



Raymond Chabot inc.

An affiliate of  
**Raymond Chabot Grant Thornton LLP**  
600, rue de La Gauchetière Ouest  
Bureau 2000  
Montréal (QC) H3B 4L8  
Tél.: (855)724-2268  
Télec.: (450)676-2202  
www.raymondchabot.com

CANADA  
DISTRICT OF QUEBEC  
DIVISION NO.: 01-MONTRÉAL  
COURT NO.: 500-11-059536-215

SUPERIOR COURT  
Commercial Division

IN THE MATTER OF THE ARRANGEMENT  
OR COMPROMISE OF:

**CAPCIUM INC. AND GELCAN  
CORPORATION INC.**

Legal persons having their head office at  
7300 TransCanada Hwy, in the City of  
Pointe-Claire, in the Province of Québec,  
H9R 1C7.

Hereinafter collectively referred to as  
“Capcium” or the “Debtors”

-and-

**RAYMOND CHABOT INC.,**  
Dominic Deslandes, CPA, CIRP, LIT

Hereinafter referred to as the “Monitor” or  
“RCI”

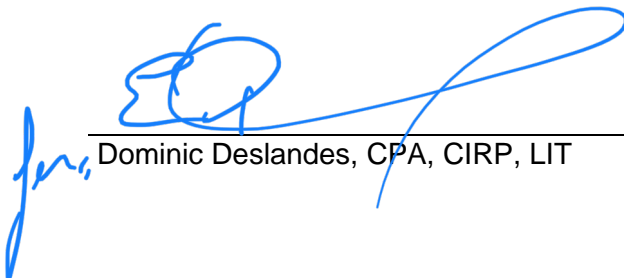
**THIRD REPORT TO THE COURT BY RAYMOND CHABOT INC.  
IN ITS CAPACITY AS MONITOR**  
(Section 9 and 11 of the CCAA)

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To one of the Honorable judges of the Superior Court, sitting in commercial division, in and  
for the judicial district of Montréal, we respectfully submit this report of the Monitor.

Signed in Montréal, on September 5, 2023.

RAYMOND CHABOT INC.  
Monitor

  
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Dominic Deslandes, CPA, CIRP, LIT

## **1. INTRODUCTION**

- 1.1 This report of the Monitor should be read in conjunction with the previous report prepared by Raymond Chabot Inc. (“RCI”). All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Initial Order.
- 1.2 This report is intended to provide the Court with an update on Capcium’s activities since the last order extending the stay of proceedings granted on July 4, 2023. Also, it provides an update on the sale ad investments solicitation process (“SISP”) and the restructuring measures envisaged in the light of recent events. It covers the following:
- Administration by the Monitor (Section 2);
  - Restructuring measures and update regarding Capcium’s operations (Section 3);
  - Summary of cash flow (Section 4);
  - Update on the SISP (Section 5);
  - Conclusion (section 6).

## **2. ADMINISTRATION BY THE MONITOR**

- 2.1 Since the issuance of the Initial Order, the Monitor:
- Conducted the SISP in accordance with the orders granted, as further described in Section 6.
  - Exercised oversight over the receipts and disbursements of the Debtors. The analysis of the cash flow ended August 25, 2023, is presented in Section 4 of this report.
  - Maintained communications with creditors, including the secured creditors (i.e. Scotiabank and Investissement Québec) as well as the landlord (i.e. Alexandria Real Estate Equities).
  - Assisted the Debtors with their relations with suppliers to maintain the facilities and the licenses active during the restructuring.

## **3. RESTRUCTURING MEASURES AND UPDATE REARDING CAPCIUM’S OPERATIONS**

- 3.1 As mentioned in our previous reports, Capcium was unable to maintain its operations and bear all-employee related costs. Many layoffs were made since the initial order, with 10 employees remaining employed by Capcium at the date of this report. Additional cost-cutting measures were also implemented to limit the expenditures.
- 3.2 While the manufacturing operations ceased, the personnel required to maintain the licenses active were retained and the maintenance on the essential equipment

continues. In addition, the Debtors continued the collection of their accounts receivable.

#### 4. SUMMARY OF CASHFLOW

4.1 Since the issuance of the Initial Order, the Monitor exercised oversight over the affairs and finances of the Debtors. The following table shows the actual versus forecasted variations in cash from July 15 to August 25, 2023:

(In thousands of \$)	Actual	Budget	Variance
<b>Receipts</b>			
Receivables (opening)	21	32	(11)
Additional Sales	79	77	2
DIP financing	400	550	(150)
<b>Total receipts</b>	<b>500</b>	<b>659</b>	<b>(159)</b>
<b>Disbursements</b>			
Salaries, wages and benefits	146	131	(15)
Group insurance	34	50	16
IT & IS	31	8	(23)
Consumables	22	27	5
Insurance	-	24	24
Occupancy costs (other than rent)	73	75	2
Professional fees, consulting & business fees	67	95	28
Restructuring fees	96	175	79
Licences	7	4	(3)
DIP financing fee and interest	-	22	22
Others and Miscellaneous	-	35	35
<b>Total disbursements</b>	<b>476</b>	<b>646</b>	<b>170</b>
Opening bank balance	171	171	-
Cash increase (decrease)	24	13	11
<b>Closing bank balance</b>	<b>195</b>	<b>184</b>	<b>11</b>

4.2 Briefly:

- Considering the efforts to limit expenditures and disbursements to the minimum, the use of the Interim Financing Facility is considerably lower than forecasted.
- In the same vein, the professional fees (including former employees hired as consultants) as well as the restructuring fees were significantly lower than anticipated.

