

CANADA

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

No.: 500-11-033234-085

**S U P E R I O R C O U R T**  
(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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**IN THE MATTER OF THE PLAN OF  
COMPROMISE OR ARRANGEMENT OF:**

**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

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

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**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT SITTING IN  
COMMERCIAL DIVISION IN AND FOR THE DISTRICT OF MONTRÉAL, THE  
PETITIONERS RESPECTFULLY SUBMIT:**

1. **INTRODUCTION**

1. By the present Fifth Motion for an Order Extending the Stay Period (the “**Motion**”), Shermag Inc. (“**Shermag**”), Jaymar Furniture Corp. (“**Jaymar**”), Scierie Montauban Inc., Mégabois (1989) Inc., Shermag Corporation and Jaymar Sales Corporation (collectively the “**Petitioners**”) hereby seek the extension of the Stay Period (as defined in the Initial Order referred to hereinafter) up to and including July 24, 2009.
2. The Petitioners will file in support of this Motion the sixth report of the Monitor RSM Richter Inc. (the “**Monitor’s Sixth Report**”) which contains a more detailed overview of the various issues mentioned in this Motion. A copy of said Monitor’s Sixth Report will be communicated as **Exhibit R-1**.

2. **BACKGROUND**

3. On May 5, 2008, an initial order was rendered by this Court pursuant to the *CCAA* in relation to the Petitioners (the “**Initial Order**”), the whole as it appears from the Court Record.
4. This Court extended the Stay Termination Date of the Stay Period (as defined in the Initial Order) on several occasions and the last time to July 13, 2009, the whole as more fully appears from the Court record.

3. **EVENTS SINCE THE ISSUANCE OF THE INITIAL ORDER AND RESTRUCTURING EFFORTS TO DATE**

5. On June 2, 2009, the Petitioners filed a motion entitled *Motion for an Order Authorizing the Sale of a Real Property and Related Vesting Order* pursuant to which the Court authorized the sale of an immovable property municipally known as 5 Rousseau Street, Edmunston, Province of New Brunswick, the whole as more fully appears from the Court record.
6. On the same day, the Petitioners also filed a motion entitled *Motion for an Order Authorizing a Call for Tenders Process* (the “**Tender Motion**”), the whole as more fully appears from the Court record.

7. Pursuant to such tender process, the Petitioners, along with the Monitor, solicited offers from a wide variety of entities which would be interested in purchasing the assets belonging to the Petitioners. The tender process divides the sale of the Petitioners' property into three (3) distinct categories:
- (i) the non-core assets of the Petitioners, which include ten (10) land and facility lots, finished inventory, raw material, work-in-progress and machinery and equipment;
  - (ii) the sale of Jaymar which is a wholly-owned subsidiary of Shermag. The tender process provides that Jaymar can be acquired through an asset or share deal so as to allow the sale of Jaymar "as a going concern"; and
  - (iii) the sale of Shermag's core business of importing and distributing furniture products (the "**Shermag Business**"). The tender process allows for the sale of the Shermag Business "as a going concern" through an asset deal.
8. When this Court approved the Tender Motion, it also approved the following timetable (the "**Timetable**"):

| <u>Steps</u> | <u>Description</u>  | <u>Deadline</u> |
|--------------|---|-----------------|
| 1.           | Execution of the confidentiality and the non-disclosure agreement by the interested parties | June 26, 2009   |
| 2.           | End of the due diligence period and access to the virtual data room                         | July 10, 2009   |
| 3.           | Filing of the offers  | July 10, 2009   |
| 4.           | Opening of the offers   | July 10, 2009   |
| 5.           | Clarification and improvement of the offers, if needed                                      | July 17, 2009   |
| 6.           | Approbation of the offers by the Petitioners  | July 17, 2009   |
| 7.           | Approval by the Court of the various offers accepted  | July 24, 2009   |

9. So far, the Petitioners and the Monitor have respected the Timetable and will open, as scheduled, any offers received on July 10, 2009.

