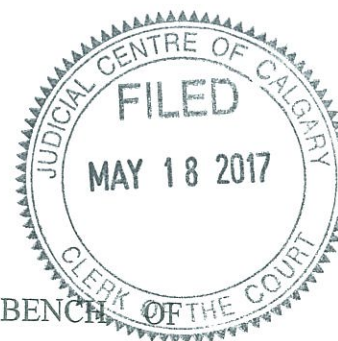


I hereby certify this to be a true copy of  
the original ORDER

Dated this 18 day of May 2017  
[Signature]  
for Clerk of the Court

Clerk's stamp:



COURT FILE NUMBER

1701-05884

COURT

COURT OF QUEENS BENCH  
ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

**IN THE MATTER OF THE  
BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C. 1985, c. B-3, as amended  
AND  
IN THE MATTER OF THE JOINT  
PROPOSAL OF SEAIR INC. AND  
SEAIR DIFFUSION SYSTEMS INC.**

DOCUMENT

ORDER

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF PARTY  
FILING THIS DOCUMENT

**FASKEN MARTINEAU DUMOULIN  
LLP**

Barristers and Solicitors  
3400 First Canadian Centre  
350 – 7th Avenue SW  
Calgary, Alberta T2P 3N9

Lawyer: Kibben Jackson  
Phone Number: 604-631-4786  
File Number: 309921.00001

**DATE ON WHICH ORDER WAS  
PRONOUNCED:**

**Thursday, May 18, 2017**

**LOCATION WHERE ORDER WAS  
PRONOUNCED:**

**Calgary, Alberta**

**NAME OF JUDGE WHO MADE THIS  
ORDER:**

**The Honourable Mr. Justice Jones**

UPON the application of Sear Inc. and Sear Diffusion Systems Inc. (together, the "Companies"); AND UPON having read the Application, the reports of the proposal trustee, FTI Consulting Canada Inc. (the "Trustee"), and Affidavit of Bradley Meadows, sworn May 11, 2017, and the Affidavits of Service of Danielle Olley and Tracy Wang, both sworn May 16, 2017, all filed; AND UPON hearing counsel for the Companies, and counsel for the interested parties; **IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of the notice of application for this Order is hereby abridged and deemed good and sufficient and this application is properly returnable today.
2. Capitalized terms used but not otherwise defined in this Order shall have the meanings ascribed to them in the joint proposal of the Companies dated April 10, 2017, a copy of which is attached hereto as Schedule "A" (the "**Proposal**").
3. The Meeting was duly convened, held and concluded on April 26, 2017, in conformity with the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").
4. The Proposal was approved by both the Debentureholders Class and the Unsecured Creditor Class by the majorities in number and value prescribed in section 54(2)(d) of the BIA.
5. The Proposal is hereby sanctioned and approved pursuant to the BIA.
6. The Proposal and the transactions contemplated thereby are fair and reasonable and are calculated to benefit the general body of the Companies' creditors.
7. The Applicants and the Trustee, as applicable, are authorized and directed to take all steps and actions necessary or appropriate, as determined by the Companies and the Trustee in accordance with and subject to the terms of the Proposal, to implement and effect the Proposal, and to execute and deliver all contracts, instruments, certificates and other agreements or documents to be created or delivered in connection with the Proposal, and such steps and actions are hereby approved.
8. The Implementation Date shall occur on the date that all conditions precedent set forth in section 6.1 of the Proposal are satisfied, and the filing by the Trustee with the Court of a certificate substantially in the form attached as Schedule "B" hereto (the "**Implementation Certificate**") shall be evidence of the satisfaction of those conditions precedent. The Proposal is ordered effective as at the date of filing with the Court of the Implementation Certificate and the Proposal will enure to the benefit of and be binding upon the Companies, the Creditors (other than the Unaffected Creditors), and the Existing Shareholders and all other Persons named or referred to in the Proposal.
9. Notwithstanding section 9.3 of the Proposal, delivery of the New Common Shares to the Debentureholders shall be made on or before the latter of the seventh Business Day following:
  - (a) the Implementation Date; and
  - (b) the date on which a Debentureholder's Claim becomes a Debenture Claim.
10. Effective on the Implementation Date, all necessary approvals of and from the Existing Shareholders and directors and officers of the Companies, as applicable (including all necessary resolutions, whether ordinary, special or otherwise, of the Existing Shareholders or directors or officers of the Companies, as applicable), to take all actions

set forth in the Proposal or this Order are hereby deemed to have been made, given, passed or obtained.

11. Effective on the Implementation Date, the arrangements, reorganizations and corporate transactions set forth at section 5.2 of the Proposal are sanctioned and approved and on the Business Day next following the Implementation Date such transactions shall occur, and shall be deemed to occur, in the following order without any further act or formality required on the part of any Person:
  - (a) the Parent will issue the New Preference Shares and the Lender Preference Shares;
  - (b) except for the New Preference Shares and the Lender Preference Shares:
    - (i) all Existing Shares of the Parent shall be cancelled and shall be of no further force or effect and the obligations of the Parent thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith and all certificates formerly representing the Existing Shares shall be deemed to be cancelled and shall be null and void;
    - (ii) all Securities of the Parent and any rights to receive such Securities shall be automatically deemed cancelled and shall be of no further force or effect and the obligations of the Parent thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith; and
    - (iii) the New Preference Shares shall convert to the new Common Shares at the ratio of 1:1.
12. Subsection 5.3(b) of the Proposal be and is hereby amended by deleting the reference therein to "Series 3 preference shares" and inserting in its place the words "Class A preference shares".
13. The Parent is hereby authorized and directed to file the Articles of Reorganization substantially in the form attached hereto as Schedule "C" with the Registrar (as defined in the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**")) pursuant to section 192(4) of the ABCA on the Implementation Date to reflect the reorganization approved in paragraph 11 above.
14. The transaction (the "**197 Share Transaction**") contemplated by the agreement dated May 10, 2017 between the Companies and 1979927 Alberta Ltd., a copy of which is attached hereto as Schedule "D", is hereby approved.
15. Within three Business Days following the Implementation Date, the Existing Shares shall be delisted from the TSX Venture Exchange.

