

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File No.: 500-11- 052101-173

Montréal, February 16, 2017

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

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

ALLIANCE HANGER INC.

Debtor

-and-

ERA GROUP INC./GROUPE ERA INC.

Applicant

-and-

KPMG INC.

Monitor

INITIAL ORDER

ON READING Era Group Inc.'s (the "**Applicant**") application for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36 (as amended, the "**CCAA**") in respect of Alliance Hanger Inc. (the "**Debtor**") and the exhibits, the affidavit of Mark Schneiderman filed in support thereof (the "**Application**"), the consent of KPMG Inc. to act as monitor (the "**Monitor**"), relying upon the submissions of counsel and being advised that the interested parties, including secured creditors who are likely to be affected by the charges created herein were given prior notice of the presentation of the Application;

GIVEN the provisions of the CCAA;

WHEREFORE, THE COURT:

1. **GRANTS** the Application.

2. **ISSUES** an order pursuant to the CCAA (the "**Order**") in respect of the Debtor, divided under the following headings:

- Service/Notification
- Application of the CCAA
- Effective Time
- Plan of Arrangement
- Stay of Proceedings against the Debtor, the Property and Directors and Officers
- Possession of Property and Operations
- No Exercise of Rights or Remedies
- Interim Financing (DIP)
- Powers of the Monitor
- Priorities and General Provisions Relating to CCAA Charges
- General

Service/Notification

3. **DECLARES** that sufficient prior notice of the presentation of this Application has been given by the Applicant to interested parties, including the Debtor's shareholders and the secured creditors of the Debtor.

Application of the CCAA

4. **DECLARES** that the Debtor is a debtor company to which the CCAA applies.

Effective Time

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

Plan of Arrangement

6. **DECLARES** that the Debtor or the Applicant shall have the authority to file with this Court and to submit one or more plans of compromise, arrangement and reorganization (collectively, the "**Plan**") in respect of the Debtor in accordance with the CCAA and the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the "**CBCA**") to the following creditors of the Debtor (the "**Affected Creditors**"), namely:

- (a) 3903460 Canada Inc.;
- (b) 4511531 Canada Inc.;
- (c) the Applicant;
- (d) Polinex Plastics Inc. (and Raymond Chabot Inc., in its capacity as trustee to its bankruptcy); and
- (e) Shapiro General Partnership.

Stay of Proceedings against the Debtor, the Property and Directors and Officers

7. **ORDERS** that, until and including March 17, 2017, or such later date as the Court may order (the "**Stay Period**"), with the exception of these CCAA and CBCA proceedings (the "**Restructuring Proceedings**"), no proceeding or enforcement process by any of the Affected Creditors or the Debtor's shareholders (6187820 Canada Inc., 9170-9402 Québec Inc., Gestion Marc Tremblay Inc., Edward Reichman, the Applicant and Polinex Plastics Inc.) (collectively, the "**Stayed Parties**"), in any court or tribunal ("**Proceedings**") shall be commenced or continued:
- (a) against or in respect of the Debtor;
 - (b) which affects the Debtor's business operations and activities (the "**Business**");
 - (c) which affects the Property (as defined hereinbelow), including as provided in paragraph 9 hereinbelow except with leave of this Court;
 - (d) against any former, present or future director or officer of the Debtor nor against any person deemed to be a director or an officer of the Debtor under subsection 11.03(3) CCAA (collectively the "**Directors**") in respect of any matter concerning the Debtor; or
 - (e) against any individual, natural person, firm, corporation, partnership, limited liability company, trust, joint venture, association, organization, governmental body or agents of any other entity (collectively "**Persons**" and each a "**Person**") who is a "related person", as defined in the BIA (hereafter defined), to any of the Stayed Parties in respect of any matter concerning the Debtor.

Any and all Proceedings currently under way against or in respect of the Debtor or affecting the Business or the Property are hereby stayed and suspended pending further order of this Court, the whole subject to subsection 11.1 CCAA.

8. **ORDERS** that all creditors of the Debtor whatsoever (whether secured or unsecured) other than the Stayed Parties (the "**Unaffected Creditors**") shall be unaffected by the stay of Proceedings under this Order, which Unaffected

Creditors shall continue to deal with the Debtor and continue to be paid by the Debtor in accordance with all existing agreements and terms and conditions in force between the Debtor and such Unaffected Creditors. For greater certainty, such Unaffected Creditors shall include Toronto Dominion Bank, Roynat Inc., Business Development Bank of Canada (collectively, the "**Financial Institutions**"), Her Majesty the Queen in right of Canada or any Province or Territory, all of the Debtor's employees (other than those constituting Stayed Parties) and all of the Debtor's suppliers, trade creditors and other ordinary creditors.

