

SUPERINTENDENT ESTATE NO. 25-2239263 and 25-2239270

**IN THE MATTER OF THE PROPOSAL OF
SEAIR INC. AND SEAIR DIFFUSION SYSTEMS INC.
OF THE CITY OF CALGARY,
IN THE PROVINCE OF ALBERTA**

FIRST REPORT TO COURT OF THE PROPOSAL TRUSTEE

April 28, 2017

A. INTRODUCTION

1. On April 10, 2017 (the “**Filing Date**”), Seair Inc. and Seair Diffusion Systems Inc. (“**Seair Diffusion**”) (collectively “**Seair**” or the “**Companies**”) lodged a proposal (the “**Proposal**”) pursuant to Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) with FTI Consulting Canada Inc.
2. On the same day, FTI Consulting Canada Inc. filed the Companies’ Proposal with the Superintendent of Bankruptcy. FTI Consulting Canada Inc. was appointed as the Trustee under the Proposal (the “**Proposal Trustee**”). A copy of the Proposal is attached as Appendix A.
3. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/Seair>.

B. PURPOSE OF THIS REPORT

4. The purpose of this report, the first report to Court of the Proposal Trustee (the “**First Report**”) is to provide the Court with an update on the following:
 - (a) An overview of the interim financing proposal; and
 - (b) The Proposal Trustee’s observations and recommendation regarding the interim financing agreement.

C. TERMS OF REFERENCE

5. In preparing the First Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Companies’ management, the Companies’ books and records, other information available to the Proposal Trustee and discussions with various parties (collectively, the “**Information**”).

6. Except as described in the First Report:
 - (a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
7. Future oriented financial information reported or relied on in preparing the First Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
8. The capitalized terms used but not otherwise defined in the First Report are defined in the Proposal and the Report of the Proposal Trustee on the Proposal (the “**Proposal Report**”) attached as Appendix “A” and “B” respectively.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

D. OVERVIEW OF THE PROPOSAL PROCEEDINGS

10. The Proposal was accepted by the requisite majorities of creditors in both classes of creditors at the first meeting of creditors on April 26, 2017 (the “**Creditor Meeting**”).
11. The Proposal Trustee has set a hearing date to seek court approval of the Proposal on May 18, 2017.

12. The Proposal Trustee estimates that subsequent to approval of the Proposal by the Court the duration of the remaining Proposal proceeding to be a minimum of two months to achieve full implementation of the Proposal and the associated reorganization of Seair Inc.

E. OVERVIEW OF THE INTERIM FINANCING AGREEMENT

13. The company providing the interim financing is 1979927 Alberta Ltd (in such capacity, the “**Interim Lender**”). 197 is already a creditor of the Companies as it provided secured bridge financing prior to the Filing Date.
14. The principal amount to be advanced by the Interim Lender under the interim financing agreement dated April 28, 2017 (the “**Interim Financing Agreement**”), attached as Appendix A, is \$650,000 (the “**Interim Financing**”).
15. The maturity date of the Interim Financing (the “**Maturity Date**”) is the earlier of:
 - (a) September 30, 2017; or
 - (b) the date on which the Interim Lender demands repayment of the Interim Financing after the occurrence of an event of default as defined in the Interim Financing Agreement.
16. Upon approval of the Proposal by the Court and the waiver or fulfillment of all conditions precedent to implementation of the Proposal (the “**Conditions of Conversion**”) the full amount of the then outstanding Interim Financing shall be converted into Lender Preference Shares at a conversion price of 1.5 Lender Preference Shares to \$1 of outstanding Interim Financing (the “**Conversion Rate**”).
17. The Interim Financing carries an interest rate of 12% per annum (the “**Interest Rate**”). The Interest Rate will increase to 17% per annum in the event of a default.

