

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
NO.: 500-11-054804-188
ESTATE NO.: 41-2388971

SUPERIOR COURT
(Commercial Division)
*(Bankruptcy and Insolvency Act, R.S.C.
1985, c. B-3)*

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

GREATEX MILLS INC./LES MOULINS
GREATEX INC.;

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC./
RICHTER GROUPE CONSEIL INC.;

Trustee

MOTION TO EXTEND THE DELAY TO MAKE A PROPOSAL
(Section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3)

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
THE COMMERCIAL DIVISION, IN AND FOR THE DISTRICT OF MONTREAL, OR TO
ONE OF ITS REGISTRARS, THE PETITIONER RESPECTFULLY SUBMITS AS
FOLLOWS:

I. INTRODUCTION

1. On June 13, 2018, Greatex Mills Inc. (the "**Debtor**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to the relevant provisions of the *Bankruptcy and Insolvency Act*, Canada (the "**BIA**"), and named Richter Advisory Group Inc. (the "**Trustee**" or "**Richter**") as trustee thereto.
2. On July 4, 2018, the Debtor sought and this Honourable Court issued an order (the "**SSP Order**") authorizing a sale and solicitation process to market and sell the Debtor's assets (the "**SSP**") and extending the delay under the NOI for the Debtor to make a proposal until August 20, 2018 (the "**NOI Delay**"), the whole as appears of record herein.
3. Since the issuance of the SSP Order, other than the SSP efforts more fully described below, the Debtor has continued its operations and has consistently sold its inventory in order to maximize recovery during the fall selling season which is the Debtor's peak selling season.

4. The present Motion seeks this Honourable Court's issuance of an order extending the NOI Delay until October 4, 2018.

II. THE BUSINESS

5. The Debtor is a Montreal-based, three generation, family owned and operated business which imports and sells high quality fabrics (the "**Product**") for application in the furniture industry (the "**Business**"). The Debtor sells such merchandise locally and internationally to North American and European distributors and customers. Essentially, the Debtor is the intermediary between manufacturers of the Product and fabric distributors or customers who manufacture furniture.
6. The Business is heavily based on management's strategic partnerships and business relationships with its suppliers, distributors and customers.
7. The Debtor operates the Business from leased premises in Montreal located at 1625 Chabanel Street West, Suite 201. In order to operate the Business, the Debtor employs a workforce of approximately 15 people who work in various parts of the Business.
8. The Debtor also has a wholly owned subsidiary, Greatex Mills Inc. Niederlassung Deutschland, which has been established in order to make sales of the Product in Germany.
9. The Debtor's operations have been financed by its operating lender and its most significant secured creditor, The Toronto-Dominion Bank ("**TD**"). The Debtor's other secured lender is Business Development Bank of Canada ("**BDC**"). Other than TD and BDC, the Debtor's other secured creditors are various parties who lease or finance equipment and a vehicle to the Debtor.

III. FINANCIAL DIFFICULTIES

10. The business of importing and selling the Product as an intermediary has become increasingly challenging over the past few years given that, in an effort to decrease costs, furniture manufacturers and purchasers of the Product are creating their own direct relationships with fabric producers, often the very same producers the Debtor deals with. Consequently, competition for the Debtor continues to surge and its position in the marketplace has been adversely impacted.
11. In addition to the aggressive competition faced by the Debtor, a customer of the Debtor's US distributor claimed a negative quality issue with respect to Product. These issues have resulted in losses to the Debtor.
12. As a result of the above, the Business has been negatively impacted and its performance has decreased to the point of rendering the Debtor insolvent.

13. Prior to the filing of the NOI, the Debtor had discussions with potential investors, purchasers and financial partners in order to obtain the financing required to restructure the Business without a formal insolvency proceeding. However, such discussions proved unsuccessful.
14. As a result of the foregoing and the Debtor's insolvency, TD transferred the Debtor's credit facility to its special loans division, which has demanded repayment of such loans and has issued a notice pursuant to Section 244 B/A of its intention to enforce its security on the Debtor's property. Pursuant to a forbearance agreement, TD agreed to forbear, for a limited period of time, from exercising its rights under its security.
15. Accordingly, it was determined that it was in the best interests of the Debtor to file the NOI and enter into a formal restructuring process.

IV. SALE AND SOLICITATION PROCESS

16. As part of its restructuring process, the Debtor mandated Richter to conduct the SSP in order to market the Business and related assets to one or more potential acquirers, investors or strategic partners.
17. The SSP was conducted over a period of approximately 3 weeks beginning from July 5, 2018 with the ultimate date for submissions of offers being July 25, 2018 (the "**Offer Deadline**").
18. In order to attract interest in the sale of the Debtor and/or its assets, Richter sent teaser documents to a diversified group of potential purchasers including, without limitation, liquidators and competitors. The SSP welcomed offers proposing to acquire the Business as a going concern, all or any part of the Debtor's assets or to liquidate the Debtor's inventory.
19. Certain parties were interested in obtaining more information with respect to the Debtor and as such, 6 non-disclosure agreements (each a "**NDA**") were executed and such parties were granted access to a data room containing financial and operational information of the Debtor.
20. Despite the SSP and the interest it garnered, only one offer was received which was refused by the Debtor due to its insufficiency. As a result, the Trustee sent written notice to such offeror informing it of such refusal.
21. At the beginning of August 2018, the same party who had signed a NDA and made the sole offer contacted the Trustee and indicated its interest in making another offer for certain of the Debtor's assets. Shortly thereafter, such party made an offer for the purchase of certain of the Debtor's assets.
22. Since receiving such offer, the Debtor, with the assistance of its counsel and the Trustee, have been in mature discussions with the offeror and have also been in

contact with TD and BDC regarding such offer. Such discussions are still in process in order to try to conclude a transaction that satisfies all parties.

