

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No. 500-11-062372-236

SUPERIOR COURT
(Commercial Division)

**IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED:**

CAPCIUM INC.

-and-

GELCAN CORPORATION INC.

Debtors

-and-

THE BANK OF NOVA SCOTIA

Applicant

-and-

RAYMOND CHABOT INC.

Monitor

**APPLICATION FOR THE ISSUANCE OF AN ORDER
EXTENDING THE STAY PERIOD**
(Section 11.02(2) of the *Companies' Creditors Arrangement Act*)

**TO THE HONOURABLE JUSTICE MICHEL A. PINSONNAULT OF THE SUPERIOR
COURT, SITTING IN THE COMMERCIAL DIVISION IN AND FOR THE JUDICIAL
DISTRICT OF MONTREAL, THE APPLICANT HEREBY RESPECTFULLY SUBMITS:**

I - ORDERS SOUGHT

1. By way of the present Application for the Issuance of an Order Extending the Stay Period (the "**Application**"), the Applicant seeks the issuance of an order substantially in the form of the draft order communicated herewith as **Exhibit R-1** extending the Stay Period (as defined below) until August 30, 2023.

II - PROCEDURAL BACKGROUND

2. On May 15, 2023, the Applicant filed an application pursuant to the *Companies Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, (the “**CCA**”) entitled *Application for an Initial Order, an Amended and Restated Initial Order and Other Relief* (the “**Initial Application**”).
3. On May 17, 2023, the Superior Court of Quebec (Commercial Division) (the “**Court**”) partially granted the Initial Application and rendered an Initial Order which, *inter alia*, stayed all proceedings and remedies taken or that might be taken in respect of Capcium Inc. (“**Capcium**”) and Gelcan Corporation Inc. (“**Gelcan**”) and together with Capcium, the “**Debtors**”), and any of their Property, Directors or Officers, until May 26, 2023 (the “**Stay Period**”).
4. On May 17, 2023, the Court further granted the Initial Application and rendered a Bidding Procedure Order approving a Sale and Investment Solicitation Process (the “**SISP**”) in respect of the Assets of Debtors.
5. On May 26, 2023, the Court granted the remaining conclusions of the Initial Application and rendered an Amended and Restated Order (the “**ARIO**”) which, *inter alia*, extended the Stay Period until July 24, 2023¹.

III - RESTRUCTURING EFFORTS SINCE THE COMMENCEMENT OF THE CCA PROCEEDINGS

6. As more fully detailed in the *Second Report to the Court by Raymond Chabot Inc. in its Capacity as Monitor* (the “**Second Report**”), since this Court issued the ARIO on May 26, 2023, the following summarizes the restructuring process undertaken by the Monitor.
7. In accordance with the powers granted to the Monitor under the Bidding Procedure Order, the Monitor initiated the SISP in consultation with the Applicant.
8. The Monitor solicited seventy-one parties, including potential strategic bidders, and implemented and populated a data room for review by potential bidders.
9. Several potential bidders have expressed interest in some or all of the Assets.
10. The Monitor entered into and currently remains in discussions with these potential bidders.
11. Specifically, as part of the Phase 1 of the SISP, 14 parties have signed a non-disclosure agreement (“**NDA**”), 14 parties have consulted the aforementioned data room and 3 parties have visited the premises.

¹ The defined terms not otherwise defined in this Application shall have the meaning ascribed to them in the ARIO.

12. However, by July 10, 2023, the deadline to submit a binding Qualified Bid, no offer met the criteria set out in the SISP.
13. Nevertheless, discussions between the Monitor and the parties involved remain underway and several parties having not submitted a Phase 1 offer expressed interest in exploring the opportunity.
14. As a result of the foregoing and in application of paragraph 4 of the General Procedures for the Sale Process, the Monitor has extended the deadlines provided for at paragraph 7 of said General Procedure for the Sale Process as follows (the “**Amended SISP**”):