18. The planned use of the Interim Financing is approximately:
 - (a) \$220,000 on costs in relation to Proposal process including professional fees; and
 - (b) a maximum of \$430,000 on funding the Companies' operations in the normal course of business until July 31, 2017.
19. The Interim Financing will be secured by a Court-ordered charge (the "**Interim Lender's Charge**") on all of the existing and after-acquired real and personal, tangible and intangible, property, assets and undertaking of the Companies.
20. The Interim Lender's Charge will rank in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever

F. OBSERVATIONS ON THE INTERIM FINANCING PROPOSAL AND RECOMMENDATION

21. The Proposal Trustee makes the following observations:
 - (a) The Proposal Trustee reviewed 5 recent interim financings executed in the last 6 months and noted that the interest rates ranged from 8% to 15% per annum with the average of the 5 interest rates equal to 12.18%. As such the Interest Rate is consistent with market rates for the recent interim financing loans the Proposal Trustee observed.
 - (b) As noted in the Proposal Report the Interim Lender is the senior secured creditor for Seair Inc. and Seair Diffusion with secured claims of \$732,225 and \$315,000 respectively, as set out in the SOAs.

The Proposal Report shows that the assets of the Companies are fully encumbered by the secured claims of 197 based on the ERV of the assets noted in the Proposal Report.

As such no creditors would be materially prejudiced by the Interim Financing or the Interim Lender's Charge as 197 is the only creditor that would benefit from the Companies' assets based on the ERV. Further, the Interim Financing provides the necessary funds to continue to operate the Companies in normal course and complete the terms of the Proposal.

- (c) The Proposal Trustee notes that there were no other interim financing proposals solicited by the Companies. This is due to immediate cash requirement of the Companies. The Proposal Trustee determined this not to be a significant issue as the terms of the Interim Financing are in line with other interim financing loans the Proposal Trustee has observed.
 - (d) The Proposal Trustee notes that the Companies' current cash balance is \$3,440. As such the Interim Financing is required to continue operations and enhance the probability of a viable proposal by the Companies.
 - (e) It is the Proposal Trustee's understanding that the Companies are planning to recapitalize the business through new investors. As such the Maturity Date provides sufficient time for the Companies to generate the cash-flow to repay the Interim Financing if the Conditions of Conversion are not met prior to the Maturity Date.
 - (f) The Conversion Rate of the Interim Financing to Lender Preference Shares appears reasonable as it is the same conversion rate used in the Proposal to convert 197's pre-filing secured debt to Lender Preference Shares.
22. Accordingly the Proposal Trustee respectfully recommends that the Interim Financing Agreement be approved.
23. All of which is respectfully submitted this 28th day of April, 2017.

Yours truly,

FTI Consulting Canada Inc.

In its capacity as Proposal Trustee of
Seair Inc. and Seair Diffusion Systems Inc.
and not in its personal capacity



Per: _____

Deryck Helkaa – Sr. Managing Director

APPENDIX A

INTERIM LOAN AGREEMENT

THIS AGREEMENT is dated for reference this 28th day of April, 2017.

BETWEEN:

1979927 ALBERTA LTD. (the “**Interim Lender**”)

AND:

SEAIR INC. (“**Seair**”)

AND:

SEAIR DIFFUSION SYSTEMS (“**Diffusion**” and together with Seair, the “**Borrowers**”)

WHEREAS:

- A. On April 10, 2017, the Borrowers filed a proposal (the “**Proposal**”) to their creditors under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”); and
- B. The Interim Lender has agreed to provide interim financing to the Borrowers in order to fund certain obligations of the Borrowers in accordance with the terms and conditions set out herein, including on the condition that the Court of Queen’s Bench of Alberta (the “**Court**”) makes an order (the “**Interim Lending Order**”) in proceedings to be commenced by the Borrowers in such Court (the “**Proposal Proceedings**”) which, among other things, authorizes the Borrowers to borrow funds under this Agreement and creates the Interim Lender’s Charge, as defined herein.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1.	INTERIM LOAN FACILITY AND MAXIMUM AMOUNT:	The Interim Lender shall provide to the Borrowers a secured super-priority demand revolving credit facility (the “ Interim Loan Facility ”) in the maximum principal amount of six hundred and fifty thousand Canadian dollars (CDN \$650,000) (the “ Maximum Credit Amount ”).
2.	REPAYMENT:	Subject to section 3 below, the aggregate principal amount owing under the Interim Loan Facility, all accrued and unpaid interest, prepayment penalties, if applicable, and all fees and expenses incurred by the Interim Lender in connection with the Interim Loan Facility (collectively, the “ Interim Loan Obligations ”) shall be due and payable on the earlier of: <ul style="list-style-type: none"> (a) September 30, 2017; (b) the date on which either: (i) the Proposal is not approved by the requisite majorities of the Borrowers’ creditors at a meeting of such creditors convened for the purpose of voting on the Proposal; or (ii) the Proposal is not approved by the Court on any

