

SUPERIOR COURT
(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No. 500-11-055853-192
ESTATE NO.: 41-2462925
DATE: January 29, 2019

PRESIDING: Me Chantal Flamand, registraire

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

8738971 CANADA INC. (formerly known as Pazazz Printing Inc./Imprimerie Pazazz Inc.)

Debtor/Petitioner

-and-

RICHTER ADVISORY GROUP INC. / RICHTER GROUPE CONSEIL INC.

Trustee

ORDER FOR INTERIM FINANCING, CHARGES AND A SALE PROCESS

- [1] **ON READING** the *Motion for the Authorization and Approval of Interim Financing, Certain Charges, A Sale and Solicitation Process and Other Relief* (the "**Motion**") of 8738971 Canada Inc. (the "**Debtor**"), the affidavit and the exhibits in support thereof;
- [2] **CONSIDERING** the notification/service of the Motion;
- [3] **CONSIDERING** the submissions of counsel;
- [4] **CONSIDERING** Sections 50.6 and 64.2 of the *Bankruptcy and Insolvency Act*, Canada (the "**BIA**");
- [5] **CONSIDERING** that it is appropriate to:
- (a) order a charge over all of the Debtor's present and future assets, rights, undertakings and property, movable, personal, corporeal or incorporeal, tangible or intangible and wherever situate, including all proceeds thereof (collectively the "**Property**") in order to secure the fees of the Debtor's legal

14

counsel, the Trustee and the Trustee's legal counsel (to the extent applicable), ranking as set forth herein;

- (b) authorize JGALA Holdings Inc./Placements JGALA Inc. (the "**Interim Lender**") to provide interim credit facilities to the Debtor pursuant to the terms and conditions of that certain Commitment Letter issued by the Interim Lender to the Debtor on January 22, 2019 and produced as **Exhibit P-2** to the Motion (the "**Commitment Letter**");
- (c) order a charge over all of the Property in order to secure the obligations of the Debtor owing to the Interim Lender under the credit facility to be provided under the Commitment Letter (the "**Interim Financing Facility**"), ranking as set forth herein;
- (d) authorize a sale and solicitation process in order to market the Debtor's business and related assets (the "**SSP**") and the related procedure produced as **Exhibit P-3** to the Motion (the "**SSP Procedure**") and to authorize Richter Advisory Group Inc. ("**Richter**") to conduct the SSP; and
- (e) extend the delay for the Debtor to make a proposal under its Notice of Intention to Make a Proposal until March 13, 2019.

THE COURT:

[6] **GRANTS** the Motion.

NOTIFICATION/SERVICE

[7] **ORDERS** that any prior delay for the presentation of this Motion is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further notification/service thereof.

[8] **PERMITS** notification/service of this Order at any time and place and by any means whatsoever.

INTERIM FINANCING FACILITY AND INTERIM FINANCING CHARGE

[9] **ORDERS** that the Debtor be and is hereby authorized to enter into, execute and deliver and ratifies the Debtor's entering into, signing, delivery and execution of the Commitment Letter in or substantially in the form of the Commitment Letter (as well as all future amendments thereto and replacements, restatements and renewals thereof) and such agreements, security documents and other definitive documents (collectively, the "**Interim Financing Documents**") as may be required by the Interim Lender in connection with the Interim Financing Facility and the Commitment Letter, and that the Debtor is hereby authorized to perform all of its obligations under the Interim Financing Documents.

- [10] **ORDERS** that the Debtor be and is hereby authorized to borrow, repay (subject always to the prior rights of The Toronto-Dominion Bank ("TD")) and reborrow from the Interim Lender such amounts from the Interim Financing Facility from time to time as the Debtor may consider necessary or desirable in order to fund the ongoing expenditures and restructuring costs of the Debtor, and to pay such other amounts as are permitted by the terms of this Order and the Interim Financing Documents.
- [11] **ORDERS** that the Debtor shall pay to the Interim Lender, when due and subject always to the prior rights of TD, all amounts owing or to become owing (including principal, interest, fees, closing fees, monitoring fees, prepayment amounts, charges and expenses, all reasonable fees and disbursements of counsel and all other reasonably required advisors to or agents of the Interim Lender) under the Interim Financing Documents or any other document or agreement relating thereto or envisaged thereby (collectively the "**Interim Financing Indebtedness**") and shall perform all of its other obligations to the Interim Lender pursuant to the Interim Financing Documents and this Order.
- [12] **DECLARES** that the Property is hereby charged by and subject to a security and charge to the extent of the aggregate principal amount of \$720,000 plus interest at the rate of 18% *per annum* as well as all of the hypothecs and security interests created or to be created pursuant to the Interim Financing Documents (collectively the "**Interim Financing Charge**") in favour of the Interim Lender, as continuing and collateral security for the Interim Financing Indebtedness and all obligations of the Debtor with respect to all amounts owing and all obligations required to be performed under or in connection with the Interim Financing Documents, which Interim Financing Charge shall have the priority established by paragraph [14] hereof.