10. According to the Timetable, the Petitioners will have to come back before this Court on July 24, 2009 so as to obtain its approval of the various offers accepted.
11. However, given that the Stay Termination Date (as defined in the Initial Order) is July 13, 2009, the Petitioners hereby seek the extension of the Stay Period (as defined in the Initial Order) up to and including July 24, 2009.

**4. EXTENSION OF THE STAY PERIOD**

12. Since the issuance of the Initial Order, the Petitioners have acted, and continue to act, in good faith and with due diligence.
13. The extension of the Stay Period is necessary in order to provide stability to the Petitioners' businesses.
14. In addition, discussions with the Petitioner's lender are advanced for the extension of the forbearance agreement. The Petitioners are confident that an agreement will be executed before the hearing of the present motion, which will assure that the Petitioners have the funds available to pursue their operations throughout the extension.
15. The need for an extension of the Stay Period is supported by the Monitor.
16. The Petitioners' lender supports the request for extension and the present motion.
17. Therefore, the circumstances are such that extending the Stay Period is more than appropriate.
18. Based on the foregoing, the Petitioners pray this Court to extend the Stay Period up to and including July 24, 2009, which date shall then be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order.
19. The Petitioners will file in support hereto their cash flow projections, which were prepared in conjunction with the Monitor and the support of its lender.

5. **GENERAL**

20. The Petitioners respectfully submit that the notices given of the presentation of the Motion are proper and sufficient.
21. The Motion is well founded both in fact and in law.

**WHEREFORE, MAY IT PLEASE THIS COURT TO:**

- [1] **GRANT** the present Motion;
- [2] **DECLARE** 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;
- [3] **EXTEND** the Stay Period and the Stay Termination Date up to and including July 24, 2009, the whole subject to all other terms and conditions of the Initial Order;
- [4] **DECLARE** that notices given of the presentation of the Motion are proper and sufficient;
- [5] **ORDER** the provisional execution of the Order to be rendered notwithstanding any appeal and without the necessity of furnishing any security.
- [6] **THE WHOLE** without costs, except if contested, and then with costs against each opposing party.

**MONTREAL**, July 10, 2009

*Davies Ward Phillips & Vineberg LLP*

**DAVIES WARD PHILLIPS & VINEBERG LLP**

Attorneys for Petitioners Shermag Inc., Jaymar Furniture Corp., Scierie Montauban Inc., Mégaboïs (1989) Inc., Shermag Corporation and Jaymar Sales Corporation

## NOTICE OF PRESENTATION

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AND TO: Me Louis Gouin  
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AND TO: Mr. Yves Vincent, CA  
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Monitor

AND TO: Me Claude Gravel  
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AND TO : Me Marc-André Blain / Me Jonathan Brochu  
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Attorneys for Bermex Group Inc.

**TAKE NOTICE** that the present “Fifth Motion for an Order Extending the Stay Period” will be presented for adjudication before one of the judges of the Superior Court, sitting in the Commercial Division, in and for the judicial district of Montréal, on July 13, 2009, at 9:00 a.m., in room 2.08 of the Montréal Courthouse, located at 1 Notre-Dame Street East, in the City of Montréal, Province of Québec, or so soon thereafter as counsel may be heard.

**DO GOVERN YOURSELVES ACCORDING.**

MONTRÉAL, July 10, 2009

Davies Ward Phillips & Vineberg LLP

**DAVIES WARD PHILLIPS & VINEBERG LLP**

Attorneys for Petitioners Shermag Inc., Jaymar Furniture Corp., Scierie Montauban Inc., Mégabois (1989) Inc., Shermag Corporation and Jaymar Sales Corporation

No. 500-11-033234-085

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**SHERMAG INC. ET ALS.**

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**FIFTH MOTION FOR AN ORDER  
EXTENDING THE STAY PERIOD**  
(Sections 9 and 11 *CCAA* and Section 133 *CBCA*)

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**ORIGINAL**

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Attorneys for Petitioners  
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**DAVIES**

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