		<p>application to the Court for approval of the Proposal; and</p> <p>(c) the date on which the Interim Lender demands repayment of the Interim Loan Facility after the occurrence of an Event of Default (as defined herein)</p> <p>(such earliest date, the “Maturity Date”).</p> <p>The Maturity Date may be extended at the request of the Borrowers and with the prior written consent of the Interim Lender, in its sole discretion, for such period and on such terms and conditions as the Borrowers and the Interim Lender may agree, subject to approval from the Court if so required.</p> <p>The commitment in respect of the Interim Loan Facility shall expire on the Maturity Date and all Interim Loan Obligations shall be repaid in full no later than the Maturity Date, without the Interim Lender being required to make demand upon the Borrowers or to give notice that the Interim Loan Facility has expired and/or that the Interim Loan Obligations are due and payable.</p> <p>All payments received by the Interim Lender shall be applied first to any fees due hereunder, then to accrued and unpaid interest and then after all such fees and interest are brought current, to principal.</p>
3.	CONVERSION OF INTERIM LOAN FACILITY	<p>Upon: (i) the approval of the Proposal by the Court in the Proposal Proceedings; and (ii) the waiver or fulfilment of all other conditions precedent to implementation of the Proposal as set forth in the Proposal, then the full amount of the then-outstanding Interim Loan Obligations shall be converted into fully paid and non-assessable Lender Preference Shares (as defined in the Proposal) at a conversion price equal to 1.5 Lender Preference Shares for every dollar of then-outstanding Interim Loan Obligations. The conversion date shall be the day after the fulfillment or waiver of all conditions precedent to implementation of the Proposal.</p>
4.	AVAILABILITY UNDER INTERIM LOAN FACILITY:	<p>The Borrowers shall request advances under the Interim Loan Facility (each, an “Interim Loan Advance”) by submission to the Interim Lender of a draw request no more frequently than on a weekly basis. Interim Loan Advances may be repaid and re-borrowed prior to the Maturity Date. Availability under the Interim Loan Facility is limited to the Maximum Credit Amount and is subject to the other conditions described herein. Each of the Borrowers shall be jointly and severally liable for all Interim Loan Advances and all other amounts owing hereunder.</p> <p>The following conditions precedent shall be satisfied, or waived by the Interim Lender, in its sole discretion, prior to each Interim Loan Advance hereunder:</p> <p>(a) the aggregate of the Interim Loan Advances shall not exceed the</p>

		<p>Maximum Credit Amount and shall be subject to the terms and conditions hereof;</p> <p>(b) delivery to the Interim Lender of a drawdown certificate in substantially the form set out in Schedule “A” hereto, executed by an officer on behalf of the Borrowers;</p> <p>(c) no application for leave to appeal, notice of appeal or an appeal in respect of the Interim Lending Order shall have been made or threatened;</p> <p>(d) the Interim Lending Order, in a form acceptable to the Interim Lender, acting reasonably, shall have been made and no motion to amend, vary or stay the Interim Lending Order shall have been made or threatened;</p> <p>(e) the Interim Lender shall have been named as an additional insured and loss payee on the Borrowers' casualty insurance policies, including insurance with respect to any real property Collateral (as defined herein);</p> <p>(f) no material adverse change in the operations or financial condition prospects of the Borrowers shall have occurred after the date of the Interim Lending Order;</p> <p>(g) there shall have been no breach of any covenant or other obligation of the Borrowers under or in connection with this Agreement;</p> <p>(h) there is no Event of Default which has occurred and is continuing, nor will any Event of Default occur as a result of the Interim Loan Advance;</p> <p>(i) there are no pending appeals, injunctions or other legal impediments relating to the Interim Loan Facility, or pending litigation seeking to restrain or prohibit the Interim Loan Facility; and</p> <p>(j) each of the representations and warranties made in this Agreement shall be true and correct as of the date made or deemed made.</p>
5.	USE OF PROCEEDS:	<p>The Interim Loan Facility may only be used by the Borrowers to pay:</p> <p>(a) Obligations incurred in the ordinary course of the Borrowers' business, including in relation to the Proposal process which, without limitation, includes payment of the fees and costs of the Borrowers' legal and professional advisors;</p> <p>(b) fees and expenses associated with the Interim Loan Facility; and</p>

