

CANADA

SUPERIOR COURT
Commercial Division

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

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

No: 500-11-055629-188

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

FOURTH MOTION FOR THE EXTENSION OF THE DELAY TO FILE A PROPOSAL
(Section 50.4(9) of the *Bankruptcy and Insolvency Act*)

TO THE HONOURABLE CHANTAL TREMBLAY, J.S.C., OR ANOTHER ONE OF THE
HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN THE
COMMERCIAL DIVISION FOR THE DISTRICT OF MONTREAL, IN SUPPORT OF ITS
FOURTH MOTION FOR THE EXTENSION OF THE DELAY TO FILE A PROPOSAL
(THE "MOTION") THE DEBTOR RESPECTFULLY SUBMITS:

1. For the reasons further described herein, 2964-3277 Quebec Inc., d.b.a. Carpet Art Deco ("**Art Deco**" or the "**Debtor**") hereby seeks a fourth extension of the delay to file a proposal of thirty-two (32) days, until May 28, 2019, pursuant to the terms of the draft order communicated herewith as **Exhibit R-1** (the "**Draft Order**");
2. Richter Advisory Group Inc. ("**Richter**" or the "**Trustee**") will file a report prior to the hearing on the present Motion (the "**Seventh Report**");

A. INTRODUCTION

3. On November 29, 2018, Art Deco filed a *Notice of Intention to Make a Proposal* (the "**NOI**") pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*

(the "**BIA**") and Richter was appointed as trustee to the NOI, the whole as more fully appears from the Court records;

4. On December 12, 2018, the Debtor filed a motion entitled *Motion for the Extension of the Delay to File a Proposal* (the "**First Stay Extension Motion**"). On December 14, 2018, the Trustee filed its second report in support of the First Stay Extension Motion ("**Second Report**"). The First Stay Extension Motion was granted by this Honourable Court on December 17, 2018, as appears from the Court records and the delay to file a proposal was extended to January 29, 2019;
5. On January 23, 2019, the Debtor filed a motion entitled *Second Motion for the Extension of the Delay to File a Proposal* (the "**Second Stay Extension Motion**"). On that same day, the Trustee filed its fourth report in support of the Second Stay Extension Motion ("**Fourth Report**"). The Second Stay Extension Motion was granted by this Honourable Court on January 25, 2019, as appears from the Court records and the delay to file a proposal was extended to March 8, 2019.
6. On February 28, 2019, because of the parties and the court's availability for a hearing and in order to allow for the presentation of the *Third Motion for the Extension of the Delay to File a Proposal* (the "**Third Stay Extension Motion**"), this honourable Court extended the delay to file a proposal from March 8, 2019 to March 13, 2019, the whole as appears from the Court's records;
7. Thereafter on March 11, 2019, the Debtor filed the Third Stay Extension Motion. On March 12, 2019, the Trustee filed its fifth report in support, inter alia, of the Third Stay Extension Motion (the "**Fifth Report**"). The Third Stay Extension Motion was granted by this Honourable Court on March 13, 2019, as appears from the Court records and the delay to file a proposal was extended to April 26, 2019 (the "**Delay**");
8. Pursuant to Sections 50.4(8) and 50.4(9) of the BIA and the NOI, Art Deco must file a proposal before the expiration of the Delay;

B. EXTENSION OF DELAY

9. On or about November 29, 2018, Art Deco, with the assistance of Richter, initiated a sale, investment and solicitation process by which Art Deco solicited offers from any party interested in acquiring its business and/or assets (the "**SISP**");
10. Art Deco's objective was to proceed with a transaction with an interested party and seek the consent of its two major secured creditors, namely the Canadian Imperial Bank of Commerce ("**CIBC**") and the Business Development Bank of Canada ("**BDC**"), as well as the authorization of this Honourable Court to proceed with an eventual transaction;
11. Following an analysis of the received offers, the Debtor, the CIBC, the BDC and the Trustee agreed that the most advantageous offer for the liquidation of short term assets (inventory and accounts receivable) and intellectual property was the

offer submitted by Gordon Brothers Canada ULC (the "**GB Offer**") and on January 11, 2019, Gordon Brothers ULC ("**GB**") and the Debtor executed an agreement (the "**GB Agreement**") which sets out the terms and conditions of the services to be provided by GB;

