insurance coverage reduces the risk that the D&O Charge would be triggered.
88. The amount of the D&O Charge has been calculated by the Proposed Monitor, taking into consideration the periodic payroll costs of existing employees, the accruing and accrued vacation and average sales tax payments, having considered the analysis prepared by the Company in that regard.
89. In these circumstances, the Proposed Monitor is of the view that the D&O Charge is required in the circumstances, and that the amount is reasonable and justified, as per the calculation attached at Appendix E to this report.
90. The amount of the D&O Charge is expected to be adjusted as part of the amended and restated initial order that will be sought at the comeback hearing, and the Proposed Monitor will file a supplement to this report at such time.

#### Transaction Charge

91. In addition to the portion of the SISP Manager Fee being secured in the Administration Charge as described above, the engagement letter with the SISP Manager provides that the Transaction Fee and the Financing Advisory Fee be secured by a separate priority charge ranking behind the Administration Charge and the D&O Charge (hereinafter the "**Transaction Charge**"), in the maximum amount of \$975,000, to the extent that it is payable in accordance with the terms of NBF's engagement letter. It is understood that any Financing Advisory Fee resulting from an interim financing prior to the conclusion of the SISP would be paid out of such financing.
92. The Proposed Monitor believes that the Transaction Charge is appropriate and reasonable in the circumstances.

Key Employee Retention Program ("KERP")

93. The Proposed Monitor has been made aware that the Petitioners intend to implement a KERP, in order to encourage the continued participation of the executive, senior management and other key employees of the Petitioners who are essential to guide the business through the Restructuring Process.
94. The Proposed Monitor will review the terms proposed under the potential KERP and will report on same in due course.

**VI. PAYMENTS TO CRITICAL SUPPLIERS**

95. The Proposed Monitor has been informed by Management that there are amounts outstanding to certain suppliers who provide essential goods and services to operate the business in respect of goods or services actually supplied to the Xebec Group in the weeks before the initiation of the CCAA proceedings (the "**Critical Suppliers**").
96. Management has advised the Proposed Monitor that it could become necessary to pay certain amounts owing to the Critical Suppliers in the very short term, for the following reasons:
- a) Certain Critical Suppliers operate small businesses, such that the failure to pay arrears would likely result in serious financial difficulty, which would in turn jeopardize the supply of essential goods to the Xebec Group;
  - b) Many of these Critical Suppliers do not have long-term contracts with Xebec Group, and could unilaterally stop providing the necessary goods and services to the Debtors, jeopardizing their continued operation;
  - c) The Proposed Monitor has been informed that a number of these Critical Suppliers will not provide goods or services for the upcoming week if they have not been paid for the previous week, such that they would cease doing business with the Xebec Group, which would significantly impede the Company's operations; and
  - d) The enforcement of the relevant provisions of the orders rendered by the Court abroad with certain Critical Suppliers that are located outside of Canada and the United States may be subject to costs delays and uncertainties, or be outright impossible, which may jeopardize the implementation of the Restructuring Process.
97. The Proposed Monitor believes that it is necessary under the circumstances that the Petitioners be entitled to (i) identify which of these suppliers are essential to the business and ongoing operations of the Xebec Group, and (ii) pay certain pre-filing claims of the Critical Suppliers up to a maximum aggregate amount of \$700K, with the Proposed Monitor's prior written approval and provided that the payments of such amounts is made in accordance with the Cash-Flow Statement (defined below). Any payments to Critical Suppliers will namely depend on the ongoing discussions with secured creditors and upcoming discussions with customers regarding the terms of their contracts, which discussions will impact the measures and steps of the Restructuring Process.
98. The Proposed Monitor will review the situation prior to the comeback hearing and report accordingly.

**VII. INTERCOMPANY PAYMENTS**

99. The Petitioners intend to continue ordinary course intercompany transactions within the Xebec Group. All intercompany transactions will be subject to such changes, governing principles,

policies or procedures as the Proposed Monitor may require, and subject to its consent and approval. It is anticipated that there will be circumstances where intercompany funding will be required between entities of the Xebec Group in order to preserve value, maintain going concern operations and/or ensure an orderly wind-down of certain non-core operations. The Proposed Monitor will include in its future reports all relevant information with respect to material post-filing intercompany payments.