		<p>(c) such other expenditures as the Interim Lender shall have consented to in writing.</p> <p>The proceeds of each Interim Loan Advance shall be paid into such of the Borrowers' existing bank accounts as the Borrowers may advise from time to time.</p>
6.	SECURITY:	<p>The Interim Loan Obligations shall be secured by a Court-ordered charge on terms and conditions, including as to priority, acceptable to the Interim Lender (the "Interim Lending Charge") on all of the existing and after-acquired real and personal, tangible and intangible, property, assets and undertaking of the Borrowers, including, without limitation, all cash, cash equivalents, bank accounts, accounts, other receivables, chattel paper, contract rights, inventory, instruments, documents, securities (whether or not marketable), equipment, fixtures, real property interests, franchise rights, patents, trade names, trademarks, copyrights, intellectual property, intangibles, capital stock, supporting obligations, letter of credit rights, commercial tort claims, causes of action and all substitutions, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds thereof (collectively, the "Collateral"). The Interim Lending Charge will rank in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever.</p> <p>For clarity, it is a condition precedent to any Loan Advance that the Interim Lending Charge be ordered by the Court in the Proposal Proceedings.</p>
7.	INTEREST:	<p>Prior to an Event of Default, the outstanding principal amount of all Interim Loan Advances shall bear interest at the rate of twelve percent (12%) per annum. From and after an Event of Default, the outstanding principal amount of all Interim Loan Advances shall bear interest at the rate of seventeen percent (17%) per annum.</p> <p>Interest on each Interim Loan Advance shall accrue on the basis of a year of three hundred and sixty (360) days and will be calculated, payable and compounded monthly on the last business day of each month. For the purposes of the <i>Interest Act</i> (Canada), the annual rates of interest or fees to which the rates calculated in accordance with this Interim Loan Facility are equivalent to the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by three hundred and sixty-five (365) or three hundred and sixty-six (366), as applicable.</p> <p>If any provision of this Agreement or any ancillary document in connection with this Agreement would obligate the Borrowers to make any payment of interest or other amount payable to the Interim Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Interim Lender of interest at a criminal rate (as such terms are construed under the <i>Criminal Code</i> (Canada)) then, notwithstanding such provision, such amount or rate</p>

		shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Interim Lender of interest at a criminal rate and any such amounts actually paid by the Borrowers in excess of the adjusted amount shall be forthwith refunded to the Borrowers.
8.	MANDATORY REPAYMENTS:	<p>Subject to any order of the Court, all proceeds arising from:</p> <p>(a) the disposition of assets out of the ordinary course of business of the Borrowers (including for greater certainty, any sale of all or substantially all of the Collateral of any of the Borrowers); and</p> <p>(b) insurance proceeds in respect of any of the Collateral,</p> <p>shall be applied to repayment of the Interim Loan Advances and any such repayment shall reduce the Maximum Credit Amount.</p> <p>The Borrowers shall immediately make any payments required to eliminate any amount by which the principal amount outstanding at any time under the Interim Loan Facility exceeds the Maximum Credit Amount.</p>
9.	ADDITIONAL DOCUMENTATION:	All documentation relating to the Interim Loan Facility shall be in form and substance satisfactory to the Interim Lender. The Borrowers shall execute and deliver to the Interim Lender such documents and assurances as the Interim Lender may request to give full force and effect to this Agreement. At the option of the Interim Lender, the Borrowers shall execute and deliver such guarantees, acknowledgments, mortgages, security agreements and charge as the Interim Lender may from time to time request.
10.	REPRESENTATIONS AND WARRANTIES:	<p>Each of the Borrowers represents and warrants to the Interim Lender, upon which the Interim Lender relies in entering into this Agreement, that:</p> <p>(a) each of the Borrowers is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary;</p> <p>(b) each of the Borrowers has all requisite corporate power and authority to (i) own and operate its properties and assets and to develop, own and operate its business and (ii) subject to the granting of the Interim Lending Order, to enter into and perform its obligations under this Agreement;</p> <p>(c) the execution and delivery of this Agreement by the Borrowers and the performance by the Borrowers of their respective</p>

