

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

THIRD 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 THIRD 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 third extension of the delay to file a proposal of forty-four (44) days, until April 26, 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 "**Fifth 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 January 28, 2019, because of the parties and the court's availability for a hearing and in order to allow for the presentation of the present motion, this honourable Court extended the delay to file a proposal from March 8, 2019 to March 13, 2019 (the "**Delay**");
7. 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

8. 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**");
9. 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;
10. 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;
11. 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;
12. 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;
13. 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**");
14. 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;
15. 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;
16. In fact, the Debtor has been and is still also actively liquidating its racking equipment;
17. The Debtor has been able to sell racking equipment for approximately \$226,500USD, which amount is to be held in trust by the undersigned attorneys waiting to be distributed to the Debtor's secured creditors;
18. As the sale of the racking equipment is considered a sale outside of the ordinary course of business, the Debtor will prepare, serve, file and present 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;

19. As indicated in the cash flow statement attached to the Fifth Report, Art Deco has projected to have sufficient cash flow until April 26, 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, to the benefit of all of the Debtor’s creditors;
20. 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;
 - 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;
21. BDC and CIBC have informed Art Deco that they support an extension of the Delay until April 26, 2019;
22. As appears from the Fifth Report, the Trustee also supports the extension of the Delay;
23. The present Motion is well founded in facts and in law;

FOR THESE REASONS, MAY IT PLEASE THE COURT:

- A. **GRANT** the present *Third 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, March 11, 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 *Third 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. (aka CARPET
ART DECO 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 March 13, 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, March 11, 2019

Borden Ladner Gervais

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, March 11, 2019

Borden Ladner Gervais

Borden Ladner Gervais LLP

Lawyers for the Debtor

2964-3277 Quebec Inc.



SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

N° : 500-11-055629-188

DATE : March 13, 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 *Third 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 *Third 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 April 26, 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

ORIGINAL



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Mtre Marc Duchesne
File: 296368-000004

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

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

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

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