<u>Event</u>	<u>Date</u>
1. <u>Approval of General Bidding Procedures</u>	Completed
Phase 1	
2. <u>Virtual Data Room</u> Monitor to prepare and have available for parties having executed the NDA (Potential Bidders), and Virtual Data Room	Completed
3. <u>Solicitation Letter</u> Monitor to distribute Solicitation Letter, to potentially interested parties	Completed
4. <u>Phase 1 Bid Deadline</u> Phase 1 Bid Deadline (for delivery of non-binding LOIs by Phase 1 Qualified Bidders in accordance with the requirement of paragraph 21 of the General Bidding Procedures)	August 4, 2023
5. <u>Determination of Phase 1 Qualified Bidders</u>	No later than August 7, 2023
Phase 2	
6. <u>Phase 2 Bid Deadline</u> Phase 2 Bid Deadline (for delivery of definitive offers by Phase 2 Qualified Bidders in accordance with the requirement of paragraph 31 of the Bidding Procedures)	August 22, 2023
7. <u>Auction</u> Auction(s), if applicable	To be determined by Monitor
8. <u>Selection of final Successful Bid</u> Deadline for selection of final Successful Bid	On or about August 23, 2023

<u>Event</u>	<u>Date</u>
9. <u>Approval Application—Successful Bid</u> Deadline for filing of Approval Motion in respect of Successful Bid	As soon as reasonably practical following selection of Successful Bid(s)
10. <u>Closing - Successful Bid</u> Anticipated deadline for closing of Successful Bid	As soon as practical following Court approval of Successful Bid(s)

15. As part of the Amended SISP, the Monitor approached 12 potential bidders which were active in Phase 1 of the the SISP or which solicited the Monitor following the expiration of the initial deadline for Phase 1, which resulted so far in the execution of 2 additional NDAs and the conduct of an additional visit of the premises.
16. In regards to Debtors' cash flow, the Monitor exercises oversight over their affairs and finances.
17. As for Capcium's operations, since the time of the Initial Application, further layoffs were executed and additional measures were implemented to limit Capcium's expenditures, the whole as part of the restructuring process.
18. Furthermore, Capcium generated additional sales despite the ongoing restructuring process and continues the collection of its accounts receivables.

IV - FURTHERMORE, CAPCIUM GENERATED ADDITIONAL SALES DESPITE THE ONGOING RESTRUCTURING PROCESS AND CONTINUES THE COLLECTION OF ITS ACCOUNTS RECEIVABLES. RELIEF SOUGHT

19. Since the commencement of these CCAA Proceedings, the Debtors, in consultation with the Applicant, have acted in good faith and with due diligence.
20. An extension of the Stay Period is necessary for the Monitor to continue its negotiations with potential bidders and successfully complete the remaining steps of the SISP.
21. The completion of the SISP will ideally permit the continuation of all or part of the Debtors' Business as a going concern, for the benefit of all of the Debtors' stakeholders.
22. The Applicant believes and respectfully submits that an extension of the Stay Period until August 30, 2023 is reasonable in the circumstances, as it will allow additional time for the Monitor to pursue its negotiations with the interested potential bidders and conclude the outstanding steps of the SISP.

23. The alternative, a bankruptcy liquidation of the Debtors, would jeopardize the value of the Debtors' Assets and prevent the possible continuation of the Debtors' Business as a going concern.
24. The requested extension of the Stay Period will not cause any prejudice to the various stakeholders, but rather will allow for the continued implementation of the SISP, which is to the benefit of the Applicant, the Debtors and their various stakeholders and other creditors.
25. The Monitor is supportive of the present Application and the request to extend the Stay Period.
26. As of the date hereof, the Applicant's counsel has not received any indication that the present Application will be contested.
27. In light of the foregoing, the Applicant respectfully submits that the present Application should be granted in accordance with its conclusions.

FOR THESE REASONS, MAY IT PLEASE THE COURT:

- [1] **GRANT** the present *Application for the Issuance of an Order Extending the Stay Period*;
- [2] **ISSUE** an order substantially in the form of the draft order communicated as **Exhibit R-1**;
- [3] **THE WHOLE** without costs, except in the event of a contestation.

Montreal, July 20, 2023

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**NOTICE OF PRESENTATION
COMMERCIAL DIVISION**

TO : Service List

TAKE NOTICE that *Application for the Issuance of an Order Extending the Stay Period* shall be presented in the Commercial Division of the Superior Court of the Montréal Courthouse Montréal, on **July 24, 2023** at **14:15**, or as soon as counsel may be heard, virtually, in room 16.04 which can be accessed via the link below.

Par vidéoconférence : teams@teams.justice.gouv.qc.ca
ID de la conférence VTC : 1197347661

PLEASE GOVERN YOURSELF ACCORDINGLY.

Montreal, July 20, 2023



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