#### **VIII. OVERVIEW OF THE CASH FLOW PROJECTIONS**

100. The Company, with the assistance of the Proposed Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 4-week period from September 18, 2022 to October 15, 2022 (the "**Cash Flow Period**") for the purpose of projecting the Company's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is attached as Appendix F to this report.
101. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement attached as Appendix G to this report.
102. The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor also reviewed the documents provided by Management in support of the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
103. Based on the Proposed Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
  - (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
  - (ii) As at the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
  - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
104. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or, relied upon in preparing this report. Neither does the Proposed Monitor express any opinion as to the performance of the Company's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, inter alia the payment of wages, the government remittances and the payroll deductions to be made by the Debtors.
105. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

106. As mentioned above, the key assumptions used in the Cash Flow Statement are based on the Petitioners' most recent sales and costs trends. The Petitioners' consolidated cash balance as at September 18, 2022 was approximately \$14.1M. The liquidity level will not be sufficient to fund the full operations during the Restructuring Process without access to interim financing. The Proposed Monitor will file a report prior to the comeback hearing including an extended cash flow statement prepared by the Petitioners, which will vary depending on whether the Company secures interim financing in the meantime. Based on a preliminary review, in either case, the Company would have sufficient liquidity to fund operations during the period of the SISP, it being understood that in the scenario without interim financing, the operations would need to be greatly reduced, as mentioned above.
107. Management anticipates more restrictive payment terms for purchases from suppliers following the announcement of the CCAA proceedings. As such, Management has anticipated certain "cash on delivery" purchases and payment of deposits to certain supply providers.
108. As appears from the Cash Flow Statement and the Application, Xebec Group intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings, but also, with the permission from this Court and exceptionally, for services rendered and goods supplied in the normal course of business before the present CCAA proceedings with respect to the Critical Suppliers (as described above).
109. Management has advised the Proposed Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
110. This being said, the Cash Flow Statement of the Company for the Cash Flow Period and for the period subsequent to same will depend in particular on the ongoing discussions with the Company's secured creditors and the upcoming discussions with its customers in respect to their contracts.
111. As such, prior to the comeback hearing, the Petitioners intend to prepare a revised and updated cash flow (based on the above-mentioned developments and negotiations), which shall be projected until the end of January 2023 and will be included in a supplement to this report to be filed by the Proposed Monitor.

## **IX. DELOITTE'S QUALIFICATION TO ACT AS MONITOR**

### Prior relationship with the Company

112. The Proposed Monitor has provided various advisory services to the Xebec Group over the past two years, including valuation and purchase price allocation for certain acquired entities, conducting impairment tests, assisting with respect to pre-acquisition due diligence analyses for certain acquired entities, and assisting with refining the Company's four-month cash flow forecast, including the related assumptions.
113. The Proposed Monitor informs the Court that Deloitte LLP is the auditor of NBC, a secured creditor of the Petitioners.

### Qualification to act as Monitor

114. The Proposed Monitor, Deloitte Restructuring Inc., is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

115. On or about August 22, 2022, the Proposed Monitor was retained by the Debtors to provide support to Management on the following matters:
- a) Assist Management with the improvement of a roll-forward short-term weekly cash flow in order to establish the Debtors funding requirements;
  - b) Advise Management by providing an analysis of the viable financing alternatives; and
  - c) Assist Management by preparing alternative scenarios pertaining to the Restructuring Process.
116. In the context of the foregoing, the Proposed Monitor's representatives working on this matter have acquired material knowledge of the Xebec Group and its business. The Proposed Monitor has spent time with Management understanding the operations and financial structure as more fully described in this First Report, in order to provide assistance to the Court, and the Monitor is in a unique position to assume its role immediately without the duplication and significant costs that would be required for another insolvency professional firm to familiarize itself with the business and financial situation of the Debtors in order to act as monitor.
117. The Proposed Monitor is, therefore, in a position to act as court-appointed monitor without delay, in an efficient and diligent manner in the CCAA proceedings for the benefit of all of its stakeholders.
118. The Proposed Monitor has retained McCarthy Tétrault LLP to act as its independent counsel in these CCAA proceedings.

