ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CL-26-00000484-0000 **DATE: November 10, 2026**

NO. ON LIST: 3

TITLE OF PROCEEDING: XPLORE INC.

BEFORE: JUSTICE S. DUNPHY

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
Robert J. Chadwick	Counsel for the Applicants	rchadwick@goodmans.ca
Bradley Wiffen	Counsel for the Applicants	bwiffen@goodmans.ca
Andrew Harmes	Counsel for the Applicants	aharmes@goodmans.ca
Erik Axell	Counsel for the Applicants	eaxell@goodmans.ca

For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info
William E. Aziz	Bluetree Advisors Inc./Chief Restructuring Officer	baziz@bluetreeadvisors.com
Greg Watson	Proposed Monitor, FTI Consulting Canada Inc.	greg.watson@fticonsulting.co m
Jim Robinson	Proposed Monitor, FTI Consulting Canada Inc.	jim.robinson@fticonsulting.co m

Hrvoje Muhek	Proposed Monitor, FTI Consulting Canada Inc.	hrvoje.muhek@fticonsulting.c om
Jennifer Stam	Counsel for the Proposed Monitor	jennifer.stam@nortonroseful bright.com
Evan Cobb	Counsel for the Proposed Monitor	evan.cobb@nortonrosefulbri ght.com
Linc Rogers	Counsel to Stonepeak	linc.rogers@blakes.com
Milly Chow	Counsel to Stonepeak	milly.chow@blakes.com
Kevin Wu	Counsel to Stonepeak	kevin.wu@blakes.com
Elisha Graff	Counsel to Stonepeak	egraff@stblaw.com
Natasha Macparland	counsel to Canada Infrastructure Bank	natasha.macparland@dentons.com
Sean Zweig	Counsel to the Lender Committee	zweigs@bennettjones.com
Preet Gill	Counsel to the Lender Committee	gillp@bennettjones.com
Shawn Kirkman	Counsel to the Lender Committee	kirkmans@bennettjones.com

---

ENDORSEMENT OF JUSTICE:

[1] The Applicants (collectively, the "Xplore Group") seek relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") and on November 10, 2026 appeared before me to seek an initial order providing for a stay of proceedings, the appointment of a monitor, approval of interim financing, certain charges, authority to make specified payments in the ordinary course, and related relief. At the close of the hearing, I indicated that I would sign the proposed Initial Order subject to minor modifications made during the hearing with my written reasons for doing so to follow. These are those written reasons.

Jurisdiction

[2] There is no question that the applicants satisfy all of the minimum jurisdictional requirements of the *CCAA*. The principal operating company in the Xplore Group has its registered office and principal place of business in Ontario. Each of the applicants is a corporation and are affiliates of each other. The outstanding principal under the main secured credit facilities - almost $600 million – far exceeds the $5 million threshold requirement. In addition to material payment defaults upon its secured debt that occurred earlier this month, the insolvency of

the applicants is clear: all sources of funding available have been exhausted, and there are imminent and material requirements for additional funding.

Introduction

[3] I do not intend to do more than summarize at a high level the very extensive initial disclosure the applicants have provided in their application as supplemented by the Pre-Filing Report of the proposed (now appointed) Monitor FTI Consulting Canada Inc. ("FTI"). This process will unfold over the coming months, and the public record will continue to be built to provide a solid foundation for understanding the issues and to assess the various alternatives that may emerge as the process of engagement with stakeholders continues. I shall instead focus on certain relatively uncommon or unusual features of the initial order granted – none of which are precedent-setting, but many of which are sufficiently rare to require explanation.

[4] I will permit myself to comment upon the rather impressive amount of progress which has been made to date. The Xplore Group emerged from a very significant 2024 recapitalization which is where the great bulk of their current capital structure emerged from. As the current liquidity crisis began to take shape and acquire urgency, the lines of communication and negotiation opened in that 2024 recapitalization enabled intensive and productive negotiations to begin in very short order. While the parties were unable to come to terms on a comprehensive restructuring transaction in the brief time they had available before this filing became necessary, they *were* able to agree on how to start the formal process and, critically, how to secure the financing that was clearly necessary to enable the process to take place on a secure footing. Their agreements on the structure of that financing come with the support of the near totality of the capital structure – both debt and equity – of the Xplore Group.