16. The Lender Preference Shares shall convert to the Lender Common Shares in accordance with the terms and provisions of the Lender Preference Shares, without any further act or formality required on the part of the Parent, the Trustee or any other Person.
17. The releases set forth in section 2.6 of the Proposal are hereby confirmed. On the Implementation Date, and subject to the Companies meeting their obligations to the Affected Creditors under the Proposal, each Affected Creditor shall:
  - (a) release the Companies from all Claims that arose before the Filing Date and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims; and
  - (b) release the directors and officers of the Companies from all Claims that arose before the Filing Date and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

For the avoidance of doubt, nothing herein shall release or discharge or be deemed to have released or discharged any Claims against the directors of the Companies which cannot be released or discharged pursuant to section 50(14) of the BIA.

18. Effective upon the filing by the Trustee of the certificate pursuant to section 65.3 of the BIA, the BNY Indenture, the BNY Debentures, the CST Indenture and the CST Debentures shall be terminated and cancelled without any further act or formality required on the part of the Parent, the Trustee, the BNY Debentures Trustee, the CST Debentures Trustee or any other Person, and without the need for the BNY Debentures Trustee or the CST Debentures Trustee (as applicable) to receive the Debentures.
19. This Court does not require that the Companies comply with sections 5.4 or 5.6 of Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*.
20. The Companies, the Trustee and any other interested party shall be at liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.
21. This Order and all of its provisions are effective as of 12:01 a.m. Mountain Daylight Time on the date of this Order.



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Justice of the Court of Queen's Bench of Alberta

Schedule "A"

Province: Alberta  
Division No.: 02 - Calgary  
Court No.  
Estate Nos. \_\_\_\_\_  
and \_\_\_\_\_

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL DISTRICT OF CALGARY**

**IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF  
SEAIR INC. and SEAIR DIFFUSION SYSTEMS INC.**

**PROPOSAL**

**DATED APRIL 10, 2017**

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Proposal:

“197” means 1979927 Alberta Ltd.

“ABCA” means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended.

“Affected Creditor” means any Creditor that is not an Unaffected Creditor.

“Approval Order” means the Court order which, among other things, approves and directs the implementation of this Proposal and all actions and transactions set out herein, including the alteration of the articles of the Parent pursuant to section 192 of the ABCA to provide for:

- (a) the issuance of the New Preference Shares;
- (b) the automatic redemption and cancellation of the Existing Shares and all rights related to them without payment, consideration or any other right; and
- (c) the conversion of the New Preference Shares to the New Common Shares,

effective as at the Proposal Implementation Date and in accordance with the terms of this Proposal, as well as to provide for the issuance of the Lender Preference Shares (and any related rights) and the conversion thereof to the Lender Common Shares.

“Articles of Reorganization” means the articles of reorganization effecting the reorganization of the Parent’s share capital in accordance with Article 5 of this Proposal.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

“BNY Debentureholders” means all beneficial holders of BNY Debentures.

“BNY Registered Holders” means all registered holders of BNY Debentures as at the Filing Date.

“BNY Debentures” means the 12% secured, convertible, redeemable debentures due June 30, 2017, in the principal amount of \$4,572,377.03 issued by the Parent pursuant to the BNY Trust Indenture.

“BNY Debentures Trustee” means BNY Trust Company of Canada.

“BNY Trust Indenture” means that certain indenture dated effective October 31, 2012, between the Parent and the BNY Debentures Trustee, as amended, modified or supplemented prior to the date hereof.

**“Business Day”** means any day which is not a Saturday or Sunday, or a provincial or federal holiday in the province of Alberta.

**“CDS”** means CDS Clearing and Depository Services Inc.

**“Claim”** means any right or claim of any Person against the Companies whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such Person, in each case which indebtedness, liability or obligation was in existence at the Filing Date and any interest that may accrue thereon, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Companies, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date and, for certainty, includes Priority Claims.

**“Classes”** means the Debentureholders Class and the Unsecured Creditor Class.

**“Companies”** means, together, the Parent and Diffusion, and any reference to the Companies includes a reference to both and either of them, as the context requires.

**“Convenience Creditor”** means an Unsecured Creditor with a Proven Claim of \$2,000 or less, or who elects on their Proof of Claim form to reduce their Proven Claim to \$2,000 for distribution purposes.

**“Court”** means the Court of Queen’s Bench of Alberta.

**“Creditor”** means any Person having a Claim.

**“Crown”** means Her Majesty the Queen in right of Canada or a province.

**“Crown Claim”** means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are subject to a demand under:

- (a) subsection 244(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 244(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee’s premium, or employer’s premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts;  
or



- (c) any provision of provincial legislation that has a similar purpose to subsection 244(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
  - (i) has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

“**CST Debentureholders**” means all beneficial holders of CST Debentures.

“**CST Debentures**” means the 12% secured convertible, redeemable debentures due June 30, 2017, in the principal amount of \$618,000.00, issued by the Parent pursuant to the CST Trust Indenture.

“**CST Debentures Trustee**” means CST Trust Company.

“**CST Participant Holders**” means custodians of CST Debentures on behalf of CST Debentureholders.

“**CST Trust Indenture**” means that certain indenture dated as of May 22, 2014, between the Parent and the CST Debentures Trustee, as amended, modified or supplemented prior to the date hereof.

“**Debenture Claims**” means all Claims of Debentureholders that are Proven Claims for amounts due in respect of the Debentures.

“**Debentureholders**” means, collectively, the BNY Debentureholders and the CST Debentureholders.

“**Debentureholders Class**” means the class comprising all Debentureholders with Debenture Claims.

“**Debentures**” means, collectively, the BNY Debentures and the CST Debentures.

“**Diffusion**” means Seair Diffusion Systems Inc.

“**Existing Shareholders**” means the holders immediately prior to the Implementation Date of the Existing Shares.

“**Existing Shares**” means all shares of any class or series issued by the Parent issued and outstanding as at the Filing Date.

**“Filing Date”** means April 10, 2017, the date this Proposal was filed by the Companies with the Official Receiver.

**“Filing Date Exchange Rate”** means the Bank of Canada noon spot rate of, exchange for exchanging currency to Canadian dollars on the Filing Date.

**“Implementation Date”** means the date on which all conditions set forth in Article 6 of this Proposal have been satisfied.

**“Inspectors”** has the meaning ascribed to it in Section 4.6 of this Proposal.

**“Intercompany Claim”** means the Claim of any corporate entity affiliated with the Companies against any of the Companies.

**“Lender Common Shares”** means the new common shares of the Parent resulting from the conversion of the Lender Preference Shares in accordance with the terms thereof.