**X. RECOGNITION PROCEEDINGS IN THE UNITED STATES**

119. Since Xebec Group has activities in the United States in 8 States, operating 11 facilities and a head office, the Debtors intend to file with the United States Bankruptcy Court for the District of Delaware, immediately following the issuance of the First Day Initial Order, petitions seeking recognition of the CCAA Proceedings as foreign main proceedings and recognition of Xebec Inc. as foreign representative of the Debtors, with the objective to obtain the issuance of a recognition order and other relief, the whole under Chapter 15 of the US Bankruptcy Code.
120. The Proposed Monitor is of the view that this recognition is essential to properly initiate and implement the Restructuring Process as described further in this First Report.

**XI. THE PROPOSED MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

121. The Proposed Monitor believes that the Petitioners should be granted the benefit from the protection available pursuant to the CCAA in the form of the proposed First Day Initial Order, including the granting of the charges provided for therein for the initial amounts set out above, since same would provide the Company with the opportunity to attempt a successful restructuring of its operations.
122. The Proposed Monitor believes that the proposed First Day Initial Order and Bidding Procedures Order, including notably the Administration Charge for an amount of \$250K, the D&O Charge for an amount of \$2.2M and the Transaction Charge for an amount of \$975K, should be issued in order to provide a controlled environment for the Debtors to initiate the Restructuring Process, pursue discussions and negotiations with its secured creditors and with its main customers regarding the terms of their contracts, and for the SISP to be launched without delay.

123. It is the Proposed Monitor's view that such a successful restructuring of the Company's operations, as contemplated by the Restructuring Process, is beneficial to its creditors and stakeholders as a whole.
124. The Proposed Monitor will supplement the present report prior to the comeback hearing in order to present its views and recommendations regarding such further relief that will then be sought, depending on the developments that will occur by then.

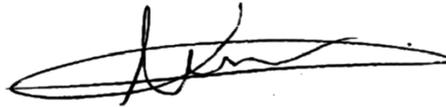
DATED AT MONTREAL, this 29<sup>th</sup> day of September, 2022.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Proposed Court-Appointed Monitor of  
the Petitioners