Possession of Property and Operations

9. **ORDERS** that the Debtor shall remain in possession and control of its present and future assets, rights, undertakings and properties of every nature and kind whatsoever, and wherever situated, including all proceeds thereof (collectively the "**Property**"), the whole in accordance with the terms and conditions of this order.

No Exercise of Rights or Remedies

10. **ORDERS** that, with the exception of these Restructuring Proceedings, during the Stay Period, and subject to, *inter alia*, subsection 11.1 CCAA, all rights and remedies of the Stayed Parties against or in respect of the Debtor, or affecting the Business, the Property or any part thereof, are hereby stayed and suspended except with leave of this Court.
11. **DECLARES** that, as concerns the Stayed Parties only, to the extent any rights, obligations, or prescription, time or limitation periods, including, without limitation, to file grievances, relating to the Debtor or any of the Property or the Business may expire (other than pursuant to the terms of any contracts, agreements or arrangements of any nature whatsoever), the term of such rights, obligations, or prescription, time or limitation periods shall hereby be deemed to be extended by a period equal to the Stay Period.

Interim Financing (DIP)

12. **ORDERS** that the Debtor be and is hereby authorized to:
- (a) borrow, repay and reborrow from 9170-9402 Québec Inc. (the "**DIP Lender**") such amounts from time to time as the Debtor may consider necessary or desirable, up to a maximum principal amount of \$5,000,000 outstanding at any time, on the terms and conditions as set forth in the DIP Loan Term Sheet attached hereto as "Schedule A" (the "**DIP Loan Term Sheet**") and in the DIP Facility Documents (as defined hereinafter), to fund the ongoing expenditures of Debtor and to pay such other amounts as are permitted by the terms of the Order and the DIP Facility Documents (as defined hereinafter) (the "**DIP Facility**"); and

- (b) subject to paragraph 32 hereof, execute and deliver such credit agreements, security documents and other definitive documents (collectively the "**DIP Facility Documents**") as may be required by the DIP Lender in connection with the DIP Facility and the DIP Loan Term Sheet, and the Debtor is hereby authorized to perform all of its obligations under the DIP Facility Documents.
13. **ORDERS** that the Debtor shall, as applicable, pay to the DIP Lender, when due, all amounts owing under the DIP Facility Documents and shall perform all of its other obligations to the DIP Lender pursuant to the DIP Loan Term Sheet, the DIP Facility Documents and this Order.
14. **DECLARES** that all of the Property is hereby subject to a charge and security for an aggregate amount of \$5,000,000 (such charge and security is referred to herein as the "**DIP Lender Charge**") in favour of the DIP Lender as security for all obligations of the Debtor to the DIP Lender with respect to all amounts owing under or in connection with the DIP Loan Term Sheet and the DIP Facility Documents. The DIP Charge shall have the priority established by paragraph 25 hereof.
15. **ORDERS** that the claims of the DIP Lender pursuant to the DIP Facility Documents shall not be compromised or arranged pursuant to the Plan or these proceedings and the DIP Lender, in that capacity, shall be treated as an Unaffected Creditor in these proceedings and in any Plan.
16. **ORDERS** that the DIP Lender may:
- (a) notwithstanding any other provision of the Order, take such steps from time to time as it may deem necessary or appropriate to register, record or perfect the DIP Lender Charge and the DIP Facility Documents in all jurisdictions where it deems it is appropriate; and
- (b) notwithstanding the terms of the paragraph to follow, refuse to make any advance to the Debtor if the Debtor fails to meet the provisions of the DIP Loan Term Sheet and the DIP Facility Documents.
17. **ORDERS** that the DIP Lender shall not take any enforcement steps under the DIP Facility Documents or the DIP Lender Charge without providing at least five (5) business days written notice (the "**Notice Period**") of a default thereunder to the Debtor, the Monitor, the Financial Institutions and to creditors whose rights are registered or published at the appropriate registers or requesting a copy of such notice. Upon expiry of such Notice Period, the DIP Lender shall be entitled to take any and all steps under the DIP Facility Documents and the DIP Lender Charge and otherwise permitted at law, but without having to send any demands under Section 244 of the BIA.
18. **ORDERS** that, subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraphs 12 to 17 hereof unless either (a) notice of a motion for such order is served on the DIP Lender by the

moving party within seven (7) days after that party was served with the Order or (b) the DIP Lender applies for or consents to such order.