**“Lender Preference Shares”** means the Series 3 preference shares of the Parent to be issued to 197 as part of the reorganization of the Parent’s share capital as described in Article 5 of this Proposal.

**“Meeting”** means the meeting of the Debentureholders Class and the Unsecured Creditor Class held in accordance with section 51(1) of the BIA for the purpose of those Classes respectively considering and, if thought fit, voting to approve this Proposal and agreeing to the compromise and arrangement constituted thereby, and includes any subsequent reconvened meeting should a meeting be adjourned.

**“New Common Shares”** means the new common shares of the Parent resulting from the conversion of the Preference Shares on the Business Day next following the Implementation Date.

**“New Preference Shares”** means the Series 2 preference shares of the Parent, to be issued to the Debentureholders pursuant with this Proposal.

**“Parent”** means Seair Inc.

**“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

**“Post-Filing Claim”** means a Claim arising from the supply of goods or services to the Companies after the Filing Date or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such Claims. Post-Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date.

**“Post-Filing Creditor”** means a Creditor having a Post-Filing Claim.

**“Priority Claims”** means all Claims, including Crown Claims, that are Proven Claims and which, in accordance with the BIA, must be paid in priority to other unsecured Claims.

**“Priority Creditors”** means those Creditors with Priority Claims.

**“Proof of Claim”** means:

- (a) in the case of the Debentureholders, the form of document prescribed by the BIA to be filed with the Trustee by the Debentureholders to establish the Claims of the Debentureholders; and
- (b) in the case of all other Affected Creditors, the form of document prescribed by the BIA to be filed with the Trustee to establish the Claim of a Creditor.

**“Proposal”** means this proposal among the Companies and the Affected Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Companies and the Affected Creditors as provided for herein, or at any Meeting.

**“Proven Claim”** means a Claim which:

- (a) after the delivery of a Proof of Claim to the Trustee, has been admitted by the Trustee in whole or in part; or
- (b) after delivery of a Proof of Claim to the Trustee, has been disallowed by the Trustee, which disallowance subsequently has been set aside in whole or in part by the Court,

provided that a Proven Claim shall not include any amount due to a Post-Filing Creditor in respect of a Post-Filing Claim. Proven Claims shall not include any interest for the period subsequent to the Filing Date.

**“Securities”** means all options issued by the Parent to purchase any of the Existing Shares in the capital of the Parent, all warrants issued by the Parent to purchase any of the Existing Shares in the capital of the Parent, and any other document, instrument or writing of the Parent commonly known as a security, but for clarity does not include any of the Debentures.

**“Trustee”** means FTI Consulting Canada Inc. in its capacity as proposal trustee in respect of this Proposal.

**“Trustee’s Costs”** means all proper fees, expenses and legal costs of the Trustee on or incidental to the proceedings arising out of this Proposal and all proper fees, expenses and legal costs of the Trustee arising in relation to this Proposal.

**“Unaffected Claims”** means the Claims of the Unaffected Creditors.

**“Unaffected Creditors”** means the Priority Creditors, the Post-Filing Creditors, 197, and the Companies in respect of the Inter-Company Claims.

**“Unsecured Claims”** means all Claims against the Companies that are Proven Claims but that are not Debenture Claims or Unaffected Claims.

**“Unsecured Creditor”** means a Creditor with an Unsecured Claim, including a Convenience Creditor.

**“Unsecured Creditor Class”** means the class comprising all Unsecured Creditors.

**“Voting Creditors”** means the Debentureholders and the Unsecured Creditors.

## **1.2 Interpretation**

For the purposes of this Proposal:

- (a) the division of this Proposal into Sections and the insertion of headings are for convenience only and do not form part of this Proposal and will not be used to interpret, define or limit the scope, extent or intent of this Proposal;
- (b) all references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Affected Creditors in any other currency will be converted to Canadian Dollars at the Filing Date Exchange Rate;
- (c) all references to time herein are to the local time in Calgary, Alberta, Canada unless otherwise stipulated, and where the time for anything pursuant to this Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Calgary, Alberta, Canada;
- (d) unless otherwise specified, the words “hereof”, “herein”, “hereunder” and “hereto” refer to this Proposal in its entirety rather than any particular portion of this Proposal;
- (e) when the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- (f) the deeming provisions are not rebuttable and are conclusive and irrevocable;
- (g) the words “includes” and “including” are not limiting; and
- (h) the word “or” is not exclusive.

## **1.3 Statutory Reference**

Unless otherwise specified, each reference to a statute in this Proposal is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

#### **1.4 Date for Any Action**

In the event that any date on which any action is required to be taken under this Proposal is not a Business Day, that action shall be required to be taken on the next succeeding date that is a Business Day.

### **ARTICLE 2 PURPOSE AND EFFECT OF THIS PROPOSAL**

#### **2.1 Purpose of this Proposal**

The purpose of this Proposal is to permit the Companies to compromise the indebtedness owed to Affected Creditors of the Companies as at the Filing Date on a fair and equitable basis so as to facilitate the capital restructuring of the Parent, including the cancellation of the Existing Shares, the issuance of the New Preference Shares and the conversion of the New Preference Shares to the New Common Shares, the delisting of the Parent's securities and the termination of the Parent's status as a reporting issuer.

#### **2.2 Overview of Proposal**

This Proposal provides for the compromise and release of the Claims of Affected Creditors against the Companies in exchange for either: (i) payments in cash to Unsecured Creditors, including Convenience Creditors; and (ii) the issuance of the New Preference Shares (which are to be converted to the New Common Shares) to the Debentureholders.

197 is the first-ranking secured creditor of the Parent. It also will fund the payments to the Unsecured Creditors, and will pay the requisite amount to the Trustee within one Business Day of the Implementation Date. The Trustee will make the distributions to the Unsecured Creditors as soon as reasonably practicable after the Implementation Date.

The New Preference Shares will be issued by the Parent on the Business Day next following the Implementation Date. The Existing Shares will then be cancelled and immediately thereafter the New Preference Shares will convert to the New Common Shares at a ratio of 1:1.

197 may also provide interim-financing to the Companies after the Filing Date with the approval of the Court.

