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Mylène Hébert
Personne désignée par le greffier

SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-062896-234

DATE: October 4, 2023

PRESIDING: M^e PATRICK GOSSELIN
Registraire

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF:

PALADIN AI INC.
Debtor / Petitioner

and

RAYMOND CHABOT INC.
Trustee

**ORDER APPROVING AND AUTHORIZING A DIP FINANCING AND DIP CHARGE, A
SALE AND INVESTMENT SOLICITATION PROCESS AND AN EXTENSION OF THE
TIME TO FILE A PROPOSAL**

- [1] **CONSIDERING** the *Application for authorization and approval of a DIP financing and DIP charge, a sale and investment solicitation process and an extension of the time to file a proposal* (the "**Application**"), pursuant to sections 50.4(9), 50.6

61967

and 64.2 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended ("**BIA**"), as well as the exhibits and the affidavit of Mr. Adolfo Klassen, filed in support thereof (the "**Application**") by the Debtor / Petitioner Paladin AI Inc. (the "**Petitioner**");

- [2] **CONSIDERING** the Notice of intention to make a proposal filed by the Petitioner on September 29, 2023 in accordance with the BIA (the "**NOI**");
- [3] **CONSIDERING** the representations of counsel;
- [4] **CONSIDERING** the support of Raymond Chabot Inc. in its capacity as trustee to the NOI (the "**Trustee**");
- [5] **CONSIDERING** the service of the Application, and that all creditors likely to be affected by the orders herein have been notified of the Application;
- [6] **CONSIDERING** the provisions of the BIA.

THE COURT HEREBY:

- [7] **GRANTS** the Application.

Definitions

- [8] **DECLARES** that, unless otherwise defined, all capitalized terms in this Order shall have the meaning ascribed thereto in the Application.

Service

- [9] **DECLARES** that sufficient prior notice of the presentation of this Application has been given by the Petitioner.

DIP Financing and DIP Charge

- [10] **APPROVES** and **RATIFIES** the execution by the Petitioner of the DIP Loan Term Sheet dated September 29, 2023 entered into between the Petitioner and PACE Canada Aerospace & IT Inc. (the "**DIP Lender**"), with such amendments as the Petitioner and the DIP Lender may agree in writing with the consent of the Trustee (the "**DIP Agreement**").
- [11] **AUTHORIZES** the Petitioner to borrow from the DIP Lender a principal amount of \$150,000.00, on the terms and conditions as set forth in the DIP Agreement.
- [12] **AUTHORIZES** the Petitioner to perform all of its obligations to the DIP Lender pursuant to the DIP Agreement and this Order.

- [13] **ORDERS** that the DIP Lender is granted a charge (the "**DIP Charge**"), in the aggregate amount of \$180,000.00, on all assets, rights, undertakings and properties of the Petitioner, of every nature and kind whatsoever, and wherever situated, regardless of whose possession it may be in and including all proceeds thereof (the "**Property**") as security for all obligations of the Petitioner to the DIP Lender under the DIP Agreement from and after the date of this Order, which DIP Charge shall not secure any obligations that exist before the date of this Order. The DIP Charge shall have the priority set out in paragraphs [19] and following of this Order.
- [14] **AUTHORIZES** the DIP Lender to take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge.
- [15] **DECLARES** that the rights of the DIP Lender under this Order, including without limitation the DIP Charge, shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or manager of the Petitioner or the Property.
- [16] **ORDERS** and **DECLARES** that all claims of the DIP Lender pursuant to the DIP Agreement are not claims that may be compromised or arranged pursuant to any proposal under the BIA filed by the Petitioner (a "**Proposal**") without the consent of the DIP Lender.
- [17] **ORDERS** and **DECLARES** that the DIP Lender shall be treated as unaffected in these proceedings and in any Proposal.
- [18] **ORDERS** and **DECLARES** that the payments made by the Petitioner to the DIP Lender pursuant to this Order or the DIP Agreement shall not constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue or other challengeable or reviewable transaction, under the BIA or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law.

Priority of Court-Ordered DIP Charge

- [19] **ORDERS** and **DECLARES** that the DIP Charge shall constitute a charge on the Property and that such DIP Charge shall rank in priority to the IQ Security, the RBC Security the Easy Security, and any other security, prior claims, hypothecs, liens, claims, encumbrances, security interests, mortgages, charges, trusts, deemed trusts, executions, levies, taxes, obligations, liabilities, financial, monetary or other claims, whether or not such claims have attached or been registered, published, perfected or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, whensoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or came into existence following the date of this Order (in each case, whether contractual, statutory, arising by operation of law or otherwise), including any other charges

hereafter granted by the Court in these proceedings (all of the foregoing, collectively "**Encumbrances**"), other than (i) the Easy SR&ED Security, which shall rank senior to and ahead of the DIP Charge, and (ii) any amounts owed for statutory deemed trusts or deductions at source (jointly, "**Deemed Trusts**") due to any tax authority, which will be determined by the Court at a later date, if necessary.

