

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)

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

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

TO THE HONOURABLE JUDGE LOUIS J. GOUIN 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. ("**GEI**" and "**GEC**", and, 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, on December 17, 2014 to January 16, 2015, on January 16, 2015 to January 27, 2015, on January 27, 2015 to March 19, 2015, on March 19, 2015 to April 2, 2015 and on April 2, 2015 to April 17, 2015 (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. On February 4, 2015, the Honourable Jean-Yves Lalonde issued a Claims Procedure Order soliciting the filing of claims against Gradek Energy, the Mis en cause and their officers and directors before 5 p.m. on March 16, 2015 (the “**Bar Date**”);
5. The Gradek Parties respectfully request that this Honourable Court extend the Stay Period until May 14, 2015 for the reasons set forth below;

II. EXTENSION OF THE STAY OF PROCEEDINGS

6. Since the issuance of the Initial Order, Gradek Energy has acted, and continues to act, in good faith and with due diligence;
7. 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;
8. Since the Bar Date, Gradek Energy has focused on securing additional interim financing;
9. On April 15, 2015, a new commitment letter for an interim financing credit facility (the “**Third DIP Credit Facility**”) providing for additional interim financing in the amount of \$200,000, communicated herewith as Exhibit R-1, to be secured by an additional DIP charge ranking *pari passu* and on the same terms and conditions as the Interim Lenders Charge provided for by the Initial Order, was entered into by Gradek Energy, Elmag Investments Inc. and Alfred Sorensen;
10. Meanwhile, Gradek Energy has continued negotiating with a major environmental solution provider operating, *inter alia*, in the oil industry (the “**ESP**”), in an effort to bring the RHS technology to market. As previously reported, the ESP has confirmed its desire to enter into a letter of interest (the “**LOI**”) and same is currently being negotiated. Despite the difficult market conditions currently facing the oil industry, negotiations are still ongoing and have progressed, such that Gradek Energy believes that an LOI could be finalized shortly;

11. Gradek Energy intends to launch an investment and/or financing solicitation process once a new DIP Loan is secured and an LOI entered into with the ESP, or with an alternative potential client, with the objective of presenting a plan of arrangement to its creditors in the best interest of all its stakeholders;
12. The extension of the Stay Period is necessary in order to provide Gradek Energy with an adequate period of time to secure an additional DIP Loan, to enter into a LOI and to launch an investment and/or financing solicitation process. It is anticipated that the requested extension of the Stay Period to May 14, 2015 will afford Gradek Energy an adequate period of time to make material progress towards that objective;
13. 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;
14. The Monitor has indicated that it agrees with Gradek Energy, on the basis of the cash flow forecast to be included in the Monitor's Seventh Report, and that it supports the present request for an extension of the Stay Period;
15. The Gradek Parties respectfully request that this Honourable Court extend the Stay Period to May 14, 2015;

WHEREFORE, MAY THIS COURT:

GRANT the present Motion;

EXTEND the Stay Period to May 14, 2015;

RATIFY the Additional DIP Term Sheet communicated herewith as Exhibit R-1;

ORDERS and **DECLARES** that the Initial Order, as amended and restated from time to time, is hereby re-amended and restated ("**Third Amendment and Restatement of the Initial Order**") in the manner described hereinbelow:

(a) Paragraph 16 is amended as follows:

16. **ORDER** that Petitioners be and are hereby authorized to borrow, repay and reborrow from Elmag Investment Inc., Alfred Sorensen, Robert Andrews and Thom Dawson (the "**Interim Lenders**") such amounts from time to time as Petitioners may consider necessary or desirable, up to a maximum principal amount of \$1,400,000 outstanding at any time, on the terms and conditions as set forth in the Interim Financing Term Sheet attached hereto as Exhibit R-12 (the "**Interim Financing Term Sheet**") and in the Interim Financing Documents (as defined hereinafter), as well as in the Commitment Letter for the Interim Financing Credit Facility dated January 26, 2015 and in the Third Commitment Letter for the Interim Financing Credit Facility dated April 15, 2015, to fund the ongoing expenditures of Petitioners and to pay such other amounts as are permitted by the terms of the Order and the Interim Financing Documents (as defined hereinafter) (the "**Interim Facility**");

(b) Paragraph 19 is amended as follows

19. **DECLARE** that all of the Property of Petitioners and is hereby subject to a charge and security for an aggregate amount of \$1,500,000 plus interest at the rate of twenty-five percent (25%) thereof (such charge and security is referred to herein as the "**Interim Lenders Charge**") in favour of the Interim Lenders as security for all obligations of Petitioners to the Interim Lenders with respect to all amounts owing (including principal, interest and the Interim Lenders Expenses) under or in connection with the Interim Financing Term Sheet and the Interim Financing Documents. The Interim Lenders Charge shall have the priority established by paragraphs 36 and 37 of this Order;

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.

MONTRÉAL, April 16 2015



MCCARTHY TÉTRAULT LLP

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

AFFIDAVIT

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

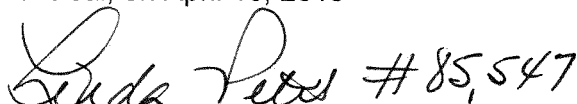
1. I am an authorized representative of Gradek Energy;
2. All the facts alleged in the *Motion for a Seventh Order Extending the Stay Period* under sections 9 and 11 of the *Companies' Creditors Arrangement Act* are true.

AND I HAVE SIGNED

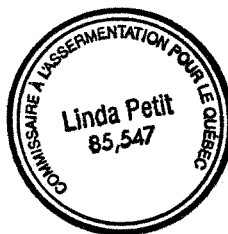


STEPHAN T. GRADEK

Solemnly Affirmed before me in
Montreal, on April 16, 2015



Commissioner for oaths for Québec



NOTICE OF PRESENTATION

TO: the Service List

Take notice that the present *Motion for a Seventh Order Extending the Stay Period* under sections 9 and 11 of the *Companies' Creditors Arrangement Act* will be presented before Justice Louis J. Gouin of the Superior Court, sitting in bankruptcy and insolvency matters, on April 17, 2015 at 9:15 a.m., in room 16.12 of the Montréal Courthouse, located at 1 Notre-Dame St. East, Montréal, H2Y 1B6.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, April 16, 2015



MCCARTHY TÉTRAULT LLP

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

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ORIGINAL

M^e Alain Tardif / 514-397-4274 / #211821-468124

BC0847

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