

**UNOFFICIAL TRANSLATION**

In the event of any conflict between the English and French versions, the French version shall prevail

CANADA

PROVINCE OF QUEBEC  
DISTRICT OF MONTRÉAL

**SUPERIOR COURT**  
**Commercial Division**

File: No: 500-11-049838-150

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Montreal, December 9, 2015

Present: The Honourable Martin Castonguay, J.S.C.

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**IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.  
C-36, AS AMENDED:**

9323-7055 QUÉBEC INC. (formerly known as  
Aquadis International inc.)

Debtor

And

RAYMOND CHABOT INC.

Proposed Monitor – Petitioner/Trustee under the  
notice of intention

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**INITIAL ORDER**

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1. ON READING Raymond Chabot Inc.'s Motion (the "**Motion**") in its capacity as trustee under the notice of intention of 9323-7055 Québec Inc. (formerly known as Aquadis international inc.) to continue restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") and for granting an initial order pursuant to the CCAA, the exhibits, the affidavit of Jean Gagnon filed in support thereof, the report from the proposed monitor and trustee under the

notice of intention Raymond Chabot Inc. and the consent of Raymond Chabot Inc. to act as monitor (the “**Monitor**”), relying upon the submissions of counsel present at the hearing and being advised that the interested parties were given prior notice of the presentation of the Motion;

2. GIVEN the provisions of the CCAA;

**WHEREFORE, THE COURT:**

3. GRANTS the Motion.
4. DECLARES that the proceedings initiated by 9323-7055 Québec Inc. (formerly known as Aquadis international inc.) (the “**Debtor**” or “**Aquadis**”) under Part III of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, are to be dealt with and continued under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”);
5. ISSUES an order pursuant to the CCAA (the “**Order**”), divided under the following headings:
  - Service;
  - Application of the CCAA;
  - Effective Time;
  - Plan of Arrangement;
  - Stay of Proceedings against the Debtor, the Other Targeted Parties and the Property;
  - Stay of Proceedings against the Directors and Officers;
  - No Exercise of Rights or Remedies;
  - No Interference with Rights;
  - Continuation of Services;
  - Non-Derogation of Rights;
  - Powers of the Monitor;
  - Restructuring;

- Constitution of the Creditors committee;
- Professional Fees;
- Priorities and General Provisions Relating to the Administration Charges under the CCAA;
- General

### **Service**

6. DECLARES that sufficient prior notice of the presentation of this Motion has been given by the Petitioner/Trustee under the notice of intention to interested parties.

### **Application of the CCAA**

7. DECLARES that Aquadis is a debtor company to which the CCAA applies.

### **Effective time**

8. DECLARES that this Order and all of its provisions are effective as of 12:01 a.m. Montreal time, province of Quebec, on the date of this Order (the “**Effective Time**”).

### **Plan of Arrangement**

9. DECLARES that the Monitor (as defined below), with prior consent from the Creditors Committee or this Court, shall have the authority to file with this Court and to submit to the Debtor’s creditors one or more plans of compromise or arrangement in accordance with the CCAA (collectively, the “**Plan**”).

### **Stay of Proceedings against the Debtor, the Other Targeted Parties and the Property**

10. ORDERS that, until and including January 8, 2016, or such later date as the Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued

against or in respect of the Debtor, or affecting the Debtor's business operations and activities (the "**Business**") or its present and future assets, rights, undertakings and properties of every nature and kind whatsoever, and wherever situated, including all proceeds thereof, and, for greater certainty, any proceed that the Debtor may receive from an insurer, either following the surrender of an insurance policy or a settlement with an insurer (collectively, the "**Property**"), including as provided in paragraph 10 hereinbelow except with leave of this Court. Any and all Proceedings currently under way against or in respect of the Debtor or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court, the whole subject to subsection 11.1 CCAA.

11. ORDERS that, throughout the Stay Period, the stay of Proceedings described in paragraph 10 also applies to any Person targeted by any Proceeding alleging directly or indirectly and/or relating or which may reasonably relate to, directly or indirectly, a manufacturing defect with respect to goods sold by Aquadis (the "**Other Targeted Parties**") and that no Proceeding may be commenced or continued against them except with leave of this Court.
12. ORDERS THAT, for the Stay Period, the rights of Her Majesty in right of Canada and Her Majesty in right of a Province are suspended in accordance with the terms and conditions of Subsection 11.09 CCAA.

#### **Stay of Proceedings against the Directors and Officers**

13. ORDERS that during the Stay Period and except as permitted under subsection 11.03(2) of the CCAA, no Proceeding may be commenced, or continued against any former, present or future director or officer of the Debtor (each, a "**Director**", and collectively the "**Directors**") in respect of any claim against such Director which arose prior to the Effective Time and which relates to any obligation of the Debtor where it is alleged that any of the Directors is under any law liable in such capacity for the payment of such obligation.

### **No Exercise of Rights or Remedies**

14. ORDERS that during the Stay Period, and subject to, *inter alia*, subsection 11.1 CCAA, all rights and remedies of any individual, natural person, firm, corporation, partnership, limited liability company, trust, joint venture, association, organization, governmental body or agency, or any other entity (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Debtor, or affecting the Business, the Property or any part thereof, or in respect of one of the Other Targeted Parties relating or which may reasonably relate to, directly or indirectly, a manufacturing defect with respect to goods sold by Aquadis, are hereby stayed and suspended except with leave of this Court.
  
15. DECLARES that, to the extent any rights, obligations, or prescription, time or limitation periods, including, without limitation, to file grievances, relating to the Debtor, to any Other Targeted Parties or any of the Property or the Business or of which the Debtor may benefit from, may expire (other than pursuant to the terms of any contracts, agreements or arrangements of any nature whatsoever), the term of such rights, obligations, or prescription, time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period.

### **No Interference with Rights**

16. ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, except with the written consent of the Monitor, or with leave of this Court.

### **Continuation of Services**

17. ORDERS that, without limiting the generality of the foregoing and subject to Section 21 of the CCAA, if applicable, cash or cash equivalents placed on deposit by the Debtor with any Person during the Stay Period, whether in an

operating account or otherwise for itself or for another entity, shall not be applied by such Person in reduction or repayment of amounts owing to such Person as of the date of the Order or due on or before the expiry of the Stay Period or in satisfaction of any interest or charges accruing in respect thereof; however, this provision shall not prevent any financial institution from: (i) reimbursing itself for the amount of any cheques drawn by the Debtor and properly honoured by such institution, or (ii) holding the amount of any cheques or other instruments deposited into the Debtor's account until those cheques or other instruments have been honoured by the financial institution on which they have been drawn.

### **Non-Derogation of Rights**

18. ORDERS that, notwithstanding the foregoing, any Person who provided any kind of letter of credit, guarantee or bond (the "**Issuing Party**") at the request of the Debtor shall be required to continue honouring any and all such letters, guarantees and bonds, issued on or before the date of the Order, provided that all conditions under such letters, guarantees and bonds are met save and except for defaults resulting from this Order; however, the Issuing Party shall be entitled, where applicable, to retain the bills of lading or shipping or other documents relating thereto until paid.

### **Powers of the Monitor**

19. ORDERS that Raymond Chabot Inc. is hereby appointed to monitor the business and financial affairs of the Debtor as an officer of this Court (the "**Monitor**") and that the Monitor, in addition to the prescribed powers and obligations, referred to in Section 23 of the CCAA:
  - (a) shall, without delay, (i) post on the Monitor's website (the "**Website**") a notice containing the information prescribed under the CCAA, (ii) make this Order publicly available in the manner prescribed under the CCAA, (iii) send, in the prescribed manner, a notice to all known creditors having a claim against the Debtor of more than \$1,000, advising them

that the Order is publicly available, and (iv) prepare a list showing the names and addresses of such creditors and the estimated amounts of their respective claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder;

- (b) shall deal with the Debtor's creditors and other interested Persons during the Stay Period;
- (c) shall assist the Debtor with the preparation or prepare itself a statement of the evaluation of the Debtor's cash flow and any other projections or reports and the development, negotiation and implementation of the Plan;
- (d) shall negotiate with its creditors and other interested Persons and organize the holding of any meetings to consider the Plan and hold a vote;
- (e) shall report to the Court on the state of the business and financial affairs of the Debtor or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;
- (f) shall report to this Court and interested parties, including but not limited to the creditors affected by the Plan, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;
- (g) may retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of the Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

- (h) may engage legal counsels to the extent the Monitor considers necessary in connection with the exercise of its powers or the discharge of its obligations in these proceedings and any related proceeding, under the Order or under the CCAA;
- (i) may act as a “foreign representative” of the Debtor or in any other similar capacity in any insolvency, bankruptcy or reorganisation proceedings outside of Canada;
- (j) may give any consent or approval as may be contemplated by the Order or the CCAA; and
- (k) may perform such other duties as are required by the Order or the CCAA or by this Court from time to time.

20. ORDERS that, in addition to the powers provided in section 19 hereof, all of the following powers of Aquadis’ board of directors be conferred to the Monitor, to the exclusion of all others Persons, including the Debtor:

- (a) all necessary powers to access all of the accounting records of the Debtor, as well as any document, contract, register of any nature whatsoever related to the operations of the Debtor or Properties wherever they may be and regardless of the media (the “**Registries**”) and the necessary powers to take copies of all the useful of necessary Registries for the performance of its functions;
- (b) all necessary powers to proceed to the analysis of the Debtor’s Registries;
- (c) all necessary powers to monitor the Debtor’s receipts and disbursements;
- (d) all the necessary powers to collect all accounts receivable and other



debts of the Debtor, including the powers to initiate legal actions on behalf of the Debtor and enter into a settlement agreement with respect to these legal actions, and to sign any document or any contract required or useful for those purposes; and

- (e) all the necessary powers in order to proceed to the opening of any required bank account, under the terms and conditions it deems appropriate, with any Canadian chartered bank, or other financial institution in order to cash out any amount payable to the Debtor, and issue any payment that, in the opinion of the Monitor, is necessary or useful to the operations of the Debtor;

21. AUTHORIZE the Monitor, in addition to the powers provided in sections 19 and 20 hereof, without being obliged, to:

- (a) conclude, without prior approval of the Creditors committee (as defined hereinafter) or this Court, settlement transactions with all Parties to the distribution chain who may be liable for the damages caused by allegedly defaulting valves and fitting and their respective insurers;
- (b) take all measures deemed necessary and relevant to investigate and assess any unliquidated Claim;
- (c) settle any unliquidated Claim with the prior consent of the Creditors committee; and
- (d) initiate or continue any claim, suit, action in warranty of any other recourse of the Debtor with the prior consent of the Creditors committee;

22. DECLARES that the Monitor may provide creditors and other relevant stakeholders with information in response to requests made by them in writing addressed to the Monitor. The Monitor does not undertake any obligation or responsibility in respect of the information of this nature communicated in

accordance with the Order or the CCAA, except as provided in section 23 hereof. In the case of information that the Monitor has been advised by the Debtor is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Debtor unless otherwise directed by this Court.

23. DECLARES that no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out the provisions of any order of this Court, except with prior leave of this Court, on at least seven (7) days notice to the Monitor and its counsel. The entities related to or affiliated with the Monitor shall also be entitled to the protection, benefits and privileges afforded to the Monitor pursuant to this paragraph.

#### **Creditors committee**

24. ORDERS the creation of the Creditors committee contemplated by the *Restructuring Support Agreement* (R-9), to be composed of one representative of each of the signatories of the *Restructuring Support Agreement* (R-9), which are Desjardins Assurances Générales Inc. (including La Personnelle), Intact Compagnie d'Assurances, Aviva Compagnie d'Assurances du Canada, La Capital, Assurances Générales Inc. (including Unique Assurance Générale inc.), Groupe Pro-Mutuel and Royale & Sun-Alliance du Canada, Société d'Assurances (the "**Creditors committee**");
25. ORDERS that the issues submitted to the Creditors committee be decided at the meetings, which shall be chaired by the Monitor, by the majority in numbers of members of the Creditors committee and the majority in value of the proven claims by the creditors having delegated the member called to vote and as determined by the Monitor;
26. ORDERS that the Creditors committee shall approve in accordance to the requirements of section 24 (i) the filing of the Plan with this Court and the

creditors, (ii) the conclusion of any settlement transactions with one Party of the distribution chain who may be liable for the damages caused by the allegedly defaulting valves and fitting and/or its insurers, and (iii) the settlement for any unliquidated Claim and (iv) other issues that will be submitted by the Monitor to the extent that these issues could affect the rights of the creditors;

27. ORDERS that in the event of a deadlock at the time of a vote of the members of the Creditors committee, the Monitor shall have the deciding vote;
28. ORDERS that the powers of the members of Creditors committee may be exercised by a majority in number having a majority in value of the proven claims by the creditors having delegated these members of the Creditors committee;

### **Professional Fees**

29. DECLARES that, subject to the approval of this Court, an amount equal to twenty-five percent (25%) of the first five million dollars (\$5,000,000) (plus applicable taxes) and thirty-five percent (35%) (plus applicable taxes) of the amount superior to five million dollars (\$5,000,000) that will be received by the Monitor following the negotiations with the relevant parties, and to be paid to the Debtor's creditors under the Plan, plus applicable sales taxes, may be deducted to compensate for the fees and disbursements of the Monitor and its legal counsels (the "**Professional Fees and Disbursements**");
30. DECLARES that as security for the Professional Fees and Disbursements incurred both before and after the date of the Order and directly related to these proceedings, the Plan and the Restructuring, the Monitor and the Monitor's legal counsels be entitled to the benefit of and are hereby granted a charge and security in the Property and on any amount that the Monitor will received following its negotiations and to be paid to the Debtor's creditors according to the Plan ("**Other Properties**") and to the extent of the aggregate amount of \$1,150,000 (the "**Administration Charge**").

31. DECLARES that the Creditors committee may retain the services of legal counsels and reserve the right of the Creditors committee to present a motion before the Court for i) approval of the compensation of its legal counsels, ii) request that such compensation be paid out of the amount received by the Monitor.

### **Priorities and General Provisions Relating to the Administration Charge under the CCAA**

32. DECLARES that the Administration Charge shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind (collectively, the “**Encumbrances**”) affecting the Property charged by such Administration Charge.
33. ORDERS that, except as otherwise expressly provided for herein, the Debtor shall not grant any Encumbrances in or against any Property that rank in priority to, or *pari passu* with the Administration Charge;
34. DECLARES that the Administration Charge shall attach, as of the Effective Time, to all present and future Property of the Debtor and Other Properties.
35. DECLARES that the Administration Charge and the rights and remedies of the beneficiaries of such Administration Charge under the CCAA, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any petition for a receiving order filed pursuant to the *Bankruptcy and Insolvency Act* (“**BIA**”) in respect of the Debtor or any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Debtor; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, lease agreement,

offer to lease or other arrangement which binds the Debtor (a “**Third Party Agreement**”), and notwithstanding any provision to the contrary in any Third Party Agreement:

- (a) the creation of any of the Administration Charge shall not create or be deemed to constitute a breach by the Debtor of any Third Party Agreement to which it is a party; and
- (b) any of the beneficiaries of the Administration Charge shall not have liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the Administration Charge.

36. DECLARES that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a receiving order filed pursuant to the BIA in respect of the Debtor and any receiving order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Debtor, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Debtor pursuant to the Order and the granting of the Administration Charge, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.

37. DECLARES that the Administration Charge shall be valid and enforceable as against all Property of the Debtor and Other Properties and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Debtor, for all purposes.

### **General**

38. ORDERS that no Person shall commence, proceed with or enforce any Proceedings against any of the Directors, employees, legal counsels or financial

advisers of the Debtor or of the Monitor and its legal counsels, in relation to the Business or Property of the Debtor, without first obtaining leave of this Court, upon five (5) days written notice to the Monitor's counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings;

39. DECLARES that the Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply by the Debtor under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.
40. DECLARES that, except as otherwise specified herein, the Debtor and the Monitor are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Debtor and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three business days after mailing if by ordinary mail.
41. DECLARES that the Debtor, the Monitor and any party to these proceedings may serve any court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Debtor shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.
42. DECLARES that, unless otherwise provided herein, under the CCAA, or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for the Monitor and has filed such notice with this Court, or appears on the service list prepared by the Monitor or its attorneys,

save and except when an order is sought against a Person not previously involved in these proceedings;

43. DECLARES that the Debtor or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.
44. DECLARES that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon five (5) days notice to the Monitor and its legal counsels and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order, such application or motion shall be filed during the Stay Period ordered by this Order, unless otherwise ordered by this Court;
45. DECLARES that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
46. DECLARES that the Monitor shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or Administrative body, whether in Canada, the United States of America or elsewhere, for orders which aid and complement the Order and any subsequent orders of this Court and, without limitation to the foregoing, an order under Chapter 15 of the *U.S. Bankruptcy Code*, for which the Monitor shall be the foreign representative of the Debtor. All courts and Administrative bodies of all such jurisdictions are hereby respectively requested to make such orders and to provide such assistance to the Monitor as may be deemed necessary or appropriate for that purpose.
47. REQUESTS the aid and recognition of any Court or Administrative body in any Province of Canada and any Canadian federal court or Administrative body and

any federal or state court or Administrative body in the United States of America and any court or Administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of the Order.

48. ORDERS the provisional execution of the Order notwithstanding any appeal.

[ FRENCH ORIGINAL VERSION SIGNED ]

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Honourable Martin Castonguay, J.S.C.

Date of hearing: December 9, 2015