[5] Securing that degree of consensus at this early stage is no mean feat and is entitled to a considerable degree of weight on the part of the Court when assessing the proposals placed before me for approval even if I must examine these proposals critically to ensure the interests of those parties not consulted or part of the process leading to this order are not being prejudiced unduly.

[6] The Monitor and CRO retained in advance of this proceeding being commenced also bring considerable experience and judgement to the process and their views – expressed in the affidavit of Mr. Aziz in support of the application and the Pre-Filing Report of the Monitor - were of great assistance to me in examining the potentially controversial or unusual aspects of the relief sought.

Overview of Applicants' Business and Capital Structure

[7] The Applicants operate Canada's largest rural broadband and connectivity business. Their operations comprise three distinct business segments: Fixed Wireless, Fibre and Satellite. They provide internet and related services to hundreds of thousands of customers across the country and employ approximately 1,100 people. Their operations include significant fibre infrastructure projects that remain under development and are supported in part by various governmental programs directed toward expanding broadband coverage in underserved communities.

[8] The debt structure of the Xplore Group is largely the product of the 2024 CBCA arrangement by which the finances of the group were recapitalized and significant new funding was injected. In broad terms, the secured

debt consists of the 2024 Credit Facilities (including the Bridge Term Loan) which total approximately $592 million in principal, the CIB Credit Facilities totaling approximately $375 million. The 2024 Credit Facilities in turn consist of a "First Out Term Loan", a "Delayed Draw Term Loan", a "Second Out Term Loan" and the Bridge Term Loan. Each of these facilities in turn contain a syndicate of lenders, some of whom are in common with other facilities and some of whom are not. Entities related to the shareholder Stonepeak are also lenders in some facilities.

Causes of Insolvency

[9] The applicants are engaged in an exceptionally capital intensive and highly regulated segment of the economy. They have invested more than $4 billion in building out their network and will be required to expend significantly more to complete the build-out of their network. The fibre build-out is being carried out under Federal and provincial programs designed to incent and subsidize broadband access in rural communities but which do not disburse the bulk of such payments until completion.

[10] A number of factors can be posited as the "cause" of insolvency. At the end of the day, the business they are operating in required more capital funding than they had planned for. With the benefit of hindsight, they had insufficient cushion to absorb the knock-on effects of unexpected delays in the build-out of the fibre network that delayed the onset of consumer revenue and the receipt of the bulk of promised government funding whose terms condition payment of the bulk of such funding upon completion of the work. The regulatory environment makes monetizing some of Xplore Group's assets such as spectrum difficult in any short time frame. As well, the competitive environment in broadband continues to evolve rapidly. The rapid developments in the satellite offerings of Starlink and the planned offerings of Amazon and others are a case in point.

[11] The competitive environment and the state of the build-out of the fibre network is such that this restructuring process has been premised on continuing the capital intensive build-out effort that was underway when the liquidity crisis manifested itself. Among other things, completion of existing projects will be required to access approximately $250 million in promised government contributions towards the completion of these projects which are estimated to be 65% complete with more than $180 million in additional investments yet to be completed. Spending to date on these projects is approximately $360 million.

Comments upon aspects of Initial Order

[12] There are aspects of the proposed initial order proposed which warrant explanation.