Jean-François Nadon, CPA, CIRP, LIT



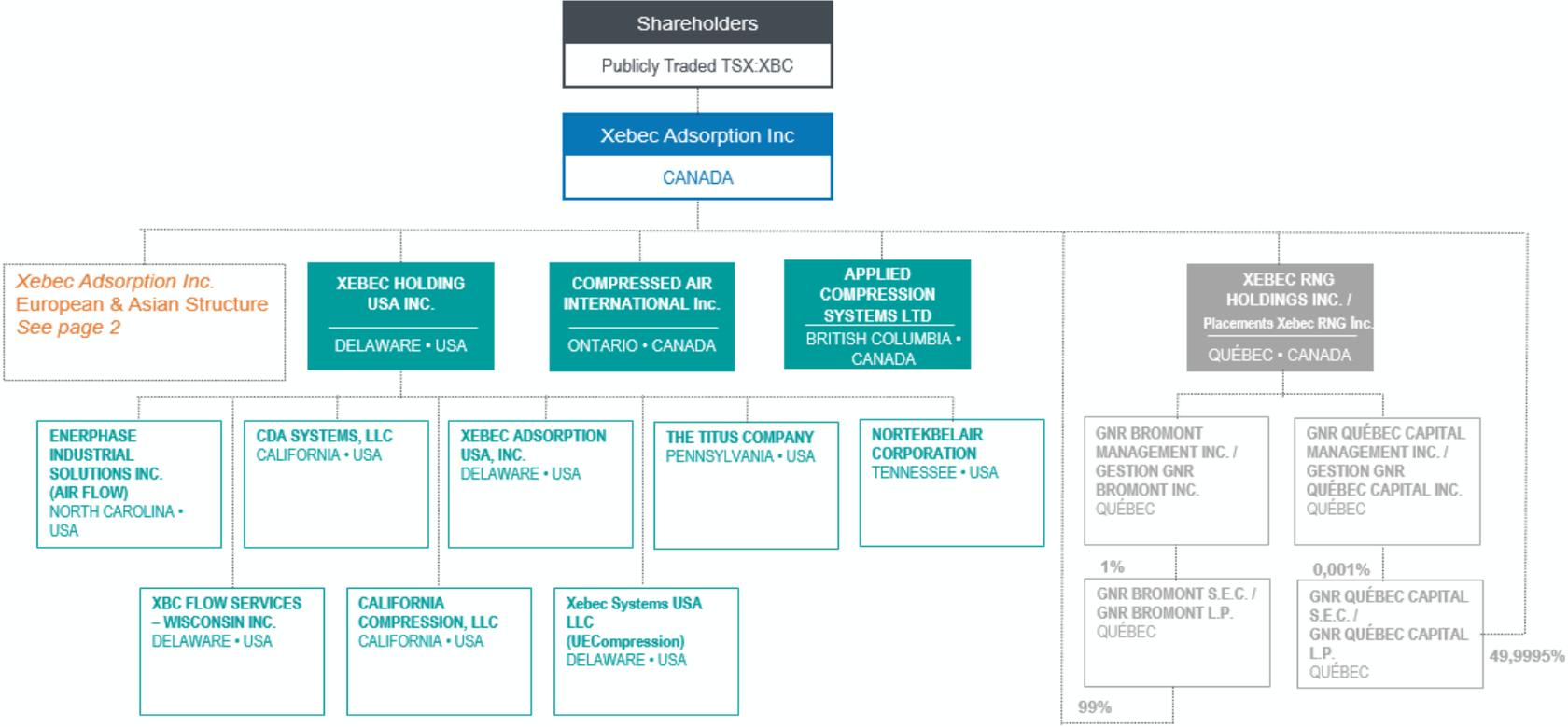
Julie Mortreux, CPA, CIRP, LIT

## Appendix A

### Names and definitions of the entities of the Xebec Grouping

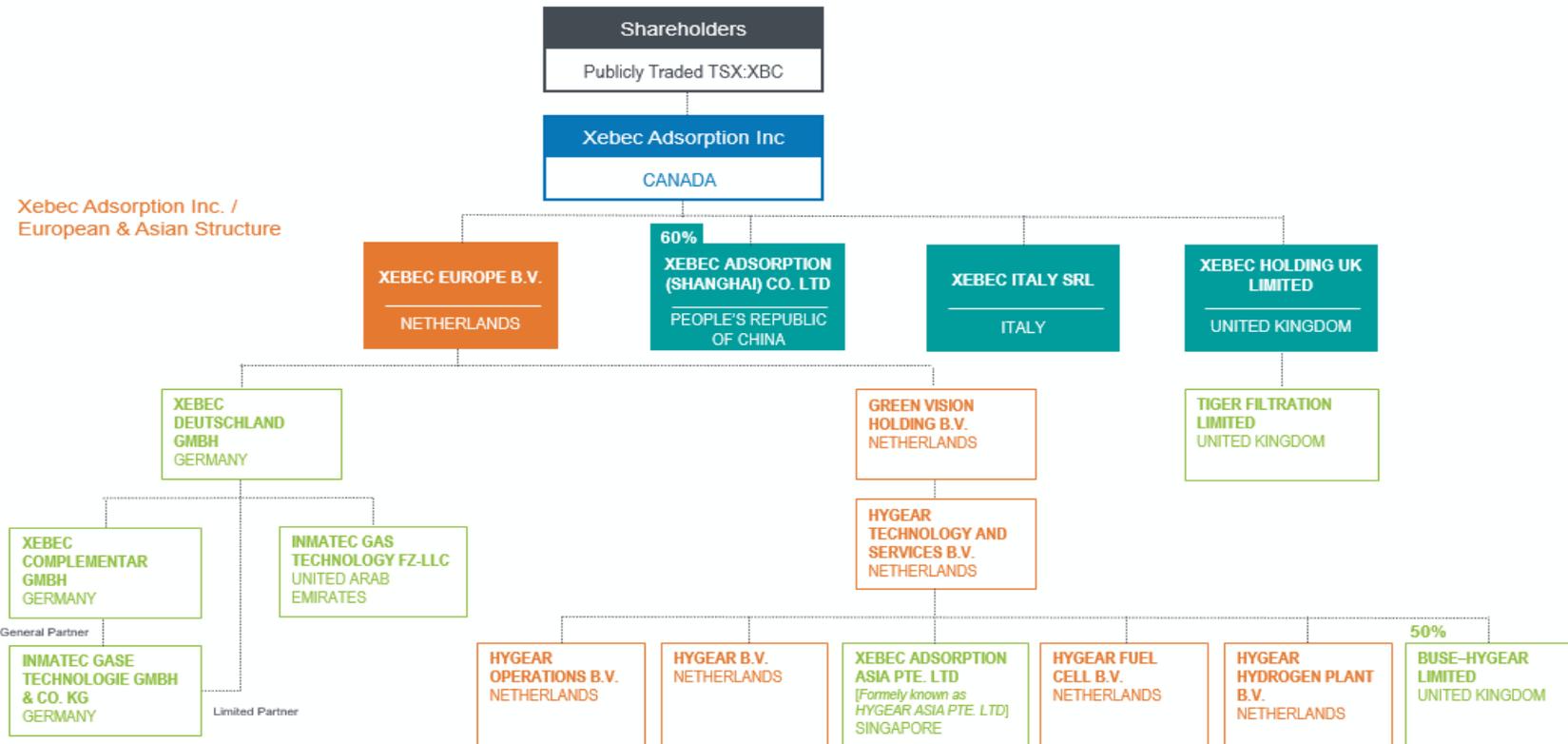
Legal names	Naming convention		
Xebec Adsorption Inc.	Xebec Inc.		
Compressed Air International Inc.	Compressed		
Applied Compression Systems Limited	Applied		
Xebec RNG Holdings Inc.	RNG Holdings	Collectively RNG Entities	
GNR Bromont Management Inc. / Gestion GNR Bromont Inc.	GNR Bromont Management		
GNR Bromont S.E.C. / GNR Bromont L.P.	GNR Bromont S.E.C.		
GNR Québec Capital Management Inc. / Gestion GNR Québec Capital Inc.	GNR Québec Management		
GNR Québec Capital S.E.C. / GNR Québec Capital L.P.	GNR Québec S.E.C.		
Xebec Holding USA Inc.	Holding USA		
Xebec Adsorption USA Inc.	Xebec USA		
CDA Systems, LLC	CDA		
Enerphase Industrial Solutions Inc. (doing business as Air Flow)	Enerphase		
The Titus Company	Titus		
Nortekbelair Corporation	Nortekbelair		
XBC Flow Services - Wisconsin Inc.	XBC Wisconsin		
California Compression LLC	California Compression		
Xebec Systems USA LLC (previously known as UEC, LLC)	Xebec Systems		
Xebec Europe B.V.	Xebec Europe		
