

July 17/15

R.J. Chadwick and R. Wiffen for the applicants

A. Taylor for the Monitor

S. Weiss for North Shore Power Group Inc., secured creditor

S. Vonn Allen for Canadian Water Projects, secured creditor

J. Mehta for the City of Ottawa

L. Bross for the Ministry of Research and Innovation of Ontario

M. Wieback for the Employees Committee

The applicants seek approval of (1) a sale transaction with Maynards Industries Ltd. ("Maynards") of certain equipment (the "Equipment"); and (2) settlement agreements among (i) the applicants, Plasco Energy Group Inc. ("P.E.G."), North Shore Power Group Inc. ("NSPG") and Canadian Water Projects ("CWP"), referred to as the "Global Settlement", and (ii) among Plasco Energy Group Inc. ("Plasco"), Plasco Trail Road Inc. ("PTR") and the Ministry of Research and Innovation of the Province of Ontario ("MRI"), referred to as the "MRI Settlement". These agreements collectively form a package intended to sell the principal assets of the applicants and ensure the demolition of the applicants' demonstration facility with a view to advancing significantly the winding up and liquidation process of the applicants.

With respect to the Maynards sale agreement, the record establishes that the requirements of s. 36 of the Companies' Creditors Arrangement Act (the "CCAA") as well as the test set out in Royal Bank v Saurdau Corp. have been satisfied. In particular, the transaction is the result of an extensive sales process which failed to

produce any bids for the applicants' business as an entirety and represents the best of the remaining share and liquidation bids. The applicants also consulted with the secured creditors, who support the transaction, as well as the other creditors and stakeholders likely to be affected by the transaction. In this regard, there is no evidence of any unfairness in the sales process. Accordingly, this transaction is approved.

With respect to the Settlement agreements, the CCAA gives the Court the authority to approve such agreements under section 11 provided always that the approval furthers the purposes of the CCAA which, in this case, entails an orderly wind-up of the applicants' business and a maximization of recoveries for its creditors and other stakeholders. The test for approval requires demonstration that: (1) the settlement is fair and reasonable; (2) the settlement will be beneficial to the debtor and its stakeholders generally; and (3) that the settlement is consistent with the purpose and spirit of the CCAA. I am satisfied that each of the proposed settlements meets this test for the following reasons.

With respect to the Global Settlement, the agreement ~~transfers~~ effectively transfers the current tax losses and the applicants' intellectual property on a basis which recognizes value for such assets after the failure of the sales process to identify a better offer for the applicants' business as an entirety. In doing so, it also recognizes the security in the intellectual property that currently exists in favour of

NSPG and CWP. The settlement advances the CCAA proceedings insofar as it provides for disposition of the assets leased by these parties to the applicants and ^{thereby} for the decommissioning of the demonstration facility in a cost effective way through the Mayrands transaction. As such, the Global Settlement satisfies the requirements of fairness and reasonableness and is consistent with the purpose of the CCAA. While it appears the shareholders will have no economic interest in the applicants, the settlement is also supported by creditors having approximately 95% of all known unsecured ^{obligations} of the applicants, upon which, in addition to the facts above, the Court can rely as evidence that the settlement is beneficial to the applicants and its stakeholders generally.

The Global Settlement contemplates implementation of a corporate reorganization by which the shares of Plasco will be transferred to an acquisition corporation owned by NSPG and CWP and the remaining assets of the applicants will be held by a new corporation, referred to as "New Plasco", which will assume all of the liabilities and obligations of ~~the applicants~~ ^{Plasco}. I am satisfied that the Court has authority under section 11 of the CCAA to authorize such transactions notwithstanding that the applicants are not proceeding under s. 6(2) of the CCAA insofar as it is not contemplated that the applicants will propose a plan of arrangement or compromise. For this purpose, I consider that the Global Settlement is analogous to such a plan in the context of these

particular proceedings. The reorganization requires an amendment to the articles of Plasco to consolidate its shares and eliminate fractional shares arising on such consolidation. The Court has authority to approve such actions under section 11 of the CCA which will constitute an order for the purposes of section 191(1) of the Canada Business Corporations Act, which governs Plasco.

Based on the foregoing, but subject to the qualification below, the Global Settlement and the reorganization contemplated therein to implement the Global Settlement are hereby approved.

With respect to the MRI Settlement, the MRI claims in respect of the GE engines will be released in return for payment of an amount approximately equal to the value allocated to the GE engines by Maynards, which is also at arm's length to the applicants. The MRI Settlement resolves a significant claim against the applicants and allows the Maynards transaction to proceed. On this basis, the MRI Settlement is fair and reasonable and furthers the purpose of the CCA. It is also beneficial to applicants and the stakeholders for the same reasons.

Based on the foregoing, ~~and~~ ^{but} subject to the qualification below, the MRI Settlement is hereby approved.

I note that the City of Ottawa, which appeared today, has not consented to any of the

Maynards transaction, the Global Settlement or the MRI Settlement, pending its review of these transactions and has reserved its rights to object thereto at a hearing scheduled for July 24, 2015. The approvals herein are also subject to approval of an order or orders giving effect to such approvals after finalisation of the transactions and the determination of any outstanding issues which are to be addressed at such hearing.

W. Hon-Siept J.