		<p>obligations hereunder have been duly authorized by all necessary corporate action and, subject to the granting of the Interim Lending Order, no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any governmental body, is or was necessary therefor, other than filings which may be made to register or otherwise record the Interim Lending Charge;</p> <p>(d) this Agreement has been duly executed and delivered by each of the Borrowers and constitutes a legal, valid and binding obligation of each of the Borrowers, enforceable against them in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally and (ii) the discretion that a court may exercise in the granting of equitable remedies;</p> <p>(e) the Collateral: (i) is unconditionally owned by the Borrowers and is only located at the locations disclosed to the Interim Lender, (ii) has not been sold, leased or otherwise disposed of other than inventory in the ordinary course of business and (iii) is not subject to any rights of any person or entity other than licenses in intellectual property;</p> <p>(f) subject to the granting of the Interim Lending Order, the execution and delivery of this Agreement by the Borrowers and the performance by each of the Borrowers of their respective obligations hereunder and compliance with the terms, conditions and provisions hereof, will not conflict with or result in a breach of (i) their constating documents or by-laws or (ii) any applicable law;</p> <p>(g) all statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by the Borrowers or anyone on their behalf to the Interim Lender are true, complete and accurate in all respects and do not omit any information necessary to make them true, complete and accurate in all respects;</p> <p>(h) the business operations of each of the Borrowers have been and will continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on;</p> <p>(i) the Borrowers have obtained all licenses and permits required for the operation of their business, which licenses and permits remain in full force and effect. No proceedings have been commenced or threatened to revoke or amend any of such licenses or permits which have not been stayed as a result of the filing of the Proposal;</p>
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		<p>(j) all representations and warranties made by the Borrowers in this Agreement are true and correct as of the date such representations and warranties are made or deemed to be made;</p> <p>(k) each of the Borrowers has filed or cause to be filed all tax returns and reports which are required to have been filed and has paid or caused to be paid all taxes required to have been paid by them, except taxes that are being contested in good faith by appropriate proceedings;</p> <p>(l) there are no actions, suits or proceedings (including any tax-related matter) by or before any arbitrator or governmental authority or by any other person pending against or, to the knowledge of the Borrowers, threatened against or affecting the Borrowers which have not been stayed as a result of the filing of the Proposal;</p> <p>(m) the Borrowers maintain insurance policies and coverage which (i) is sufficient for compliance with law and all material agreements to which either Borrower is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Borrowers; and</p> <p>(n) all factual information provided by or on behalf of each of the Borrowers to the Interim Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.</p>
11.	AFFIRMATIVE COVENANTS:	<p>Each of the Borrowers covenants and agrees to:</p> <p>(a) subject to the terms of the Interim Lending Order, comply with all laws, rules, regulations and orders, including, without limitation, environmental laws and regulations and immediately notify the Interim Lender of any action, claim, lawsuit, demand, investigation or proceeding pending, or to the knowledge of either Borrower, threatened, against either Borrower, before any court, governmental authority, regulatory authority, arbitrator or tribunal;</p> <p>(b) maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Borrowers or as otherwise may be required by the Interim Lender;</p>

		<ul style="list-style-type: none"> (c) pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, HST, PST and workplace safety and insurance premiums arising after the date on which the Proposal was filed; (d) comply with the provisions of any Court orders made in connection with the Proposal Proceedings; (e) preserve, renew and keep in full force its respective corporate existences and its respective material licenses, permits and approvals required in respect of its business, properties, assets or any activities or operations carried out therein; (f) forthwith notify the Interim Lender of any Event of Default, or of any event or circumstance that may constitute an Event of Default; (g) forthwith notify the Interim Lender of the commencement of any action, suit, investigation, litigation or proceeding before any court, governmental department, board, bureau, agency or similar body affecting either Borrower; (h) promptly after the same is available, provide copies to the Interim Lender of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of either of the Borrowers with the Court; and (i) permit the Interim Lender, its representatives and agents, to have access, at any time, to the books, records, property and premises of the Borrowers.
12.	REPORTING COVENANTS:	<p>The Borrowers shall deliver to the Interim Lender:</p> <ul style="list-style-type: none"> (a) forthwith, notice of: <ul style="list-style-type: none"> (i) any breach of covenant or other obligation of either Borrower under or in connection with this Agreement; (ii) any material adverse change in the operations or financial conditions of either Borrower; (iii) any investigation, proceeding, order, claim or notice by any governmental agency with respect to any violation or alleged violation of applicable laws; and (b) such further reports and information as the Interim Lender may request from time to time.
13.	NEGATIVE COVENANTS:	Each of the Borrowers covenants and agrees not to do the following while any Interim Loan Obligations remain outstanding, other than with the prior written consent of the Interim Lender or as permitted by