197 will be issued the Lender Preference Shares as part of the reorganization contemplated by this Proposal. 197 shall be entitled to 1.5 Lender Preference Shares for every \$1.00 of the aggregate of:

- (a) the total indebtedness (including accrued interest, if any) of the Companies to 197; and
- (b) the total amount paid by 197 to the Trustee to fund this Proposal, including in respect of payments to Unsecured Creditors, the Trustee's Costs, and all Post-Filing Claims.

It is contemplated that shortly following implementation of this Proposal, the Parent will raise funds for an equity investment in the Parent. As a condition of its support of this Proposal, 197 requires that the Lender Preference Shares include anti-dilution provisions that will be triggered if the new equity investment values the Parent below a certain threshold amount, with the result that the Lender Preference Shares may convert to the Lender Common Shares at a ratio other than 1:1.

It is also contemplated that shortly following implementation of this Proposal, certain employees of the Companies will be granted options, some of which will be exercisable immediately.

It is anticipated that immediately following implementation of this Proposal, the Debentureholders will hold approximately 75.5% of the issued and outstanding share capital of the Parent, and 197 will hold the balance.

If the anti-dilution provisions of the Lender Preference Shares are triggered, the Debentureholders will hold approximately 39% to 45% of the issued and outstanding share capital of the Parent, 197 will hold approximately 13% to 15% of the issued and outstanding share capital of the Parent, and new investors and employees will hold the balance.

### **2.3 Funding of the Proposal**

197 will fund this Proposal, including paying the Trustee's Costs, all Post-Filing Claims and distributions to Unsecured Creditors.

### **2.4 Trustee Under this Proposal**

Subject to the provisions of the BIA, the Trustee shall act as the administrator for certain purposes connected with this Proposal, including management of the claims process, administration of the Meeting and delivery of payments to the Unsecured Creditors, as applicable. The Parent (and not the Trustee) will issue the New Preference Shares and the Lender Preference Shares.

### **2.5 Persons Affected**

On the Implementation Date, this Proposal will become effective and shall be binding on the Companies, the Existing Shareholders and the Creditors (other than the Unaffected Creditors).

### **2.6 Treatment of Affected Creditors**

On the Implementation Date, and subject to the Companies meeting their obligations to the Affected Creditors under this Proposal, each Affected Creditor shall:

- (a) release the Companies from all Claims that arose before the Filing Date and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (b) release the directors and officers of the Companies from all Claims that arose before the Filing Date and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

### ARTICLE 3 TREATMENT OF CREDITORS

#### 3.1 Unaffected Claims

Unaffected Claims are not included under or in any way affected by this Proposal and will be paid in accordance with existing agreements between the Unaffected Creditors and the Companies or in accordance with alternative arrangements to be negotiated concurrently with the filing and implementation of this Proposal.

#### 3.2 Trustee's Costs

The Trustee's Costs shall be paid in priority to all Priority Claims, Debenture Claims and Unsecured Claims.

#### 3.3 Priority Claims

##### 3.3.1 Crown Claims

Crown Claims that are Proven Claims shall be paid in their entirety, without interest, within six months after the granting of the Approval Order.

##### 3.3.2 Payments to Employees

The amounts which employees (past and present) of the Companies would be entitled to receive pursuant to section 136(1)(d) of the BIA if their employer had been declared bankrupt on the Filing Date, as well as wages, salaries, commission or compensation for services rendered from and after the Filing Date up to the date of the granting of the Approval Order, shall be paid in their entirety as soon as reasonably practicable after the granting of the Approval Order.

##### 3.3.3 Other Priority Claims

Any other Priority Claims will be paid in accordance with the BIA.

#### 3.4 Debenture Claims

Each of the Debentureholders shall be entitled to one New Preference Share for every \$1.00 of their Debenture Claim. Following cancellation of the Existing Shares, the New Preference Shares shall convert to the New Common Shares at a ratio of 1:1.

No fractional interests of New Preference Shares will be issued under this Proposal. Debentureholders will have their entitlements adjusted downwards to the nearest whole number of New Preference Shares to eliminate any such fractional interests and no compensation will be given for the fractional interests.

### **3.5 Unsecured Claims**

#### **3.5.1 Convenience Creditors**

Immediately following the Implementation Date, Convenience Creditors will be paid the full amount of their Proven Claims (as reduced, if applicable). Convenience Creditors with Proven Claims are deemed to have voted in favour of the Proposal at the Meeting.

#### **3.5.2 Unsecured Creditors that are not Convenience Creditors**

Immediately following the Implementation Date, each Unsecured Creditor that is not a Convenience Creditor will be paid \$0.10 for every \$1.00 of the Unsecured Creditor's Proven Claim, in full and final satisfaction of the Unsecured Creditors' Unsecured Claims.

### **3.6 Classes of Creditors**

There will be two classes of Creditors for the purpose of considering and voting on this Proposal, namely the Debentureholders Class and the Unsecured Creditor Class.

## **ARTICLE 4 MEETING OF CREDITORS**

### **4.1 Meeting**

Unless otherwise ordered by the Court, the Meeting shall be held at 12:00 p.m. on Wednesday, April 26, 2017 at the offices of Fasken Martineau DuMoulin LLP at 3400 First Canadian Centre, 350 7<sup>th</sup> Avenue SW, Calgary, Alberta.

### **4.2 Conduct of Meeting**

Unless otherwise ordered by the Court, the Meeting shall be held by the Trustee and chaired by the Trustee or the nominee thereof. The Meeting shall be conducted in accordance with Part III, Division I of the BIA. The only Persons entitled to attend the Meeting are those Persons entitled to vote at the Meeting, including the holders of proxies, and their legal counsel, if any, and the officers, directors, auditors, advisors and legal counsel of the Companies, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of the Meeting. Any other person may be admitted only on invitation of the chair of the Meeting.

The procedure for dealing with the disallowance of Proofs of Claim will be as set out in section 135 of the BIA.

### **4.3 Adjournment of the Meeting**

The Meeting may be adjourned in accordance with section 52 of the BIA. If the Meeting is adjourned, no further Proofs of Claim nor proxies shall be filed with or accepted by the Trustee or the Companies for the purpose of voting at any reconvening of the Meeting.



#### **4.4 Voting at the Meeting**

##### **4.4.1 Debentureholders Class**

Each Debentureholder will be entitled to vote the full amount of its Proven Claim at the Meeting. Each Debentureholder shall have one vote for the purposes of determining a majority in number and each Debentureholder shall be entitled to one vote for every \$1.00 of its Proven Claim for the purposes of determining a majority in value.