- [20] **RESERVES** the tax authorities' right to make representations with respect to the rank of the DIP Charge in relation to Deemed Trusts, if applicable and necessary.
- [21] **ORDERS** that the filing, registration or perfection of the DIP Charge shall not be required, and that the DIP Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, published, recorded or perfected subsequent to the DIP Charge coming into existence.
- [22] **ORDERS** that except as may be approved or ordered by this Court, the Petitioner shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Charge, unless the Petitioner also obtains the prior written consent of the Trustee and the DIP Lender.
- [23] **ORDERS** and **DECLARES** that notwithstanding:
- (a) The pendency of these proceedings;
 - (b) Any application for a bankruptcy order pursuant to the BIA or any bankruptcy order made pursuant to such an application;
 - (c) The filing of any assignment for the general benefit of creditors made pursuant to the BIA;
 - (d) The provisions of any federal or provincial statute; or
 - (e) Any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of the Encumbrances contained in any existing loan documents, lease, sublease, offer to lease or other agreement to which the Petitioner is a party;

the DIP Charge shall be binding on any trustee in bankruptcy that may be appointed in respect to the Petitioner and shall not be void or voidable by any person, including any creditor of the Petitioner, nor shall they, or any of them, constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue or other challengeable or reviewable transaction, under the BIA or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law.

Sale and Investment Solicitation Process

- [24] **APPROVES** and **AUTHORIZES** the Sale and Investment Solicitation Process described in the Application (the "**SISP**") with such non-material alterations, changes, amendments, or additions thereto as may be agreed to with the consent of the Trustee.
- [25] **AUTHORIZES** the Trustee and to implement and perform any and all actions contemplated in the SISP or related thereto.

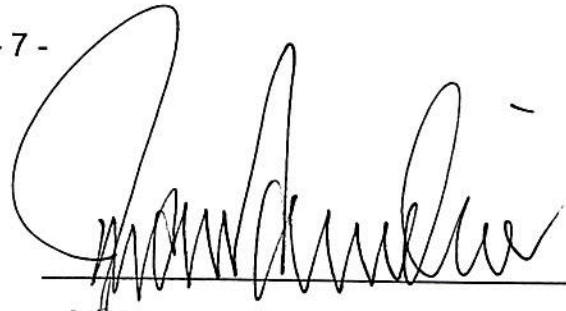
Delay to a File a Proposal

- [26] **ORDERS** that the time within which the Petitioner may file a proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, is extended up to and including November 17, 2023.

General

- [27] **ORDERS** that no person shall commence, proceed with or enforce any proceedings against the Trustee or any of the director and officers, employees, legal counsel or financial advisors of the Petitioner or of the Trustee in relation to the business of the Petitioner or the Property, without first obtaining leave of this Court, upon five (5) business days' written notice to the Petitioner's counsel, the Trustee and to all those referred to in this paragraph whom it is proposed be named in such proceedings.
- [28] **DECLARES** that the NOI, this Order and any proceeding or affidavit leading to this Order, shall not, in and of themselves, constitute a default or failure to comply by the Petitioner under any statute, regulation, licence, permit, contract, permission, covenant, agreement, undertaking or other written document or requirement.
- [29] **DECLARES** that, except as otherwise specified herein or in the BIA, the Petitioner and the Trustee 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 Petitioner 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.
- [30] **DECLARES** that the Petitioner and any party to these proceedings may serve 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 Petitioner shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter.

- [31] **DECLARES** that, except as otherwise specified herein or in the BIA, 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 response on the Petitioner's counsel and the Trustee and has filed such response with this Court, or appears on the service list prepared by the Petitioner, the Trustee or their counsel, save and except when an order is sought against a person not previously involved in these proceedings.
- [32] **DECLARES** that the Petitioner or the Trustee 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 this Order on notice only to each other.
- [33] **DECLARES** that the Petitioner and the Trustee shall be entitled to seek leave to vary this Order upon such terms and such notice as this Court deems just.
- [34] **ORDERS** and **DECLARES** that any interested Person may apply to this Court to vary or rescind this Order or seek other relief upon five (5) business days' notice to the Petitioner, the Trustee 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.
- [35] **DECLARES** that the Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada.
- [36] **REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere, to give effect to this Order and to assist, the Petitioner, the Trustee and their respective agents in carrying out the terms of this Order.
- [37] **ORDERS** that each of the Petitioner and the Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulator or administrative body, wherever located, for the recognition of the Order and for assistance in carrying out the terms of this Order, and that the Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside of Canada.
- [38] **ORDERS** provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.
- [39] **THE WHOLE** without costs.

A handwritten signature in black ink, appearing to read 'M. Patrick Gosselin', written over a horizontal line.

M^o PATRICK GOSSELIN,
Registraire

MTRE. JULIEN MORISSETTE
MTRE. JACK M. LITTLE
(OSLER, HOSKIN & HARCOURT LLP)
COUNSEL TO THE PETITIONER, PALADIN AI INC.

Hearing date: October 4, 2023