12. The Debtor has entered into the GB Agreement, pursuant to which GB agrees to provide its expertise and assist the Debtor with respect to a liquidation sale of the Debtor's inventory and collection of accounts receivables upon the Court's approval. The terms of the proposed liquidation agreement are set out in the GB Agreement and are acceptable to the CIBC;
13. The terms of the GB Agreement are summarized as follows:
 - (a) GB will assist the Debtor in the liquidation of all its inventory, the collection of its outstanding receivables and the sale of intellectual property, in consideration for a commission fee acceptable to the Debtor and the CIBC and described in the Trustee's third report;
 - (b) The duration of the realization is expected to be a maximum of 120 days, beginning on the date of issuance of the order authorizing the execution of the GB Agreement (the "**Sale Term**"). The Sale Term can be extended by GB at its sole discretion with regards to the collection of accounts receivable, for up to 8 months. The Sale Term can also be extended indefinitely by way of an agreement of the parties and with the approval of the Trustee, with regards to the assets of the Debtor other than the accounts receivable; and
 - (c) The GB Agreement contains standard provisions that govern the management of the liquidation process, indemnification, insurance and representations and warranties. Among other terms, it is contemplated that GB will assist the Debtor in implementing strategies to liquidate its assets at the best possible prices and that for the duration of the Sale Term, the Debtor will continue to employ its employees, collect sales taxes and otherwise continue operating at its various locations for so long as these locations are required;
14. As the GB Agreement is subject to this Honourable Court's approval, on January 11, 2019, the Debtor filed a motion entitled *Motion for the Approval of a Consulting Agreement* (the "**Consulting Agreement Motion**"), which was supported by the Trustee's third report. The Consulting Agreement Motion was granted by this Honourable Court on January 14, 2019 (the "**GB Consulting Agreement Order**");
15. As the Sale Term has not yet expired, GB is currently still assisting the Debtor in the liquidation of its inventory, the collection of its outstanding receivables and the sale of its intellectual property;

16. The Sale Term expires on May 14, 2019. By GB and the Debtor's assessment, it is certain that the inventory liquidation process will not be completed by said expiration date;
17. As the GB Agreement provides for the possibility of extending the Sale Term with regards to the liquidation of the inventory, the Parties to the GB Agreement (GB and the Debtor), with the approval of the Trustee, will enter into a Sale Term extension agreement in order to extend the Sale Term until May 28, 2019, which is the last day on which the Debtor is allowed to file a proposal (five months after the expiry of the 30-day period starting as of November 29, 2018), the whole pursuant to section 50.4(9) of the BIA;
18. Moreover, the Debtor is also actively in the process of liquidating its assets expressly excluded from the GB Agreement, namely the universality of its Equipment, Machinery, tools, office furniture and vehicles (the "**Equipment**") on which BDC has first ranking security, and is seeking purchase offers from any party interested in acquiring same;
19. In fact, the Debtor has been and is still also actively liquidating its racking equipment;
20. As the sale of the racking equipment is considered a sale outside of the ordinary course of business, the Debtor filed and presented a *Motion for the Issuance of an Approval and Vesting Order with Respect to the Sale of Racking Equipment* pursuant to section 65.13 of the BIA (the "**Motion for the Sale of Racking Equipment**"), seeking this honourable Court's approval. On March 13, 2019, this Honourable Court granted the Motion for the Sale of Racking Equipment and rendered an *Approval and Vesting Order Concerning Racking Equipment*, the whole as appears from the Court's records;
21. In the context of the liquidation of its Equipment, on March 29, 2019, the Debtor and CCF Arts & Crafts Trade Co., Limited, a Chinese company ("**CCF**") executed an agreement (the "**CCF Agreement**") which sets out the terms and conditions of the sale of part of the Debtor's Equipment;
22. On March 29, 2019, the Debtor filed a *Motion for the Issuance of an Approval and Vesting Order with Respect to the Sale of Certain Assets*, seeking this Honourable Court's permission to sell part of its Equipment to CCF (the "**CCF Motion**"), as such sale is considered a sale outside of the ordinary course of business pursuant to section 65.13 of the BIA;
23. On April 1, 2019, the Trustee filed its Sixth report in support of the CCF Motion and the latter was presented at Court by the Debtor on April 2, 2019. On that same day, the CCF Motion was granted by this Honourable Court, as appears from the Court's records;

24. As indicated in the CCF Motion, the CCF Agreement provides for an equipment dismantling period of 120 days as the Equipment sold to CCF consists in part of heavy weaving machinery and needs to be dismantled and moved out of the Debtor's premises before being transferred to CCF (the "**Dismantling**");
25. Furthermore, the CCF Agreement provides that CCF is responsible for the Dismantling and consequently, requests were made to grant several of CCF's employees temporary work visas to Canada in order for them to be able to travel to the Debtor's premises and complete the Dismantling;
26. The Debtor and the Trustee are certain that the Dismantling will not be completed by the expiration of the Delay;
27. As indicated in the cash flow statement attached to the Seventh Report, Art Deco has projected to have sufficient cash flow until May 28, 2019 in order to support the extension of the Delay and hopefully provide sufficient time for Art Deco and GB to continue the liquidation of the Debtor's inventory and receivables, and the Dismantling by CCF, the whole to the benefit of all of the Debtor's creditors;
28. Art Deco respectfully submits that the factors set out in Section 50.4(9) of the BIA have all been met considering, among other things, that:
 - a) GB was engaged by the Debtor on January 14, 2019 to assist in the liquidation of the Debtor's inventory, collection of accounts receivable and the sale of the intellectual property. As noted in the Trustee's third report, the GB Agreement contemplates that this process will take 120 days and could be extended. It is thus necessary to extend the Delay in order to maximize value for the stakeholders;
 - b) Art Deco acted, and is acting, in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors, including with the sale of its racking equipment and the Equipment contemplated in the CCF Agreement;
 - c) Art Deco seeks an extension of the Delay in order to be able to submit a proposal to its creditors under the BIA; and
 - d) None of Art Deco's creditors shall be materially prejudiced if the extension of the Delay is granted;
29. BDC and CIBC have informed Art Deco that they support an extension of the Delay until May 28, 2019;
30. As appears from the Seventh Report, the Trustee also supports the extension of the Delay;