##### **4.4.2 Unsecured Creditor Class**

Each Unsecured Creditor that is not a Convenience Creditor will be entitled to vote the full amount of its Proven Claim at the Meeting. Each Unsecured Creditor that is not a Convenience Creditor shall have one vote for the purposes of determining a majority in number, and each Unsecured Creditor shall be entitled to one vote for every \$1.00 of its Proven Claim for the purposes of determining a majority in value.

All Convenience Creditors shall be deemed to have voted in favour of the Proposal and shall not be entitled to vote at the Meeting.

#### **4.5 Proxies and Voting Letters**

Voting Creditors that are not Convenience Creditors will be entitled to vote at the applicable Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim package and will be binding upon all Voting Creditors.

Any proxy or voting letter filed on or behalf of any Convenience Creditor shall be of no force and effect.

#### **4.6 Inspectors**

At the Meeting, the Voting Creditors may appoint one or more, but not more than five, inspectors (the “Inspectors”). The Inspectors shall have only the following powers:

- (a) the power to extend the dates of payments provided for under this Proposal;
- (b) the power to waive any default in the performance of any provision of this Proposal;
- (c) the power to approve interim and final statements of receipts and disbursements of the Trustee, including the power to approve proposed dividends and reasonable fees and disbursements of the Trustee;
- (d) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee; and
- (e) the power to advise the Trustee concerning any dispute that may arise as to the validity of a Proof of Claim filed by a Creditor.

In the event no Inspectors are appointed under this Proposal, the Trustee shall be entitled to take advances toward the Trustee's Costs from the funds paid to the Trustee by 197, with all advances subject to taxation by the Court upon completion of this Proposal.

The Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by reason of any wrongful act, default or neglect by any of them.

## **ARTICLE 5 REORGANIZATION**

### **5.1 Corporate Actions**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Proposal involving corporate action of the Parent will occur and be effective as of the Implementation Date, and will be authorized and approved by the Court as part of the Approval Order, in all respects and for all purposes, without any requirement for further action by the Existing Shareholders or the directors or officers of the Parent. All necessary approvals of and from the Existing Shareholders and directors or officers of the Parent, as applicable (including all necessary resolutions, whether ordinary, special or otherwise, of the Existing Shareholders or directors or officers of the Parent, as applicable) to take all actions hereunder or contemplated hereby shall be deemed to have been made, given, passed or obtained. For the avoidance of doubt, the Existing Shareholders in their capacity as such are not Affected Creditors and shall not vote on this Proposal.

### **5.2 Reorganization of the Parent's Share Capital**

Subject to the satisfaction of the conditions in Article 6 of this Proposal, the following steps, events or transactions to be immediately effected on the Business Day next following the Implementation Date shall occur, and be deemed to have occurred, in the following order without any further act or formality required on the part of any Person:

- (a) the Parent will issue the New Preference Shares and the Lender Preference Shares;
- (b) except for the New Preference Shares and the Lender Preference Shares:
  - (i) all Existing Shares of the Parent shall be cancelled and shall be of no further force or effect and the obligations of the Parent thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith and all certificates formerly representing the Existing Shares shall be deemed to be cancelled and shall be null and void; and
  - (ii) all Securities of the Parent and any rights to receive such Securities shall be automatically deemed cancelled and shall be of no further force or effect and the obligations of the Parent thereunder or in any way related thereto

shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith; and

- (iii) the New Preference Shares shall convert to the New Common Shares at the ratio of 1:1.

The Lender Preference Shares shall convert to the Lender Common Shares in accordance with the terms and provisions of the Lender Preference Shares, without any further act or formality required on the part of any Person.

### **5.3 Articles of Reorganization**

The Approval Order, in addition to authorizing this Proposal, shall authorize and approve the filing of the Articles of Reorganization which Articles of Reorganization shall, among other things, amend the articles of the Parent to the extent necessary to:

- (a) cancel the Existing Shares;
- (b) create a new class of Series 2 preference shares and Series 3 preference shares, each in an unlimited number;
- (c) issue the New Preference Shares and the Lender Preference Shares;
- (d) permit the conversion of the New Preference Shares to the New Common Shares at the ratio of 1:1; and
- (e) permit the conversion of the Lender Preference Shares to the Lender Common Shares in accordance with the terms of the Lender Preference Shares.

## **ARTICLE 6 CONDITIONS PRECEDENT**

### **6.1 Conditions Precedent to Implementation of Proposal**

The implementation of this Proposal by the Companies is subject to the satisfaction of the following conditions precedent:

- (a) this Proposal having been approved by the Classes by the requisite percentages in relation both to numbers of Voting Creditors voting in a Class and to dollar amounts of Proven Claims of the Voting Creditors voting in a Class, in accordance with the provisions of the BIA;
- (b) the Approval Order having been issued and not stayed; and
- (c) all other actions, documents and agreements necessary to implement this Proposal shall have been effected and executed.

**ARTICLE 7  
AMENDMENTS AND MODIFICATIONS**

**7.1 Amendment of Proposal before or at Meeting**

The Companies reserve the right, with the consent of the Trustee and 197, to amend, modify, supplement or restate this Proposal at any time prior to the Meeting, or at the Meeting, in which case the amended, modified, supplemented or restated proposal will be put before the Classes for approval at the Meeting.

**7.2 Modification of Proposal after Meeting**

After the Meeting, this Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors (if any) to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors (if any); and
- (b) by the Court on application of the Companies or the Trustee and upon notice to the Official Receiver and those determined by the applicant to be directly affected by the proposed modification.

**ARTICLE 8  
APPLICATION FOR COURT APPROVAL**

**8.1 Application for Approval Order**

Upon the conclusion of the Meeting, if this Approval has been approved by the Classes by the requisite percentages in relation to both number of Voting Creditors and to dollar amounts of Proven Claims, application will be made by the Trustee to the Court for the Approval Order. Subject only to the Approval Order being granted and the satisfaction of those conditions described in Article 6, this Proposal will be implemented by the Companies and will be binding upon all the Creditors (other than the Unaffected Creditors), Shareholders and Persons affected by this Proposal in accordance with its terms.

