

CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

SUPERIOR COURT  
COMMERCIAL DIVISION

(Sitting as a court designated pursuant to the  
*Companies' Creditors Arrangement Act*,  
R.S.C. 1985, c. C-36)

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N°: 500-11-047563-149

**IN THE MATTER OF THE COMPROMISE OR  
ARRANGEMENT OF:**

**GRADEK ENERGY INC.**

and

**GRADEK ENERGY CANADA INC.**

**Petitioners**

and

**R H S T DEVELOPMENT INC.**

and

**THOMAS GRADEK**

**Mis en cause**

and

**SAMSON BÉLAIR/DELOITTE & TOUCHE INC.**

**Monitor**

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**MOTION FOR A SECOND ORDER EXTENDING THE STAY PERIOD  
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act*  
(R.S.C. 1985, c. C-36))**

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TO THE HONOURABLE JUDGE JEAN-YVES LALONDE OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

**I. INTRODUCTION**

1. On October 15, 2014, the Honourable Jean-Yves Lalonde issued an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* in respect

of Gradek Energy Inc and Gradek Energy Canada Inc (collectively, "**Gradek Energy**"), as appears from the Court record.

2. Pursuant to the Initial Order, Samson Bélair/Deloitte & Touche Inc. (the "**Monitor**") was appointed monitor of Gradek Energy and a stay of proceedings (the "**Stay of Proceedings**") was issued from the date of the Initial Order until November 13, 2014, and was extended on November 11, 2014 to December 19, 2014 (the "**Stay Period**").
3. In addition to protecting Gradek Energy, the Stay of Proceedings also extends to the Mis en cause R H S T Development Inc. and Thomas Gradek, who are not debtors in these proceedings but who, as holders of the intellectual property rights of the Re-usable Hydrocarbon Sorbent ("**RHS**") technology, form an integral part of this restructuring effort (collectively with Gradek Energy, the "**Gradek Parties**").
4. The Gradek Parties respectfully request that this Honourable Court extend the Stay Period until January 16, 2015 for the reasons set forth below.

## **II. EXTENSION OF THE STAY OF PROCEEDINGS**

5. Since the issuance of the Initial Order, Gradek Energy has acted, and continues to act, in good faith and with due diligence.
6. Gradek Energy has made and continues to make significant efforts to stabilize its business and address the concerns of all stakeholders in accordance with its proposed course of action, which provides for:
  - (a) the completion of the development of the RHS technology so that it can be brought to the market;
  - (b) the identification and attraction of new investors; and
  - (c) the submission of a plan of arrangement acceptable to its creditors.
7. Since November 11, 2014, Gradek Energy has completed the series of test that were then being performed for a major environmental solution provider (the "**ESP**"). Satisfied with the results, the ESP has since requested that a second series of tests be performed in respect of a new list of chemicals;
8. That second series of tests has yielded excellent results for 3 of the 4 criteria identified by the ESP, with the fourth being close to a satisfactory level;
9. On that basis, the ESP has requested that an additional set of tests be completed and a member of Gradek Energy's senior management team is scheduled to meet with the Chief Operating Officer of the ESP this Friday, December 19, 2014 to discuss the conclusion of a letter of interest;
10. Meanwhile, Gradek Energy has also explored the potential for entry into a commercial agreement with an oil sands operator (the "**OSO**"). In this respect, a Non-Disclosure Agreement has been entered into by the OSO and Gradek

Energy as a first step towards beginning tests tailored to the OSO's specific needs. The formal test plan will be agreed to by both parties in January;