Xebec Deutschland GmbH	Collectively Inmatec Germany		Collectively Inmatec Entities
Inmatec Gase Technologie GmbH & Co. KG			
Xebec Komplementär GmbH			
Inmatec Gas Technology FZC-LLC	Inmatec RAK		
Xebec Adsorption Asia PTE LTD	Xebec Asia		
Green Vision Holding B.V.	Green Vision	Collectively HyGear Entities	
HyGear Technology and Services B.V.	HyGear Technology		
HyGear Operations B.V.	HyGear Operations		
HyGear B.V.	HyGear B.V.		
HyGear Fuel Cell Systems B.V.	HyGear Fuel Cell		
HyGear Hydrogen Plant B.V.	HyGear Hydrogen		
Buse HyGear Limited	Buse HyGear		
Xebec Italy S.r.l. (previously known as Xebec Adsorption Europe S.r.l.)	Xebec Italy		
Xebec Holding UK Limited	Holding UK		
Tiger Filtration Limited	Tiger		
Xebec Adsorption (Shanghai) Co. Ltd.	Xebec Shanghai		

**Appendix B**  
**Organizational chart**



*Unless otherwise indicated, all participations are at 100%.*

**Appendix B (cont.)  
Organizational chart**



*Unless otherwise indicated, all participations are at 100%.*

## Appendix C

### Number of employees

Canadian entities	Province	Number of employees
Xebec Adsorption Inc.	Québec	157
Compressed Air International Inc.	Ontario	14
Applied Compression Systems Limited	British Columbia	27
		198