**ARTICLE 9  
IMPLEMENTATION OF PROPOSAL**

**9.1 Issuance of New Preference Shares**

At 12:01 a.m. on the Business Day next following the Implementation Date, the Parent shall issue to the Debentureholders with Debenture Claims, or:

- (a) in the case of the CST Debentureholders, to CDS or to the CST Participant Holders on behalf of the CST Debentureholders with Debenture Claims; and
- (b) in the case of the BNY Debentureholders, to the BNY Registered Holders on behalf of the BNY Debentureholders with Debenture Claims,

such New Preference Shares to which the Debentureholders with Debenture Claims are entitled in accordance with the terms of this Proposal.

## **9.2 Conversion of New Preference Shares to New Common Shares**

In accordance with Article 5 of this Proposal, the New Preference Shares shall convert to the New Common Shares.

## **9.3 Delivery and Allocation of New Common Shares to which Debentureholders Entitled**

Delivery of the New Common Shares to which Debentureholders are entitled under this Proposal shall be made on or before the seventh Business Day following the Implementation Date.

### **9.3.1 CST Debentureholders**

To the extent that any or all of the New Common Shares are able to be distributed to CST Debentureholders through the facilities of CDS (or any other applicable depository), the delivery of interests in the New Common Shares to CST Debentureholders will be made through the facilities of CDS to CDS participants who, in turn will make delivery of the New Common Shares to the CST Debentureholders pursuant to standing instructions and customary practices.

To the extent any or all of the New Common Shares are not able to be distributed to CST Debentureholders through CDS (or other applicable depository), delivery shall be made through the direct registration system of CST Trust Company or by distributing physical certificates to the CST Debenture Trustee or to the CST Participant Holders.

The Companies shall have satisfied their responsibilities in respect of distribution of the New Common Shares to the CST Debentureholders once such New Common Shares have been delivered in accordance with this subsection 9.3.1. The Companies shall have no liability or obligations in respect of deliveries from CDS (or other applicable depository), the CST Debenture Trustee or the CST Participant Holders, as applicable, to the CST Debentureholders.

### **9.3.2 BNY Debentureholders**

All of the of the New Common Shares deliverable to BNY Debentureholders shall be delivered by distributing to the BNY Registered Holders physical certificates registered in the names of the BNY Registered Holders.

The Companies shall have satisfied their responsibilities in respect of distribution of the New Common Shares to the BNY Debentureholders once such New Common Shares have been delivered in accordance with this subsection 9.3.2. The Companies shall have no liability or obligations in respect of deliveries from the BNY Registered Holders to the BNY Debentureholders.

## **9.4 Delivery of Cash to Unsecured Creditors**

As soon as reasonably practicable after the Implementation Date, the Trustee shall distribute to each Unsecured Creditor:

- (a) who is a Convenience Creditor, the lesser of the amount of the Convenience Creditor's Proven Claim and the sum of \$2,000; and
- (b) who is not a Convenience Creditor, \$0.10 for each \$1.00 of that Unsecured Creditor's Proven Claim by way of cheque sent by pre-paid ordinary mail.

#### **9.5 Notices and Payments to Affected Creditors**

Any notices, correspondence and distributions to Affected Creditors under or in relation to this Proposal shall be delivered to the address provided by each Affected Creditor unless the Companies and the Trustee are notified by an Affected Creditor in writing of an alternative address for delivery.

#### **9.6 Undeliverable Distributions**

If any distribution, delivery or correspondence to an Affected Creditor under this Proposal is returned to the sender as undeliverable, no further distributions, deliveries or correspondence shall be made to that Affected Creditor unless and until the sender is notified by such Affected Creditor, in writing, of their current address, at which time any missed deliveries, distributions (without interest) and correspondence shall be delivered to such Affected Creditor. Undeliverable distributions shall be retained by the sender until they are claimed or until six months after the date of such distribution, after which they shall revert to 197 or the Parent, as applicable, free of any restrictions or claims thereon.

#### **9.7 Withholding Taxes and Superintendent's Levy**

All distributions to the Affected Creditors with Proven Claims under this Proposal shall be made net of the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of this Proposal, each Affected Creditor with a Proven Claim that is to receive a distribution pursuant to this Proposal (including any Preference Shares), shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

### **ARTICLE 10 GENERAL**

#### **10.1 BIA Sections 95 to 101**

It is a term of this Proposal that sections 95 to 101, inclusive, of the BIA shall not apply with respect to this Proposal and the Companies.

#### **10.2 Further Actions**

The Companies will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal to give effect to the transactions contemplated hereby.

### 10.3 Notice to Companies or Trustee

All notices, Proofs of Claim, and other correspondence relating to this Proposal and to be delivered to the Companies or the Trustee shall be in writing and shall be delivered either personally, by email, by regular mail, by registered mail or by certified mail, return receipt requested, at the following address:

To the Companies

c/o Suite 801 – 570 Granville Street  
Vancouver BC V6C 3P1

Attention: Christopher Morris/Bradley Meadows

Emails: [cmorris@rcmorris.com](mailto:cmorris@rcmorris.com)  
[bmeadows@rcmorris.com](mailto:bmeadows@rcmorris.com)

with a copy to:

Fasken Martineau DuMoulin LLP  
2900 – 550 Burrard Street  
Vancouver BC V6C 0A3

Attention: Kibben Jackson/Vicki Tickle

Emails: [kjackson@fasken.com](mailto:kjackson@fasken.com)  
[vtickle@fasken.com](mailto:vtickle@fasken.com)

To the Trustee

FTI Consulting Canada Inc.  
Ernst & Young Tower  
440 2<sup>nd</sup> Avenue SW, Suite 720  
Calgary AB T2P 5E9

Attention: Deryck Helkaa/Scott Gallon

Emails: [deryck.helkaa@fticonsulting.com](mailto:deryck.helkaa@fticonsulting.com)  
[scott.gallon@fticonsulting.com](mailto:scott.gallon@fticonsulting.com)

### 10.4 Successors and Assigns

This Proposal is binding upon the Companies, the Existing Shareholders, the Affected Creditors and their respective heirs, executors, administrators, successors and assigns.

**10.5 Date and Reference**

This Proposal may be referred to as being the Proposal of the Companies dated for reference the 10<sup>th</sup> day of April, 2017.

DATED at the City of Calgary, Province of Alberta this 10<sup>th</sup> day of April, 2017.