		<p>a further order of the Court:</p> <ul style="list-style-type: none"> (a) make any payment of principal or interest in respect of any indebtedness outstanding on April 10, 2017; (b) permit any new liens to exist on any of its properties or assets; (c) merge, amalgamate, consolidate, reorganize, or sell any assets outside of the ordinary course of business; (d) make any acquisitions, investments or loans to any party or guarantee the obligations of any party (except for intercompany loans by one of the Borrowers to the other Borrower to pay for operating costs, expenses and liabilities of such other Borrower); (e) incur or enter into any debts, liabilities or obligations, including, without limitation, guarantees and contingent obligations, except in the ordinary course of business; (f) make or permit any dividends or distributions (whether by reduction of capital or otherwise) with respect to their shares or directly or indirectly purchase, redeem or otherwise acquire or retire any of their shares; or (g) conduct any business or engage in any transaction with an affiliate or non-arm's length person unless such business or transaction is on terms which would apply to an arm's length transaction.
14.	EVENTS OF DEFAULT:	<p>The occurrence of any one or more of the following events, without the prior written consent of the Interim Lender, shall constitute an event of default (“Event of Default”) under this Agreement:</p> <ul style="list-style-type: none"> (a) failure by the Borrowers to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder; (b) any payment is made by the Borrowers that is not permitted by this Agreement; (c) any representation or warranty made or deemed to be made by either of the Borrowers herein or in any other document in connection with this Agreement shall prove to have been false in any material respect at the time made or deemed made; (d) any Borrower shall default in the observance or performance of any other covenant or obligation hereunder which, if curable, is not cured within five (5) business days after written notice from the Interim Lender; (e) the issuance of an order dismissing any application for approval

		<p>of the Proposal, terminating the Proposal Proceedings or lifting the stay of proceedings to permit the enforcement of any security against either Borrower, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against either Borrower;</p> <p>(f) the issuance of an order granting a lien which is senior to or <i>pari passu</i> with the Interim Lending Charge;</p> <p>(g) the issuance of an order staying, reversing, vacating or otherwise modifying the Interim Lending Order or any order in the Proposal Proceedings in a manner which adversely impacts the rights and interests of the Interim Lender, provided, however, that any such order which provides for payment in full of all of the obligations of the Borrowers under the Interim Loan Facility shall not constitute an Event of Default;</p> <p>(h) if (i) the Interim Lending Order is varied without the consent of the Interim Lender in a manner adverse to the Interim Lender or (ii) the stay of proceedings arising upon the filing of the Proposal is terminated or is lifted to allow an action adverse to the Interim Lender; or</p> <p>(i) a Court order is made, a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise, of the Borrowers, that will cause a material adverse change in the operations or financial condition prospects of the Borrowers.</p>
15.	REMEDIES:	<p>On the Termination Date, any right of the Borrowers to receive any advance or other accommodation of credit from the Interim Lender shall be immediately terminated and any further advances made, if any, thereafter shall be in the sole discretion of the Interim Lender. The Interim Lender shall be entitled, in addition to all other remedies at law and under any security or other agreement, to exercise its rights to notify and direct account debtors of the Borrowers to pay accounts receivable directly to the Interim Lender. In addition, on the Termination Date, all debts, liabilities of the Borrowers to the Interim Lender shall become immediately due and payable.</p> <p>Without limiting the foregoing, from and after the Termination Date, the Interim Lender shall have the right to exercise all other customary remedies under applicable law, including, without limitation, the right to realize on all Collateral and the collateral securing the Interim Loan Obligations in each case without the necessity of obtaining further relief or order from any court.</p> <p>For greater certainty, nothing shall prevent the Interim Lender from applying to the Court or any court in any relevant foreign jurisdiction on two (2) business days' notice, or such shorter notice as the Court</p>