Stay in relation to Partnerships

[13] The Initial Order extends the stay of proceedings to certain limited partnerships (the "Non-Applicant Limited Partnerships"). While the CCAA does not apply to partnerships as such, in each case, the general partner of the relevant limited partnership is a debtor company who is an applicant in this proceeding. The Non-Applicant Limited Partners are an integral part of the applicants' business and often hold "mission critical" assets or

permits. The only path to protect the business as a whole and of the applicant general partners requires the stay to be so extended. Each of the limited partnerships can only operate through the general partner who is a debtor company subject to the CCAA. The partnerships are clearly integral to the operations of the debtor companies and failure to extend the stay would equally clearly jeopardize the viability of the restructuring process inaugurated with the application before me. The jurisdiction of this court to extend the stay of proceedings in this fashion and the criteria for doing so have been frequently affirmed in past rulings (see generally *JTI-Macdonald Corp., Re*, 2019 ONSC 1625 (CanLII) at paras. 12-15).

Proposed DIP

[14] It is clear that the applicants will require significant access to financing while the restructuring process unfolds. Among other things, access to approximately $250 million in contractually promised government funding of the fibre build-out hinges on completion of a capital project that is approximately $120 million away from completion. The sums involved are significant but, importantly, proportionate to the scale and size of the undertaking.

[15] The proposed DIP would be significant in size - USD$154 million – and would be underwritten by an affiliate of Stonepeak (the shareholder of Xplore Group) and one of the existing funders of the applicants' secured credit facilities (Varde) but will be open to all of the 2024 lenders. As is to be expected, the DIP will be a super-priority facility subject only to certain permitted liens such as the Administrative Charge, the Directors Charge. The terms of the DIP will of course be subject to "final" approval at the Come-back hearing on November 19 and none of the fees provided for therein will be earned before that final approval is obtained.

[16] As I have noted earlier, the DIP is the product of the extensive pre-filing negotiation process that included representatives of all of the secured credit facilities put in place in 2024 – the quasi-totality of secured debt and the overwhelming majority of all funded debt (i.e. non-employee or trade or supplier claims) as well as equity.

[17] A condition of the proposed DIP including the funding available prior to the November 19 come-back hearing is that the Bridge Loan be repaid in full immediately upon approval of the Initial Order by me by an advance under the DIP. Section 11.2(5) of the CCAA requires me to be satisfied that interim financing arrangements are limited to what is reasonably necessary for the continued operations of the debtor companies in the ordinary course of business during the interim period prior to the come-back hearing. The Bridge Loan stands at approximately $50 million. While this is a large sum of money to characterize as reasonably necessary to operations in the ordinary course of business during the interim period, in the circumstances of this case I find that the applicants have discharged their burden. In reaching that conclusion I note:

a. Continued funding is utterly necessary for the ordinary course of business operations of this capital-intensive business.

b. The Bridge Loan is itself priority funding with a priority substantially similar to that which will be applied to the DIP facility - in effect the repayment of the Bridge Facility simply converts one form of super-priority debt into another with different holders.

c. Substantial funding over and above the repayment of the Bridge Loan is required at all events and the requirement for repayment of the Bridge Loan is not a condition of the Bridge Loan lenders alone but of the DIP Lenders and that condition precedent is supported or unopposed by the secured lenders under the 2024 Credit Facilities which amount to over $540 million in secured debt (excluding the Bridge Term Loan).

d. Representatives of the great bulk of the secured lenders affected by the security to be granted to the DIP Lenders in respect of the Bridge Loan repayment have had notice of this condition of the DIP and either support or do not oppose it.

e. The priority to be granted the DIP Lenders in the interim period appropriately mitigates the impact upon other stakeholders including lenders to the entities in the Fibre business and those entities urgently require access to the interim period funding being made available.

f. The likelihood of any alternative interim funding arrangement having been feasible or available in any reasonable time frame consistent with the stability of the applicants' operations lies somewhere between slim and practically impossible – itself a hypothetical exercise given the inability to wind the clock back in time. The complex, layered capital structure of these businesses would have rendered the task of introducing a new super priority lender into the structure a nearly impossible exercise and the attempt would have risked shattering the fragile consensus that pre-filing negotiations succeeded in forging among the Ad Hoc Lender Committee, the Independent Committee, shareholders and others involved in the difficult and time-pressured negotiations leading to this application.