United States entities	State	Number of employees
Xebec Holding USA Inc. (Head office)	North Carolina	-
Enerphase Industrial Solutions Inc. (doing business as Air Flow) (Head office)	North Carolina	-
Enerphase Industrial Solutions Inc. (doing business as Air Flow) (Facilities)	North Carolina	28
CDA Systems, LLC (Facility)	California	10
CDA Systems, LLC (Head office)	North Carolina	-
Xebec Adsorption USA Inc. (Head office)	North Carolina	17
The Titus Company	Pennsylvania	24
Nortekbelair Corporation	Tennessee	21
XBC Flow Services - Wisconsin Inc. (Head office)	North Carolina	-
XBC Flow Services - Wisconsin Inc. (Facility)	Wisconsin	10
California Compression LLC	California	18
California Compression LLC (Head office)	North Carolina	-
Xebec Systems USA LLC (previously known as UEC, LLC) (Head office)	North Carolina	-
Xebec Systems USA LLC (previously known as UEC, LLC) (Facility)	Colorado	69
Xebec Systems USA LLC (previously known as UEC, LLC) (Facility)	Montana	3
Xebec Systems USA LLC (previously known as UEC, LLC) (Facility)	Wyoming	5
		205

European entities	Country	Number of employees
Xebec Europe B.V.	The Netherlands	-
Xebec Italy S.r.l. (previously known as Xebec Adsorption Europe S.r.l.)	Italy	6
Xebec Holding UK	United Kingdom	-
Tiger Filtration Limited	United Kingdom	23
Xebec Deutschland GmbH	Germany	-
Xebec Komplementär GmbH	Germany	-
Inmatec Gase Technologie GmbH & Co.KG	Germany	53
Green Vision Holding B.V.	The Netherlands	-
HyGear Technology and Services B.V.	The Netherlands	82
HyGear Operations B.V.	The Netherlands	-
HyGear B.V.	The Netherlands	-
HyGear Fuel Cell Systems B.V.	The Netherlands	-
HyGear Hydrogen Plant B.V.	The Netherlands	-
Buse HyGear Limited	United Kingdom	-
		164

Asia and Middle East entities	Country	Number of employees
Xebec Adsorption Asia PTE. Limited	Singapore	10
Xebec Adsorption (Shanghai) Co. Limited	China	4
Inmatec Gas Technology FZ-LLC	United Arab Emirates	5
		19

Appendix D  
Under seal

## Appendix E

### D&O Charge calculation for the purposes of the First Day Initial Order

<b>Xebec North America</b>	<b>Estimated D&amp;O Charge Calculation</b>				
Analysis by legal entities (in \$000 CAD)	Wages (1.5 weeks)	Vacation (1.5 weeks)	Fringe benefits (1.5 weeks)	Sales taxes (2 months)	<b>Total</b>
<b>Petitioners</b>					
Xebec Adsorption Inc.	462	26	92	-	<b>580</b>
Compressed Air International Inc.	41	2	8	46	<b>97</b>
Applied Compression Systems Limited	72	4	14	72	<b>162</b>
California Compression LLC	76	6	11	88	<b>181</b>
CDA Systems, LLC	42	3	6	67	<b>118</b>
Enerphase Industrial Solutions Inc.	93	7	14	8	<b>122</b>
Nortekbelair Corporation	57	5	9	2	<b>73</b>
The Titus Company	79	4	12	6	<b>101</b>
Xebec Systems USA LLC	378	19	64	109	<b>570</b>
XBC Flow Services - Wisconsin Inc.	40	3	6	6	<b>55</b>
Xebec Adsorption USA Inc.	92	4	14	-	<b>110</b>
<b>Total</b>	<b>1 432</b>	<b>83</b>	<b>250</b>	<b>404</b>	<b>2 169</b>