**SEAIR INC. and SEAIR DIFFUSION INC.**

Per:

  
Authorized Signatory



Schedule "B"

## Form of Implementation Certificate

COURT FILE NUMBER 1701-05884

COURT COURT OF QUEENS BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS **IN THE MATTER OF THE  
BANKRUPTCY AND INSOLVENCY  
ACT, R.S.C. 1985, c. B-3, as amended  
AND  
IN THE MATTER OF THE JOINT  
PROPOSAL OF SEAIR INC. AND  
SEAIR DIFFUSION SYSTEMS INC.**

### IMPLEMENTATION CERTIFICATE

#### RECITALS

- A. On April 10, 2017, Seair Inc. and Seair Diffusion Systems Inc. (together, the “**Companies**”) filed with the Official Receiver a joint proposal (the “**Proposal**”) pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”). Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Proposal. FTI Consulting Canada Inc. is the proposal trustee (in such capacity, the “**Trustee**”).
- B. Pursuant to an Order of the Court dated May <@>, 2017 (the “**Approval Order**”), the Court approved the Proposal and provided for the Proposal to be effective upon the filing of a certificate confirming the satisfaction of all of the conditions precedent set forth in section 6.1 of the Proposal, namely: (i) the approval of the Proposal by the Classes by the requisite percentages in relation both to numbers of Voting Creditors voting in a class and to dollar amounts of Proven Claims of the Voting Creditors voting in a Class, in accordance with the provisions of the BIA; (ii) the Approval Order having been issued and not stayed; and (iii) all other actions, documents and agreements necessary to implement the Proposal shall have been effected and executed.

THE TRUSTEE HEREBY CERTIFIES the following:

1. The Proposal has been approved by the Classes by the requisite percentages in relation both to numbers of Voting Creditors voting in a class and to dollar amounts of Proven Claims of the Voting Creditors voting in a class in accordance with the provisions of the BIA;
2. The Approval Order has been issued and has not been stayed; and
3. All other actions, documents and agreements necessary to implement this Proposal shall have been effected and executed.

DATED at the City of Vancouver, in the Province of British Columbia, on this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**FTI Consulting Canada Inc., in its capacity as  
Trustee of the Proposal of Seair Inc. and  
Seair Diffusion Systems Inc., and not in its  
personal capacity**

Per: \_\_\_\_\_  
Name:  
Title:

Schedule "C"

This information is collected in accordance with the *Business Corporations Act*. It is required to update an Alberta corporation's articles for the purpose of issuing a certificate of amendment. Collection is authorized under s. 33(a) of the *Freedom of Information and Protection of Privacy Act*. Questions about the collection can be directed to Service Alberta Contact Centre staff at [cr@gov.ab.ca](mailto:cr@gov.ab.ca) or 780-427-7013 (toll-free 310-0000 within Alberta).

1. Name of Corporation

2. Corporate Access Number

SEAIR INC.	209294123
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3. In accordance with the Order for Reorganization, the Articles of Incorporation are amended as follows:

Pursuant to the provisions of section 192 of the Business Corporations Act (Alberta), the authorized share capital of the Corporation is amended by:

(a) the cancellation of the authorized but unissued series of shares entitled "Convertible Redeemable Preferred Shares, Series 1" as set forth on the annexed Cancellation of Series of Shares Schedule;

(b) the creation of one new series of preferred shares, to be designated as "Series 2 Preference Shares" in an unlimited number, and to be subject to the rights, privileges and restrictions set forth on the annexed Series of Shares Schedule;

(c) the creation of one new class of preferred shares, to be designated as "Class A Preference Shares" in an unlimited number, and to be subject to the rights, privileges and restrictions set forth on the annexed Schedule A;

(d) the "Schedule A" attached hereto replaces the existing "Schedule A".

4. Authorized Representative/Authorized Signing Authority for the Corporation

\_\_\_\_\_  
Last Name, First Name, Middle Name (optional)

\_\_\_\_\_  
Relationship to Corporation

\_\_\_\_\_  
Telephone Number (optional)

\_\_\_\_\_  
Email Address (optional)

\_\_\_\_\_  
Date of submission (yyyy-mm-dd)

\_\_\_\_\_  
Signature

**CANCELLATION OF SHARES IN SERIES SCHEDULE**

**SEAIR INC.**

The series of shares entitled "Convertible Redeemable Preferred Shares, Series 1" is hereby cancelled.

## SHARES IN SERIES SCHEDULE

### SEAIR INC. (the "Corporation")

The second series of Preference Shares in the capital of the Corporation shall be designated as "Series 2 Preference Shares", respectively, each in an unlimited number and the rights, privileges and restrictions and conditions attaching thereto shall be as follows:

The Series 2 Preference Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

- (1) Each Series 2 Preference Share is convertible at the option of the Corporation and without the payment of additional consideration by the holder into one fully paid and non-assessable Common Share on a basis of one Common Share for each one Series 2 Preference Share to be converted in accordance with the terms and conditions of an order by the Court of Queen's Bench in relation to a proposal of the Corporation dated April 10, 2017 under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.
- (2) The holders of the Series 2 Preference Shares shall be not entitled to receive notice of, to attend at, or to vote at, any meeting of the shareholders of the Corporation *provided* that if, at a particular time, the Series 2 Preference Shares are the only issued and outstanding shares of the Corporation, then at that particular time, the holders of the Series 2 Preference Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and shall have one vote for each Preference Share held.

## SCHEDULE A

### SEAIR INC. (the "Corporation")

The classes of shares, and any maximum number of shares that the corporation is authorized to issue:

- (a) An unlimited number of Common Shares;
- (b) An unlimited number of Preferred Shares; and
- (c) An unlimited number of Class A Preference Shares.

The Directors of the Corporation may at any time issue any Preferred Shares in one or more series, each series to consist of such number of shares as may be determined by the Directors. The Directors may determine at the time of issuance the designation, rights, privileges, restrictions and conditions attaching to the shares of each series.

### SPECIAL RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO EACH CLASS OF SHARES

#### (I) DIVIDENDS

(A) Subject to any rights, privileges, restrictions and conditions which may have been determined by the Directors to attach to any series of Preferred Shares, the Directors shall have complete uncontrolled discretion to pay dividends on any class or classes of shares or any series within a class of shares issued and outstanding in any particular year to the exclusion of any other class or classes of shares or any series within a class of shares out of any or all profits or surplus available for dividends.