[18] Approving use of a DIP as "take out financing" in a Day 1 order is far from an easy call for a judge to make but no other course is or ever was reasonably practicable. Section 11.2(5) is intended to be a practical guideline to be applied sensibly and pragmatically. I am fortified in my conclusions by a review of the reasons of Pepall J. (as she then was) in *Canwest Publishing Inc.*, 2010 ONSC 222 (CanLII) at paras. 41-46. The terms of the DIP during this interim period have been crafted to minimize or eliminate as far as practicable any impact upon the position of any secured creditors not "at the table" for this initial hearing.

Administrative Charge and Directors' Charge

[19] The Applicants sought approval from this Court to make some payments to critical suppliers and other pre-filing creditors under certain conditions. I have approved those limited payments being made prior to the November 19 "come-back" hearing. In my view this was a prudent and necessary step in the current circumstances. The Director's Charge is set at a level that appears eye-popping at first blush but is a reasonable calculation of the

theoretical exposure under the Canada Labour Code and various taxation statutes in the event of a worst-case scenario. The calculations have been reviewed by the proposed Monitor for reasonableness. While there is existing D&O coverage (which needless to say would be a first call in the event of a worst case scenario), the directors and officers are a necessary part of the restructuring process for the benefit of all stakeholders and it is reasonable for back-stop insurance in the form of the proposed Directors' Charge to be put in place.

[20] Similarly, the Administrative Charge is set at a significant level but is in some ways even more hypothetical a risk than that which Director Charge protects against. The professionals (including the Monitor and its counsel) for whom the Applicants are responsible are necessary for the court-supervised process to function. CCAA proceedings are expensive. There is only one proven method of limiting those expenses and that is to ensure the proceeding advances as swiftly as reasonably possible. Reducing the level of the Charge would accomplish no more than requiring the professionals to bill with greater frequency to stay within the limits of a reduced Administrative Charge placing a dollar-for-dollar pressure upon operating financing (i.e. the DIP) for every dollar the Administrative Charge is reduced. In other words, a reduction of the Administrative Charge may feel good but it accomplishes little in practical terms. I approved the requested Administrative Charge.

Treatment of Critical Suppliers and Pre-filing Indebtedness

[21] Notwithstanding the general stay of proceedings, the Applicants sought leave to make some payments in relation to pre-filing claims. There is seldom a general outcry of joy among the affected creditors in a restructuring with a provision enabling some creditors to be paid ahead of others. The secured creditors who are first in line to be adversely impacted by it have assented to the proposed provisions. Payments are subject to the oversight of the Monitor. In my experience, peeling the beaver off the back of a nickel can be an easier task than obtaining a Monitor's approval for payments of pre-filing claims to critical. I have no doubt this authority will be sparingly applied and only in demonstrably necessary cases. There was broad support from the secured creditors for continuing to pay employees in the usual and ordinary course of business without an artificial filing date cut-off. They are not the intended object of the restructuring process being commenced and the amounts are reasonable in relation to the scope of this enterprise. I approved the provisions in question.

Conclusions

[22] The Initial Order has been carefully tailored to minimize its impact prior to the "come-back" hearing scheduled for November 19 at 11:00 am by Videoconference.

[23] Having considered the evidence, the submissions of counsel, the report of the proposed Monitor, and the support expressed by the principal stakeholders participating in the application, I am satisfied that the relief granted by the Initial Order is appropriate and reasonably necessary in the circumstances. Nothing in the Initial Order issued by me predetermines the eventual outcome of these proceedings or forecloses objections that may be raised at the come-back hearing. The order is intended to provide a brief period of stability, preserve the value of the enterprise, maintain ongoing operations, and permit the stakeholders to continue pursuing

restructuring alternatives for the benefit of all concerned. This will undoubtedly be a complex process but it has been commenced with a creditable degree of consensus among essential stakeholders.



Digitally signed by Sean Dunphy
Date: 2026.11.11 16:39:58 -05'00'

Date: Nov 11, 2026

S. Dunphy J, S.C.O.