23. Additionally, another party has since contacted the Trustee and has indicated its interest in making an offer for certain of the Debtor's assets.
24. Accordingly, the Trustee and the Debtor require an additional period of time in order to continue with the negotiations regarding the offers made or to be made by interested parties.

V. EXTENSION SOUGHT

25. In order to continue the negotiations regarding the offers made and to be made and hopefully come to an agreement between all parties for a transaction and thereafter determine the possibility of submitting a proposal to the Debtor's creditors, the Debtor requires an extension of the NOI Delay.
26. Once such negotiations are complete and a transaction is closed, the Debtor will be in a better position to determine what kind of proposal, if any, could be made to its creditors including, without limitation, a proposal concerning tax losses of the Debtor.
27. No prejudice would be caused to the Debtor's creditors generally by the extension of the NOI Delay sought herein. On the contrary, not extending the NOI Delay would result in:
 - (a) the loss of the interested parties' interest in concluding a transaction with the Debtor;
 - (b) the Debtor's immediate bankruptcy;
 - (c) a complete loss of the going concern value of the Debtor's assets and a loss of its goodwill; and
 - (d) the immediate loss of 15 jobs.
28. The Debtor has acted, is acting and will continue to act in good faith and with due diligence.
29. The Trustee's report on the state of the Debtor's business and financial affairs will be produced in support of the present Motion.
30. The present Motion has been served/notified on all parties who have requested service/notification thereof.
31. Given all of the foregoing, the Debtor is entitled to seek the extension of the delay to make a proposal until October 4, 2018.

32. The present Motion is well founded in fact and in law.

WHEREFORE, PETITIONER PRAYS FOR JUDGMENT OF THIS HONOURABLE COURT:

- (A) **GRANTING** the present Motion;
- (B) **SHORTENING** the delays to serve/notify and present the present Motion;
- (C) **EXTENDING** the delay for the Debtor to make a proposal until October 4, 2018;
- (D) **ISSUING** any other orders the Court deems appropriate.

THE WHOLE without costs, save in the event of contestation.

MONTREAL, August 16, 2018

(SGD.) Kugler Kandestin LLP

KUGLER KANDESTIN LLP
Attorneys for Debtor/Petitioner

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Kugler Kandestin LLP.

KUGLER KANDESTIN LLP

AFFIDAVIT

I, the undersigned Sheldon Lewis, domiciled for the purposes hereof at 1625 Chabanel Street West, Suite 201, Montréal, Québec H4N 2S7, solemnly affirm the following:

1. I am the President of the Debtor, Greatex Mills Inc.;
2. I have knowledge of all the facts alleged in the annexed "Motion to Extend the Delay to Make a Proposal" and all the facts alleged therein are true.

And I have signed, in Montréal, Québec

(SGD.) Sheldon Lewis

Sheldon Lewis

Sworn to and read aloud before me, in Montréal, Québec
this 16th day of August, 2018.

(SGD.) Clancy Gray #182 276

Commissioner for Oaths for Québec

TRUE COPY

Kugler Kandestin LLP.
KUGLER KANDESTIN LLP

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INC.;

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC./
RICHTER GROUPE CONSEIL INC.;

Trustee

NOTICE OF PRESENTATION AND SERVICE LIST

TO:

KAUFMAN LLP
Attorneys for The Toronto Dominion Bank

Attention: Me Steven Shein
Me Martin Jutras
E-mail: sshein@klcanada.com
MJutras@klcanada.com

**MORENCY SOCIÉTÉ D'AVOCATS
S.E.N.C.R.L.**

Attorneys for Business Development Bank of
Canada

Attention: Me Tiziana Di Donato
Me Stéphanie Potras
E-mail: tdidonato@morencyavocats.com
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THE SUPERINTENDENT OF BANKRUPTCY

Sun Life Building
1155 Metcalfe Street
Suite 950
Montréal, QC
FAX: 514-283-9795

TAKE NOTICE that the "Motion to Extend the Delay to Make a Proposal" will be presented for adjudication to a Judge of the Superior Court, of the Province of Québec, of the District of Montréal, or to the Registrar thereof, on August 20, 2018 at 8:45 a.m. in room 16.10 of the Montréal Court House, 1 Notre Dame East, Montréal, Québec or so soon thereafter as counsel may be heard.

Montréal, August 16, 2018

(SGD.) Kugler Kandestin LLP

KUGLER KANDESTIN LLP

Attorneys for Debtor/Petitioner

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S U P E R I O R C O U R T
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-and-

Debtor/Petitioner

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CONSEIL INC.

Trustee

MOTION TO EXTEND THE DELAY TO MAKE A
PROPOSAL, AFFIDAVIT AND NOTICE OF
PRESENTATION
(Section 50.4(9) of the Bankruptcy and Insolvency Act,
R.S.C. 1985, c. B-3)

COPY


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