#### (II) REPAYMENT OF CAPITAL

(A) On the winding-up, liquidation or dissolution of the Corporation or upon the happening of any other event giving rise to a distribution of the Corporation's assets other than by way of dividend amongst its Shareholders for the purposes of winding-up its affairs, subject to any rights, privileges, restrictions and conditions which may have been determined by the Directors to attach to any series of Preferred Shares, the holders of all shares shall be entitled to participate *pari passu*.

#### (III) VOTING RIGHTS AND RESTRICTIONS

(A) Common Shares. At all meetings of Shareholders of the Corporation, each holder of Common Shares shall be entitled to one (1) vote for each Common Share held.

(B) Preferred Shares. The holders of the Preferred Shares shall have no right to receive notice of or to be present at or vote either in person or by proxy, at any general meeting of the Corporation by virtue of or in respect of their holding of Preferred Shares.



## CLASS A PREFERENCE SHARES

In this share structure:

“197” means 1979927 Alberta Ltd.

“Common Shares” means common shares of the Corporation.

“Financing” means an offering of Common Shares of the Corporation, as contemplated under the Order.

“Order” means the order by the Court of Queen’s Bench in relation to a proposal of the Corporation dated April 10, 2017 under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

“Proportional Interest” means that fraction which has as its numerator the number of Common Shares and Class A Preference Shares owned or controlled, directly or indirectly, by 197 and which has as its denominator the sum of the total number of outstanding Common Shares and Class A Preference Shares.

The Class A Preference Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

(1) If the pre-Financing valuation of the Corporation is greater than or equal to \$5,956,549, each Class A Preference Share is convertible, at the option of the Corporation and without the payment of additional consideration by the holder, into one fully paid and non-assessable Common Share on a basis of one Common Share for each one Class A Preference Share to be converted in accordance with the terms and conditions of the Order.

(2) If the pre-Financing valuation of the Corporation is equal to or greater than \$3,500,000 and less than \$5,956,549, each Class A Preference Share is convertible, at the option of the Corporation and without the payment of additional consideration by the holder, into that number of fully-paid and non-assessable Common Shares such that upon completion of such conversion, 197 holds that number of Common Shares equivalent to the Proportional Interest it would have if such interest was calculated after the Financing, at a pre-Financing valuation of the Corporation of \$5,956,549.

(3) No fractional Common Shares shall be issued upon conversion of Class A Preference Shares, and any fractional shares to which 197 would be entitled upon any conversion shall be rounded down to the nearest whole number.

(4) The holders of the Class A Preference Shares shall be entitled to receive notice of and to vote at all meetings of the shareholders of the Corporation except meetings at which only holders of a specified class of shares are, by the provisions of the *Business Corporations Act*, entitled to vote.

Schedule "D"

THIS AGREEMENT is made as of the 10 day of May, 2017

AMONG:

**SEAIR INC. ("Seair")**

AND:

**SEAIR DIFFUSION SYSTEMS INC. ("Diffusion", and together with Seair, the "Debtors")**

AND:

**1979927 ALBERTA LTD. ("197")**

WHEREAS:

A. Pursuant to:

- (a) a loan agreement between Seair and 940725 Alberta Ltd. ("940") dated September 27, 2016;
- (b) a debt and security assignment agreement dated April 5, 2017 between 940 and 197; and
- (c) a loan agreement between Seair and 197 dated November 21, 2016, as amended by the first amendment to loan agreement made as of March 7, 2017,

Seair is indebted to 197 in the aggregate principal amount of \$732,225.00 (the "**Seair Indebtedness**").

- B. Pursuant to a guarantee dated November 21, 2016 granted by Diffusion to 197 in respect of Seair's liabilities to 197 pursuant to the loan agreement referred to in Recital A(c) above, Diffusion is indebted to 197 in the principal amount of \$315,125.00 (the "**Diffusion Indebtedness**").
- C. On April 10, 2017, the Debtors filed a joint proposal (the "**Proposal**") to their creditors under the *Bankruptcy and Insolvency Act* (the "**BIA**"). 197 has agreed to fund the Proposal, including paying the Trustee's Costs, all Post-Filing Claims and distributions to Unsecured Creditors (collectively, the "**Proposal Payments**").
- D. In connection with the Proposal, the share capital of Seair will be reorganized (the "**Reorganization**") to provide, among other things, for the issuance to 197 of the Lender Preference Shares.

- E. 197 has agreed to accept Lender Preference Shares in full and final satisfaction of the Seair Indebtedness, the Diffusion Indebtedness and the Proposal Payments (collectively, and including any interest thereon, the "Indebtedness").

NOW THEREFORE THIS AGREEMENT witnesses that in consideration of the terms and conditions contained herein, each of the parties agree with the other as follows:

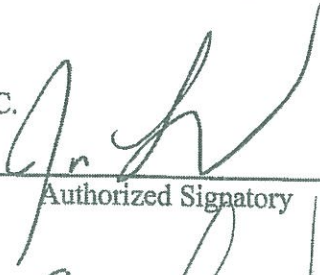
1. Capitalized terms used and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Proposal (a copy of which is attached hereto as Schedule "A").
2. 197 confirms to Seair that the Indebtedness is owed to 197 and has not been assigned, in whole or in part, by 197.
3. Subject to approval of the Proposal and the Reorganization by the Court in the Court of Queen's Bench of Alberta Action No. 1701-05884:
  - (a) Seair shall issue to 197 1.5 Lender Preference Shares for every \$1.00 of the Indebtedness, in full and final satisfaction of payment of the Indebtedness (the "Conversion"). The amount of the Indebtedness will be adjusted down to the nearest whole \$1.00;
  - (b) 197 agrees to accept the Lender Preference Shares from the Conversion in full and final satisfaction of payment of the Indebtedness; and
  - (c) upon issuance of the Lender Preference Shares to which 197 is entitled hereunder, the Debtors shall not be obligated to pay the Indebtedness and 197 hereby releases the Debtors of any such obligation.

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

SEAIR INC.

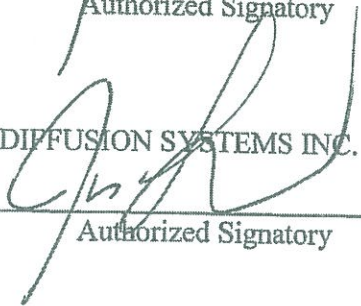
Per:



Authorized Signatory

SEAIR DIFFUSION SYSTEMS INC.

Per:



Authorized Signatory

1979927 ALBERTA LTD.

Per:



Authorized Signatory