		<p>may permit, for such relief as the Interim Lender may determine is necessary or appropriate at any time.</p> <p>For the avoidance of doubt, no failure or delay by the Interim Lender in exercising any of its rights hereunder or at law shall be deemed a waiver of any kind, and the Interim Lender shall be entitled to exercise such rights in accordance with this Agreement at any time.</p>
16.	EXPENSES:	<p>The Borrowers shall pay all of the Interim Lender's costs and expenses, including those incurred for due diligence, transportation, computers, copying, appraisals, audits, insurance, consultants, searches, filing and recording fees, collateral auditing fees and all other out-of-pocket costs and expenses incurred by the Interim Lender (including the fees and expenses of its legal counsel). The Borrowers shall also pay the costs and expenses of the Interim Lender in connection with this Agreement and the transactions contemplated herein, as well as any enforcement of the terms hereof or of the Interim Lending Charge or otherwise incurred in connection with the Interim Loan Facility. All such costs and expenses, if not immediately paid by the Borrowers upon demand, shall be secured by the Interim Lending Charge.</p>
17.	INDEMNITY AND RELEASE	<p>The Borrowers agree, on a joint and several basis, to indemnify and hold harmless the Interim Lender, its affiliates and their officers, directors, employees, agents and advisors (each, an “Indemnified Person”) from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the Interim Loan Facility or the use of the proceeds thereof and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and any actions or failures to act in connection therewith including the taking of any enforcement actions by the Interim Lender and including any and all environmental liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties hereto. All such indemnified amounts, if not immediately paid by the Borrowers upon demand, shall be secured by the Interim Lending Charge.</p> <p>The indemnities granted under this Agreement shall survive any termination of the Interim Loan Facility.</p>
18.	INTERIM LENDER APPROVALS:	<p>Any consent, approval, instruction or other expression of the Interim Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail, by the Interim Lender pursuant to the terms hereof.</p>
19.	TAXES:	<p>All payments under or in connection with the Interim Loan Facility shall be made free and clear of any present or future taxes,</p>

		<p>withholdings or other deductions whatsoever (other than income and franchise taxes in the jurisdiction the Interim Lender's lending office). The Interim Lender will use reasonable efforts (consistent with their respective internal policy and legal and regulatory restrictions and so long as such efforts would not otherwise be disadvantageous to them) to minimize to the extent possible any applicable taxes, and the Borrowers will indemnify the Interim Lender, on a joint and several basis, for such taxes and penalties paid by the Interim Lender. All such indemnified amounts, if not immediately paid by the Borrowers upon demand, shall be secured by the Interim Lending Charge.</p>
20.	NOTICES	<p>Any notice, request or other communication hereunder to any of the parties shall be in writing and be sufficiently given if delivered personally or sent by fax or electronic mail to the attention of the person as set forth below:</p> <p>(a) in the case of the Borrowers:</p> <p style="padding-left: 40px;">Seair Inc. Seair Diffusion Systems Inc. c/o Suite 801 - 570 Granville Street Vancouver, British Columbia V6C 3P1</p> <p style="padding-left: 40px;">Attention: Christopher Morris</p> <p style="padding-left: 40px;">Email: cmorris@rcmorris.com</p> <p style="padding-left: 40px;">with a copy to:</p> <p style="padding-left: 40px;">Fasken Martineau 2900 - 550 Burrard Street Vancouver, British Columbia V6C 0A3</p> <p style="padding-left: 40px;">Attention: Kibben Jackson</p> <p style="padding-left: 40px;">Email: kjackson@fasken.com</p> <p>(b) in the case of the Interim Lender:</p> <p style="padding-left: 40px;">1979927 Alberta Ltd. c/o Suite 801 - 570 Granville Street Vancouver, British Columbia V6C 3P1</p> <p style="padding-left: 40px;">Attention: Christopher Morris</p> <p style="padding-left: 40px;">Email: cmorris@rcmorris.com</p> <p>Any such notice shall be deemed to be given and received, when received, unless received after 5:00 p.m. EST or on a day other than a business day, in which case the notice shall be deemed to be received the next business day. Either party may request notices be sent to</p>