ADMINISTRATION CHARGE

- [13] **DECLARES** that the Property is hereby charged by and subject to a security and charge to the extent of the aggregate principal amount of \$100,000 in favour of the Debtor's legal counsel, the Trustee and the Trustee's legal counsel (to the extent applicable), as continuing and collateral security for the professional fees and disbursements incurred both before and after the making of this Order and directly related to these proceedings under the *BIA*, having the priority established by paragraph [14] hereof (the "**Administration Charge**").

PRIORITIES AND GENERAL PROVISIONS RELATING TO THE CHARGES

- [14] **ORDERS** and **DECLARES** that the ranking of the Interim Financing Charge, the Administration Charge (collectively the "**Charges**") and any all security interests held by TD charging the Property (the "**TD Security**") shall be as follows:

- (a) first, the TD Security;

- (b) second, the Administration Charge, senior to and ahead of all hypothecs, mortgages, priorities, prior charges, security interests, statutory deemed trusts (other than those created or recognized under express provisions of the *BIA*), liens, charges and encumbrances and any other rights or security of any nature, source or kind (collectively the "**Encumbrances**") other than the TD Security, without any requirement of publication, registration, recording, filing or perfection in any jurisdiction whatsoever; and
- (c) third, the Interim Financing Charge, senior to and ahead of all Encumbrances other than the TD Security and the Administration Charge, without any requirement of publication, registration, recording, filing or perfection in any jurisdiction whatsoever.

[15] **DECLARES** that the Charges shall attach, as of 12:01 a.m., Montreal time, Province of Québec, on the date of this Order, to the Property, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent.

[16] **DECLARES** that the Charges shall subsist without necessity of any publication, registration, recording, filing or perfection.

[17] **ORDERS** that the Debtor shall not grant any encumbrances in or against any of the Property which ranks in priority to or *pari passu* with the Charges unless either the Court orders same or the beneficiaries of the Charges consent in writing thereto.

[18] **DECLARES** that the 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) 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 or any receiving order made or deemed to be 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 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 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 Charges.

- [19] **DECLARES** that the claims of the respective parties pursuant to the Charges shall not be compromised pursuant to these proceedings, any proposal filed pursuant to the *BIA* (a "**Proposal**") or any plan of arrangement filed pursuant to the *Companies' Creditors Arrangement Act*, Canada (a "**Plan**") and the beneficiaries of the Charges, in such capacity, shall each be treated as an unaffected creditor in these proceedings and in any Proposal or Plan.
- [20] **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 this Order and the granting of the 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.
- [21] **DECLARES** that the Charges shall be valid and enforceable as against all Property and against all persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of the Debtor, for all purposes.
- [22] **ORDERS** the Registrar of the RDPRM, upon application by the beneficiaries of the Interim Financing Charge or the Administration Charge, to register in the RDPRM, the Charges created by this Order against the Property situated in the province of Quebec.

SALE AND SOLICITATION PROCESS

- [23] **APPROVES** and **AUTHORIZES** the SSP.
- [24] **APPROVES** and **AUTHORIZES** the SSP Procedure, with such non-material alterations, changes, amendments, deletions or additions thereto as may be agreed to with the consent of Richter.
- [25] **AUTHORIZES** Richter to conduct the SSP and to implement and perform any and all actions contemplated under the SSP Procedure or related thereto.

DELAY TO MAKE A PROPOSAL

- [26] **EXTENDS** the delay for the Debtor to make a proposal until March 13, 2019.

GENERAL

- [27] **DECLARES** that this Order shall have full force and effect in all provinces and territories in Canada.

[28] 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.

[29] ORDERS the provisional execution of the present Order notwithstanding any appeal and without the requirement to provide any security or provision for costs whatsoever.

THE WHOLE WITHOUT COSTS.

(S) Me Chantal Flamand, registraire
Me Chantal Flamand, registraire

KUGLER KANDESTIN LLP
Me Gerald F. Kandestin
Me Jeremy Cuttler
Attorneys for the Debtor/Petitioner