**Appendix F**  
**Cash-flow statement**

<b>Consolidated - North America</b>					
<b>Weekly cash flow transactions</b>					
	CAD	CAD	CAD	CAD	
For the week ending	24-sept-22	01-oct-22	08-oct-22	15-oct-22	Total
In 000 - Week #	1	2	3	4	W1 - W4
<b>Collections</b>					
Sales from operation	-	-	870	885	1 755
Opening accounts receivable collection	2 219	1 357	1 500	1 776	6 852
Financing	-	-	-	5 000	5 000
Transfer from related party - Collection	585	-	-	-	585
<b>Collections - Total</b>	<b>2 804</b>	<b>1 357</b>	<b>2 370</b>	<b>7 661</b>	<b>14 192</b>
<b>Disbursements</b>					
Payroll	-	1 748	1 687	897	4 331
Trade payable	1 925	3 078	5 020	6 423	16 446
Trade payable - Interco	-	-	129	129	259
Trade payable - Critical suppliers pre-filing amounts	-	-	333	333	667
Suppliers deposits	-	-	526	1 500	2 026
Obligation under capital leases	-	285	-	-	285
Professional fees	854	860	530	304	2 548
CAPEX	20	20	20	20	80
D&O Insurance	-	-	-	-	-
Transfer to related party - Disbursements	585	-	78	-	663
KERP	-	-	-	-	-
Interest on DIP Financing	-	-	-	-	-
DIP Financing - Reimbursement	-	-	-	-	-
Debt reimbursements and interests	-	134	-	-	134
Wages adjustment	649	-	-	-	649
<b>Disbursements - Total</b>	<b>4 033</b>	<b>6 125</b>	<b>8 323</b>	<b>9 607</b>	<b>28 087</b>
<b>Net cash flow</b>	<b>(1 229)</b>	<b>(4 768)</b>	<b>(5 952)</b>	<b>(1 946)</b>	<b>(13 895)</b>
<b>Net cash (Shortfall) - Beginning</b>	<b>14 078</b>	<b>12 850</b>	<b>8 082</b>	<b>2 129</b>	<b>14 078</b>
<b>Net cash (Shortfall) - End</b>	<b>12 850</b>	<b>8 082</b>	<b>2 129</b>	<b>184</b>	<b>184</b>

## Appendix G

### Notes to the Cash-flow statement

#### NOTE A – PURPOSE

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

#### NOTE B

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

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

#### NOTE C - DEFINITIONS

##### (1) CASH-FLOW STATEMENT:

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

##### (2) HYPOTHETICAL ASSUMPTIONS:

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

##### (3) PROBABLE ASSUMPTIONS:

Means assumptions that:

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

##### (4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

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

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

**Appendix G (cont.)**

**Notes to the Cash-flow statement**

**NOTE C - ASSUMPTIONS**

<b>Assumptions</b>	<b>Source</b>	<b>Probable Assumption</b>	<b>Hypothetical Assumption</b>
<b><u>Opening cash balance</u></b>	Based on current bank balances.	X	
<b><u>Forecast cash receipts:</u></b>			
Sales from operation	Based on the latest forecasts available prepared by Management.	X	
Opening accounts receivable	Based on the accounts receivable as of August 29, 2022 and Petitioners' historical collection days data.	X	
Financing	The source of such financing will depend on ongoing discussions with secured creditors and upcoming discussion with major customers. As mentioned, the outcome of such discussions will materially affect this cash flow forecast and the subsequent one.	X	X
<b><u>Forecast cash disbursements:</u></b>			
Payroll	Based on Petitioners' historical payroll reports and on budgeted number of employees.	X	
Trade payable and Trade payable Interco	Based on the latest forecasts available prepared by Management.	X	
Trade payable – Critical suppliers	Based on Management's knowledge of potential payments to critical suppliers.		X
Supplier deposits	Based on Management's knowledge and historical deposits' trend to secure orders and utilities.		X
Obligation under capital leases	Based on lease agreements.	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor, financial advisors and legal services.		X
CAPEX	Estimate of disbursements required based on Management's knowledge on equipment to be replaced or repaired.		X
Transfer to related party	Management estimate of funds to be transferred to Petitioners and Xebec Group non-Petitioners.		X
Debt reimbursement and interest	Interest payments to the secured lenders as per their respective credit agreements.	X	
Wage adjustments	Based on Management estimate.	X	