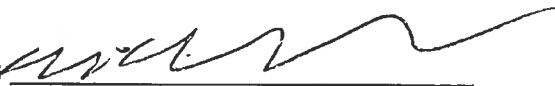
		additional recipients so long as, in the case of notices to the Interim Lender, such recipient is subject to confidentiality obligations.
21.	GOVERNING LAW AND JURISDICTION:	This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.
22.	AMENDMENTS, WAIVERS, ETC.:	No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given.
23.	FURTHER ASSURANCES:	The Borrowers shall from time to time promptly, upon the request of the Interim Lender, take or cause to take such action, and execute and deliver such further documents as may be reasonably necessary or appropriate to give effect to the provisions and intent of this Agreement.
24.	ENTIRE AGREEMENT; CONFLICT:	This Agreement, including the schedules hereto constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes all prior agreements and understandings relating thereto.
25.	ASSIGNMENT:	The Interim Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, to any party acceptable to the Interim Lender in its sole and absolute discretion (subject to approval of the Court if necessary). Neither this Agreement nor any right and obligation hereunder may be assigned by the Borrowers without the prior written approval of the Interim Lender.
26.	SEVERABILITY:	Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
27.	COUNTERPARTS AND FACSIMILE SIGNATURES:	This Agreement may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

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IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

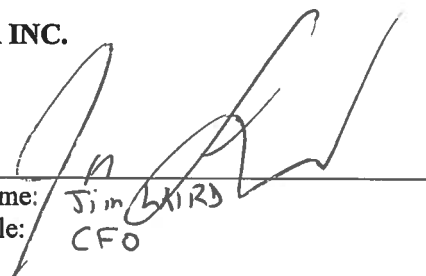
Interim Lender

1979927 ALBERTA LTD.

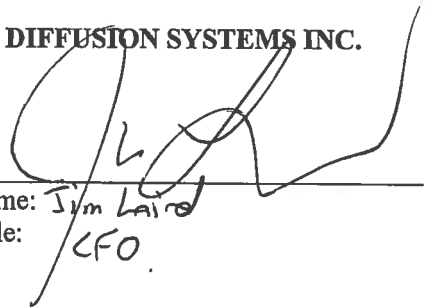
By: 
Name: Christopher Morris
Title: Director

Borrowers

SEAIR INC.

By: 
Name: Jim Laird
Title: CFO

SEAIR DIFFUSION SYSTEMS INC.

By: 
Name: Jim Laird
Title: CFO

SCHEDULE "A"

FORM OF DRAWDOWN REQUEST

DRAWDOWN REQUEST

TO: 1979927 ALBERTA LTD. (the "Interim Lender")

FROM: SEAIR INC.
SEAIR DIFFUSION SYSTEMS INC.
(collectively, the "Borrowers")

DATE: [], 2017

Pursuant to the interim loan agreement dated May __, 2017, among the Interim Lender and the Borrowers (as amended, restated and otherwise modified from time to time, the "Agreement"), the Borrowers are required as a condition precedent to each Interim Loan Advance to deliver this Drawdown Request to the Interim Lender. Unless otherwise defined herein, all capitalized terms used in this Drawdown Request shall have the meanings specified for such terms in the Agreement.

The Borrowers hereby certify that:

- (a) the Borrowers are in compliance with the Interim Lending Order and every other order granted by the Court in the Proposal Proceedings;
- (b) the representations and warranties set forth in Section 10 of the Agreement are and shall be true and accurate and the Borrowers are in compliance with the covenants set forth in Section 11, Section 12 and Section 13 thereof;
- (c) no event has occurred and is continuing which constitutes an Event of Default or which would constitute an Event of Default with the giving of notice or lapse of time or both; and
- (d) all conditions precedent to the requested Interim Loan Advance pursuant to the Agreement have been satisfied and all supporting evidence required by the Interim Lender is attached hereto.

The Borrowers hereby request an Interim Loan Advance as follows:

Date of Advance: []

Amount of Advance: CDN \$[]

IN WITNESS WHEREOF the undersigned has executed this Drawdown Request on the date first above written.

SEAIR INC.

SEAIR DIFFUSION SYSTEMS INC.

By: _____
Name:
Title:

By: _____
Name:
Title: