

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

N^o: 500-11-033234-085
DATE : August 12, 2009

PRESIDING: The Honourable Brian Riordan, J.S.C.

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

SHERMAG INC.

- and -

JAYMAR FURNITURE CORP.

- and -

SCIERIE MONTAUBAN INC.

- and -

MÉGABOIS (1989) INC.

- and -

SHERMAG CORPORATION

- and -

JAYMAR SALES CORPORATION

Petitioners

- and -

RSM RICHTER INC.

Monitor

ORDER

CONSIDERING the Petitioners' *Amended Motion for an Order Approving a Transaction, Extending the Stay Period and Granting an Interim Financing*, the Affidavit in support thereof, the exhibits in support thereof and the representations made by counsel for the Petitioners;

FOR THESE REASONS, THE COURT:

- [1] **GRANTS** the Amended Motion for an Order Approving a Transaction, Extending the Stay Period and Granting an Interim Financing (the "**Motion**");
- [2] **DECLARES** that all capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Initial Order issued on May 5, 2008 as subsequently amended or extended (the "**Initial Order**");
- [3] **ORDERS** that the time for service of the Motion and the ninth report of the Monitor RSM Richter Inc. (the "**Monitor's Ninth Report**") be and it is hereby abridged and that the Motion is property presentable today and further that the requirement for service of the Motion and the Monitor's Ninth Report upon interested parties is dispensed with and that the service of the Motion and the Monitor's Ninth Report is validated in all respects;
- [4] **ORDERS** that the Monitor's Ninth Report be and is hereby accepted and approved and the actions and activities of the Monitor described therein be and are hereby approved;
- [5] **EXTENDS** the Stay Period and the Stay Termination Date up to and including October 16, 2009, the whole subject to all other terms and conditions of the Initial Order;
- [6] **RENEWS**, in full but with the necessary adaptations, if need be, the Initial Order, until October 16, 2009;
- [7] **ORDERS** the sealing of Exhibit R-3;
- [8] **ORDERS AND DECLARES** that the offer made as of July 30, 2009 by Groupe Bermex Inc. ("**Bermex**") and filed in support of the Motion as Exhibit R-3 (the "**Transaction**") is hereby approved and ratified and that the Court has confidence in the opinion of the Monitor that same is commercially reasonable and in the best interests of the Petitioners and their stakeholders;
- [9] **ORDERS** that the Petitioners and Bermex are authorized and hereby directed to take any such additional steps and execute any such additional

documents as may be necessary or desirable for the completion of the Transaction;

- [10] **AUTHORIZES** the Petitioners to file a plan of arrangement under the CCAA, which plan will provide, *inter alia*, for the issuance by Shermag Inc. ("**Shermag**") of new equity in favour of Bermex, as described in the Transaction;
- [11] **AUTHORIZES** the issuance of the new equity of Shermag described in the Transaction to Bermex;
- [12] **AMENDS** the Initial Order by adding the following paragraphs after paragraph 22:

[22.1] ORDERS that, notwithstanding any other provision of the Order, Petitioners be and are hereby authorized to borrow, repay and reborrow from Groupe Bermex Inc. (the "**Interim Lender**") such amounts from time to time as Petitioners may consider necessary or desirable, up to a maximum principal amount of \$3,000,000 outstanding at any time, on the terms and conditions as set forth at section 3 of Exhibit R-3 (the "**Interim Financing Term Sheet**") and in the Interim Financing Documents (as defined hereinafter), 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**");

[22.2] ORDERS that, notwithstanding any other provision of the Order, Petitioners are hereby authorized to execute and deliver such credit 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 Facility and the Interim Financing Term Sheet, and Petitioners are hereby authorized to perform all of their obligations under the Interim Financing Documents;

[22.3] ORDERS that all of the Property of Petitioners is hereby charged by a hypothec, mortgage, lien and security interest to the extent of the aggregate amount of \$3,750,000 (such hypothec, mortgage, lien and security interest, together with any hypothec, mortgage, lien or security interest created by the Interim Financing Documents, the "**Interim Lender Charge**") in favour of the Interim Lender as security for all obligations of Petitioners to the Interim Lender with respect to all amounts owing (including principal and interest) under or in connection with the Interim Financing Term Sheet and the Interim Financing Documents;

[22.4] ORDERS that the claims of the Interim Lender pursuant to the Interim Financing Documents shall not be compromised or arranged pursuant to the Plan or these proceedings and the Interim Lender, in that capacity, shall be treated as an unaffected creditor in these proceedings and in any Plan;

[22.5] ORDERS that the Interim Lender may notwithstanding any other provision of the Order, take such steps from time to time as it may deem necessary or appropriate to register, record or perfect the Interim Lender Charge and the Interim Financing Documents in all jurisdictions where it deems it is appropriate;

[22.6] DECLARES that the Interim Lender Charge shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, conditional sale agreements, financial leases, charges, encumbrances or security of whatever nature or kind affecting any of the Property, save and except the Administration Charge, the D&O Charge and any charge, hypothec, mortgage, lien or security interest or priority guaranteeing the obligations of the Petitioners towards the Lender, namely Geosam Investments Limited;

[22.7] DECLARES that the Interim Lender Charge shall attach to all present and future Property of Petitioners, notwithstanding any requirement for the consent of any party to any such charge or to comply with any condition precedent;

[22.8] DECLARES that the Interim Lender Charge and the rights and remedies of the Interim Lender shall be valid and enforceable and shall not otherwise be limited or impaired in any way by: (i) these proceedings and the declaration of insolvency made herein; (ii) any petition for a receiving order filed pursuant to the *BIA* in respect of Petitioners or any receiving order made pursuant to any such petition or any assignment in bankruptcy made or deemed to be made in respect of Petitioners; 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 Petitioners (a "**Third Party Agreement**"), and notwithstanding any provision to the contrary in any Third Party Agreement:

- (a) the creation of the Interim Lender Charge shall not create or be deemed to constitute a breach by Petitioners of any Third Party Agreement to which it is a party; and
- (b) the Interim Lender 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 Interim Lender Charge;

[22.9] 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 Petitioners and any receiving order allowing such petition or any assignment in bankruptcy

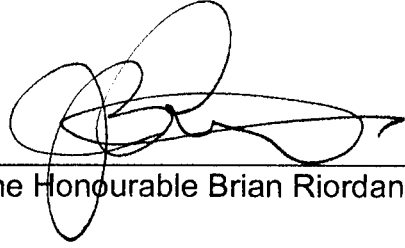
made or deemed to be made in respect of Petitioners, and (iii) the provisions of any federal or provincial statute, the payments or disposition of Property made by Petitioners pursuant to the Order and the granting of the Interim Lender Charge, do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting an oppression remedy under any applicable law;

[22.10] DECLARES that the Interim Lender Charge shall be valid and enforceable as against all Property of Petitioners and against all Persons, including, without limitation, any trustee in bankruptcy, receiver, receiver and manager or interim receiver of Petitioners, for all purposes;

[22.11] ORDERS that, subject to further order of this Court, no order shall be made varying, rescinding, or otherwise affecting paragraphs 22.1 to 22.11 hereof unless either (a) notice of a motion for such order is served on the Interim Lender by the moving party within seven (7) days after that party was served with the Order or (b) the Interim Lender applies for or consents to such order;

- [13] **ORDERS** that, in accordance with section 5.5 (f) and 5.7(d) of *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions*, no independent valuation or approval by minority shareholders shall be required in connection with the Transaction;
- [14] **ORDERS** the provisional execution of this Order to be rendered notwithstanding any appeal and without the necessity of furnishing security;

[15] **THE WHOLE** without costs.



The Honourable Brian Riordan, J.S.C.

Date of hearing: August 12, 2009

COPIE CONFORME
Elaine C-Nova
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