Powers of the Monitor

19. ORDERS that the Monitor is hereby appointed to monitor the business and financial affairs of the Debtor as an officer of this Court and that the Monitor, in addition to the prescribed powers and obligations referred to in Section 23 of the CCAA:

- (a) shall be dispensed from the requirement to publish in one or more newspapers in Canada a notice containing the prescribed information pursuant to Section 23(1)(a)(i) of the CCAA;
- (b) shall, without delay, within five (5) business days after the date of this Order (A) post on the Monitor's website (the "**Website**") a notice containing the information prescribed under the CCAA, (B) make this Order publicly available on the Website, (C) send, in the prescribed manner, a notice to all Stayed Parties, advising them that the Order is publicly available, and (D) prepare a list showing the names of the Stayed Parties and make it available on the Website;
- (c) shall assist the Debtor, to the extent required by the Debtor, in dealing with the Stayed Parties and other interested Persons during the Stay Period;
- (d) shall assist the Debtor, to the extent required by the Debtor, with the preparation of its cash flow projections and any other projections or reports and the development, negotiation and implementation of the Plan;
- (e) shall advise and assist the Debtor, to the extent required by the Debtor, to review the Business;
- (f) shall assist the Debtor, to the extent required by the Debtor, in its negotiations with the Stayed Parties and other interested Persons and with the holding and administering of any meetings held to consider the Plan;
- (g) shall report to the Court on the state of the business and financial affairs of the Debtor or developments in these proceedings or any related proceedings within the time limits set forth in the CCAA and at such time as considered appropriate by the Monitor or as the Court may order;
- (h) shall report to this Court and interested parties, including but not limited to the Stayed Parties, with respect to the Monitor's assessment of, and recommendations with respect to, the Plan;
- (i) may retain and employ such agents, advisers and other assistants as are reasonably necessary for the purpose of carrying out the terms of the Order, including, without limitation, one or more entities related to or affiliated with the Monitor;

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

Unless expressly authorized to do so by this Court, the Monitor shall not otherwise interfere with the business and financial affairs carried on by the Debtor, and the Monitor is not empowered to take possession of the Property nor to manage any of the business and financial affairs of the Debtor.

20. **ORDERS** that the Debtor and its Directors, officers, employees and agents, accountants, auditors and all other Persons having notice of the Order shall forthwith provide the Monitor with unrestricted access to all of the Business and Property, including, without limitation, the premises, books, records, data, including data in electronic form, and all other documents of the Debtor in connection with the Monitor's duties and responsibilities hereunder.
21. **DECLARES** that the Monitor may provide creditors and other relevant stakeholders of the Debtor with information in response to requests made by them in writing addressed to the Monitor and copied to the Applicant's counsel. In the case of information that the Monitor has been advised by the Debtor is confidential, proprietary or competitive, the Monitor shall not provide such information to any Person without the consent of the Debtor unless otherwise directed by this Court.
22. **DECLARES** that no action or other proceedings shall be commenced against the Monitor relating to its appointment, its conduct as Monitor or the carrying out of the provisions of any order of this Court, except with prior leave of this Court, on at least seven (7) days' notice to the Monitor and its counsel. The entities related to or affiliated with the Monitor referred to in paragraph 19(i) hereof shall also be entitled to the protection, benefits and privileges afforded to the Monitor pursuant to this paragraph.
23. **ORDERS** that the Debtor shall pay the reasonable fees and disbursements of the Monitor, the Monitor's legal counsel, the Applicant's legal counsel and other advisers, directly related to these proceedings, the Plan and the Restructuring, whether incurred before or after the Order, and shall provide each with a reasonable retainer in advance on account of such fees and disbursements, if so requested.

24. **DECLARES** that the Monitor, the Monitor's legal counsel, the Applicant's legal counsel and the Monitor and the Applicant's respective advisers, as security for the professional fees and disbursements incurred both before and after the making of the Order and directly related to the Restructuring Proceedings and the Plan, be entitled to the benefit of and are hereby granted a charge and security in the Property to the extent of the aggregate amount of \$300,000 (the "**Administration Charge**"), having the priority established by paragraph 25 hereof.

Priorities and General Provisions Relating to CCAA Charges

25. **DECLARES** and **ORDERS** that the priorities of the Administration Charge and the DIP Lender Charge (collectively the "**CCAA Charges**") shall rank:
- (a) junior to and after all currently existing hypothecs and security interests over any or all of the Property in favour of the Financial Institutions as well as any other "secured creditor" as defined in the BIA; and
 - (b) as between the CCAA Charges:
 - i. first, the Administration Charge; and
 - ii. second, the DIP Lender Charge.
26. **ORDERS** that, except as otherwise expressly provided for herein, the Debtor shall not grant any hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature, kind or source (collectively, the "**Encumbrances**") in or against any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Debtor obtains the prior written consent of the Monitor and the prior approval of the Court.
27. **DECLARES** that each of the CCAA Charges shall attach, as of the Effective Time, to all present and future Property of the Debtor, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.
28. **DECLARES** that the CCAA Charges and the rights and remedies of the beneficiaries of such charges, as applicable, shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) the Restructuring Proceedings and the declaration of insolvency made herein; (ii) any petition for a receiving order filed pursuant to the BIA in respect of the Debtor or any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of the Debtor; or (iii) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any agreement, lease, sub-lease, offer to lease or other arrangement which binds the Debtor (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:

- (a) the creation of any of the CCAA Charges shall not create or be deemed to constitute a breach by the Debtor of any Third Party Agreement to which it is a party; and
 - (b) any of the beneficiaries of the CCAA Charges shall not have liability to any Person whatsoever as a result of any breach of any Third Party Agreement caused by or resulting from the creation of the CCAA Charges.
29. **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a receiving order filed pursuant to the BIA in respect of the Debtor and any receiving order allowing such petition or any assignment in bankruptcy made or deemed to be made in respect of the Debtor, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by the Debtor pursuant to the Order and the granting of the CCAA Charges, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law.
30. **DECLARES** that the CCAA Charges shall be valid and enforceable as against all Property of the Debtor and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Debtor, for all purposes.
31. **ORDERS** that the Registrar of the Register of Personal and Movable Real Rights of Québec (the "**RDPRM Registrar**"), upon application by the DIP Lender, shall register in the Register of Personal and Movable Real Rights of Québec (the "**RDPRM**") the charges created by the present Order as against the Property situated in Québec, namely: all present and future movable property, corporeal/tangible and incorporeal/intangible, wherever situated.

General

32. **ORDERS** that any one of Jean-Luc Lavergne (being an officer of 6187820 Canada Inc.) or Mark Schneiderman (being an officer of the Applicant), acting alone on behalf of the Debtor, is hereby authorized to execute, deliver and take any other necessary corporate action with respect to any and all documents required in order to give effect to the Restructuring Proceedings and any Order issued in the Restructuring Proceedings including, without limitation, the execution and delivery of the DIP Loan Term Sheet and the DIP Facility Documents.
33. **ORDERS** that no Person whatsoever (including, without limitation, the Stayed Parties) shall commence, proceed with or enforce any proceeding or enforcement process in any court or tribunal against the Debtor, any of the Stayed Parties, any of the Directors, employees, legal counsel or financial advisers of the Debtor or of the Monitor in relation to the Business or Property of the Debtor, without first obtaining leave of this Court, upon five (5) days' written

notice to the Monitor and the Monitor's counsel and to all those referred to in this paragraph whom it is proposed be named in such Proceedings.

34. **DECLARES** that the Order and any proceeding or affidavit leading to the Order, shall not, in and of themselves, constitute a default or failure to comply by the Debtor under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.
35. **DECLARES** that, except as otherwise specified herein, the Debtor, the Applicant and the Monitor are at liberty to serve any notice, proof of claim form, proxy, circular or other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to Persons or other appropriate parties at their respective given addresses as last shown on the records of the Debtor and that any such service shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three (3) business days after mailing if by ordinary mail.
36. **DECLARES** that the Debtor and any party to these proceedings may serve/notify any court materials in these proceedings on all represented parties electronically, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Debtor shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.
37. **DECLARES** that any notice or application in these CCAA proceedings shall be sent and/or served/notified to the Applicant's counsel, the Monitor and the Monitor's counsel as follows:

Monitor:

KPMG INC.

Stéphane DeBroux

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Counsel to the Monitor:

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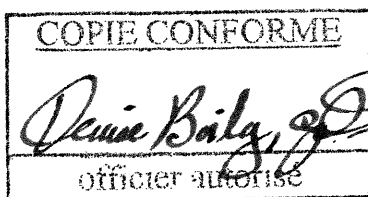
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38. **DECLARES** that, unless otherwise provided herein, under the CCAA, or ordered by this Court, no document, order or other material need be served on any Person in respect of these proceedings, unless such Person has served a Notice of Appearance on the solicitors for the Debtor and the Monitor and has filed such notice with this Court, or appears on the service list prepared by the monitor or its attorneys, save and except when an order is sought against a Person not previously involved in these proceedings.
39. **DECLARES** that the Debtor or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.
40. **DECLARES** that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon five (5) days' notice to the Applicant, the Applicant's counsel, the Monitor, the Monitor's counsel and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order, such application or motion shall be filed during the Stay Period ordered by this Order, unless otherwise ordered by this Court.
41. **DECLARES** that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
42. **DECLARES** that the Monitor, with the prior consent of the Debtor, shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States of America or elsewhere, for orders which aid and complement the Order and any subsequent orders of this Court and, without limitation to the foregoing, an order under Chapter 15 of the *U.S. Bankruptcy Code*, for which the Monitor shall be the foreign representative of the Debtor. All courts and administrative bodies of all such jurisdictions are hereby respectively requested to make such orders and to provide such assistance to the Monitor as may be deemed necessary or appropriate for that purpose.
43. **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of the Order.
44. **ORDERS** the provisional execution of this Order notwithstanding any appeal.



MONTRÉAL, February 16, 2017


The Honourable Martin Castonguay, J.S.C.