11. On the financial side, Gradek Energy has actively sought additional interim financing during the past few weeks. Serious discussions are now engaged with potential DIP lenders for a DIP loan in the amount of 500 000\$, pending the resolution of two conditions, namely that (1) an appraisal of the value of Gradek Energy's assets be performed and that (2) an understanding be reached with Dundee Corporation in respect of its expected position at the time of Gradek Energy's emergence from this CCAA process;
12. The results of the appraisal are expected to be known by Thursday, December 18, 2014 or at the latest by Friday, December 19, 2014;
13. Gradek Energy, in collaboration with the Monitor, has also begun preparing the documentation that it intends to use in the context of the investment solicitation process scheduled to commence in January 2015. As of today, the financial model, the confidential information memorandum, the potential list of targets and the teasers are almost finalized;
14. The extension of the Stay Period is necessary in order to provide Gradek Energy with an adequate period of time to finalize an agreement with the new DIP lender and Dundee Corporation and/or to launch the solicitation process in January 2015, while, in parallel, continuing the testing phase in an effort to secure a commercialization agreement. It is anticipated that the requested extension of the Stay Period to January 16, 2015 will afford Gradek Energy an adequate period of time to make material progress towards these objectives;
15. As appears from the cash flow forecast, which is included in the Monitor's Third Report communicated herewith as Exhibit **R-1**, Gradek Energy is of the view that no creditor will suffer any undue prejudice from the requested extension of the Stay Period and that the extension sought is appropriate in the present circumstances;
16. As appears from the Monitor's Third Report, the Monitor supports the present request for an extension of the Stay Period;
17. The Gradek Parties respectfully request that this Honourable Court extend the Stay Period to January 16, 2015;

**WHEREFORE, MAY THIS COURT:**

**GRANT** the present Motion;

**EXTEND** the Stay Period to January 16, 2015;

**DECLARE** that the notices given of the presentation of the present Motion are proper and sufficient;

**ORDER** the provisional execution of the Order to be rendered notwithstanding any appeal and without the necessity of furnishing any security.

**WITHOUT COSTS**, save and except in case of contestation.

MONTREAL, this December 16, 2014

  
A handwritten signature in cursive script, reading "McCarthy Tétrault LLP", is written over a horizontal line.

**MCCARTHY TÉTRAULT LLP**

Attorneys for the Petitioners, Gradek Energy Inc. &  
Gradek Energy Canada Inc.

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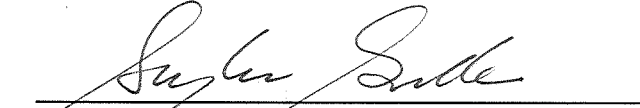
**AFFIDAVIT**

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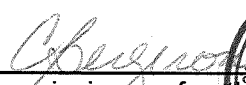
I, the undersigned, STEPHAN GRADEK, having a place of business at 162 blvd. Brunswick, Pointe-Claire, Québec, H9R 5P9, solemnly declare the following:

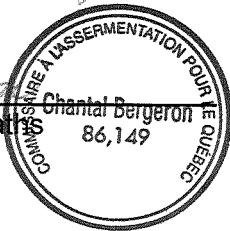
1. I am the Vice President and Chief Operating Officer of Gradek Energy;
2. All the facts alleged in the *Motion for a Second Order Extending the Stay Period* under sections 9 and 11 of the *Companies' Creditors Arrangement Act* are true.

AND I HAVE SIGNED

  
\_\_\_\_\_  
STEPHAN GRADEK

Solemnly Declared before me in  
Montreal, on this 16<sup>th</sup> day of December, 2014

  
\_\_\_\_\_  
Commissioner of oaths Chantal Bergeron  
86,149



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**NOTICE OF PRESENTATION**

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TO: the Service List

Take notice that the present *Motion for a Second Order Extending the Stay Period* under sections 9 and 11 of the *Companies' Creditors Arrangement Act* will be presented before Justice Jean-Yves Lalonde of the Superior Court, sitting in bankruptcy and insolvency matters at the Montréal courthouse, located at 1 Notre-Dame St. W., Montréal, Quebec, H2Y 1B6, on December 17, 2014, in room 12.61 at 2:15 p.m. or so soon thereafter as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, December 16, 2014

  
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**McCARTHY TETRAULT LLP**

Attorneys for the Petitioners, Gradek Energy Inc. and  
Gradek Energy Canada Inc.

N° 500-11- 047563-149

SUPERIOR COURT – COMMERCIAL DIVISION  
PROVINCE OF QUEBEC  
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ORIGINAL

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