4.3 The Monitor prepared a projected cash flow statement based on Management's most recent cash flow for the period starting August 25, 2023 and ending on October 6, 2023. A copy of this cash flow statement as well as our comments of same is attached hereto as Schedule "A".

**5. UPDATE ON THE SALE AND INVESTMENT SOLICITATION PROCESS**

5.1 As provided for in the Bidding Procedure Order rendered by the Court concurrently with the Initial Order, the Monitor worked in collaboration with the Debtors to implement the SISP.

5.2 The process spread over 3 phases:

Phase 1

5.2.1 During Phase 1, the monitor targeted and solicited 71 parties, of which 14 have signed an NDA and 3 visited the premises.

5.2.2 On the Phase 1 deadline, the Monitor received non-binding LOIs. Within the delays set by the SISP, the Monitor informed the bidders whether their bid had been accepted for submitting a final offer. Thereafter, an extensive due diligence period was initiated.

5.2.3 On July 10, 2023, which was the deadline to submit a binding Qualified Bid, no offer received met the criteria established by the SISP.

Phase 2

5.2.4 Following the court approval, an Amended SISP was launched. A new deadline to submit offers was set to 4:00 p.m., on August 22, 2023.

5.2.5 Per the Amended SISP, the Monitor solicited the potential bidders targeted initially and potential buyers who had expressed an interest.

5.2.6 Two additional NDA were signed during Phase 2.

5.2.7 On August 22, 2023, the Monitor received 4 offers. Again, none of the offers received met the criteria established by the Amended SISP.

Phase 3

5.2.8 Following discussions with the bidders and various stakeholders, including namely Scotiabank and Investissement Québec, the Monitor rejected all offers received in Phase 2 on August 20, 2023.

5.2.9 The Monitor thereafter requested improved offers from the bidders by no later than August 30, 2023. Two additional bidders were also invited to submit a bid at this time.

5.2.10 On August 30, 2023, the Monitor received 5 new offers. Further to requests by the Monitor, two bidders agreed to waive some of the conditions contained in

their offers. A summary of these final offers is shown in Schedule B (under seal).

5.2.11 At this time, the Monitor is still analyzing the scenarios and should retain one offer shortly, which will then be submitted for Court approval.

## **6. CONCLUSION**

6.1 The order rendered on July 24, 2023, provided for a stay of proceedings until September 6, 2023.

6.2 Considering that:

6.2.1 The offers received are still under review, and a decision should be taken shortly in the context of the SISP.

6.2.2 The Monitor requires a delay to prepare an Asset Purchase Agreement and to put in place the conditions required for the implementation of a transaction;

6.2.3 The Monitor requires a delay to prepare the report for this Court to have a proposed transaction approved;

6.2.4 Taking into consideration the amount available under the Interim Financing Facility, the Debtors have sufficient funds to conduct the envisaged restructuring measures during the requested extension period.

6.2.5 The licenses are maintained, and, in a bankruptcy scenario, the value of the assets would be jeopardized, with negative impacts for the stakeholders.

6.2.6 The Monitor has obtained the full cooperation of the Debtors as part of its mandate and has been able to assess that the Debtors are working, in consultation with Scotiabank, in good faith to implement the restructuring plan and the various measures that are required in the framework of the ongoing restructuring.

6.3 The Monitor is of the opinion that it is in the interest of all stakeholders to extend the Stay Period until September 29, 2023.

**SCHEDULE A**  
**PROJECTED CASH FLOW**

**Capcium inc. - Projected Cashflow for the period ending October 6, 2023**

For the week ending Friday :	2023-09-01	2023-09-08	2023-09-15	2023-09-22	2023-09-29	2023-10-06	Total
<b>Receipts</b>							
Receivables (opening)	-	-	-	-	-	-	-
Additional sales	-	-	-	-	-	-	-
DIP financing	-	200	-	-	100	-	300
<b>Total receipts</b>	-	200	-	-	100	-	300
<b>Disbursements</b>							
Salaries, wages and benefits	-	42	-	42	-	-	83
Group insurance	-	-	-	-	-	-	-
Quality control testing and other	-	-	-	-	-	-	-
IT & IS	1	27	1	5	-	-	34
Consumables	-	-	5	-	-	-	5
Insurance	-	8	-	-	-	-	8
Occupancy costs	19	2	24	2	-	-	48
Professional fees, consulting & business fees	40	10	10	5	-	-	65
Restructuring fees	25	25	35	15	15	10	125
Licences	-	-	3	-	-	-	3
DIP financing fee and interest	-	-	-	-	-	-	-
Others and Miscellaneous	8	2	2	2	2	2	18
<b>Total disbursements</b>	93	116	81	71	17	12	389
Opening bank balance	195	102	186	105	34	117	195
Cash increase (decrease)	(93)	84	(81)	(71)	83	(12)	(89)
<b>Closing bank balance</b>	<b>102</b>	<b>186</b>	<b>105</b>	<b>34</b>	<b>117</b>	<b>105</b>	<b>105</b>

- These projections have been prepared based on assumptions which reflect the general direction that Capcium would be taking given the financial and economic conditions which are most likely to occur. It is based on forecasts prepared by Capcium's management.
- Our compilation was limited to presenting, in the form of a projected cash flow statement, information provided by management and evaluating the support for the assumptions or other information underlying the forecast.
- Given that these projections are based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material
  - During the period, cash inflows consist only from DIP advances.
  - Given the operating and restructuring costs, outflows are expecting to total \$389,000.
  - Considering the above, in order to proceed with the restructuring plan, interim financing advances of approximately \$300,000 would be necessary, therefore using the entire \$1,200,000 DIP approved amount.

**SCHEDULE B**  
**SUMMARY OF OFFERS RECEIVED**  
**(UNDER SEAL)**