31. The present Motion is well founded in facts and in law;

FOR THESE REASONS, MAY IT PLEASE THE COURT:

- A. **GRANT** the present *Fourth Motion for the Extension of the Delay to File a Proposal* (the "**Motion**");
- B. **ISSUE** an Order substantially in the form of the draft order communicated as Exhibit R-1 in support of the Motion;
- C. **THE WHOLE** without costs, save and except in the case of contestation.

Montreal, April 16, 2019

Borden Ladner Gervais

Borden Ladner Gervais LLP

Lawyers for the Debtor

2964-3277 Quebec Inc.

AFFIDAVIT

I, the undersigned, **FADI MELKI**, president, having its principal place of business located at 480 avenue Lafleur, Montréal, Québec, H8R 3H9, solemnly declare:

1. I am the President and Secretary of 2964-3277 Quebec Inc., the Debtor in the present case;
2. I have read the attached *Fourth Motion for the Extension of the Delay to File a Proposal* and all the facts set forth in the present Motion are true.

AND I HAVE SIGNED:

FADI MELKI

Solemnly declared before me in
Montreal, this ____ day of March, 2019

Commissioner for oaths for Québec

CANADA

SUPERIOR COURT
Commercial Division

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

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

No: 500-11-055629-188

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

NOTICE OF PRESENTATION

TO :

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TAKE NOTICE that the *Third Motion for the Extension of the Delay to File a Proposal* will be presented for hearing and adjudication before the Superior Court of Quebec, sitting in the Commercial Division for the District of Montréal, **on April 18, 2019 at 9:30 a.m. in a room to be determined** at the Montréal Courthouse, located at 1 Notre-Dame Street East, Montréal, Québec, H2Y 1B6.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, April 16, 2019



Borden Ladner Gervais LLP
Lawyers for the Debtor
2964-3277 Quebec Inc.

CANADA

SUPERIOR COURT
Commercial Division

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

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

No: 500-11-055629-188

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

LIST OF EXHIBITS

EXHIBIT R-1: Copy of draft order

Montreal, April 16, 2019

Borden Ladner Gervais

Borden Ladner Gervais LLP

Lawyers for the Debtor
2964-3277 Quebec Inc.

SUPERIOR COURT

Commercial Division
District of Montréal
File No.: 500-11-055629-188

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

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

**FOURTH MOTION FOR THE EXTENSION
OF THE DELAY TO FILE A PROPOSAL,
AFFIDAVIT, NOTICE OF PRESENTATION,
LIST OF EXHIBITS AND EXHIBIT R-1**

ORIGINAL



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SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

N° : 500-11-055629-188

DATE : April 18, 2019

PRESIDING : CHANTAL TREMBLAY, J.S.C.

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

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

ORDER

- [1] **THE COURT**, upon reading the Debtor's *Fourth Motion for the Extension of the Delay to File a Proposal* (the "**Motion**"), having examined the proceeding and the affidavit;
- [2] **CONSIDERING** the representations of the parties;
- [3] **CONSIDERING** the report of the Trustee;
- [4] **GIVEN** the provisions of the *Bankruptcy and Insolvency Act*;
- FOR THESE REASONS, THE COURT HEREBY:**
- [5] **GRANTS** the present *Fourth Motion for the Extension of the Delay to File a Proposal* (the "**Motion**");

- [6] **ORDERS** that the time for service of the Motion be abridged and that the Motion is properly presentable and **DECLARES** that the service of the Motion constitutes good and sufficient service on all persons and **DECLARES** that all parties are relieved of any further requirement for service of the Motion;
- [7] **EXTENDS** the delay to file a proposal until May 28, 2019;
- [8] **ORDERS** the provisional execution of the Order notwithstanding any appeal;
- [9] **THE WHOLE** without costs.

CHANTAL TREMBLAY, J.S.C.

SUPERIOR COURT

Commercial Division
District of Montréal
File No.: 500-11-055629-188

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

2964-3277 QUEBEC INC.

Debtor

-and-

RICHTER ADVISORY GROUP INC.

Trustee

EXHIBIT R-1

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