

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)

**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

THIRD 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)

**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 Third Motion for an Order Extending the Stay Period (the "**Motion**"), Shermag Inc., Jaymar Furniture Corp., Scieries Montauban Inc., Mégaboïs (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) until April 4, 2009.
2. Petitioners will file, in support of this Motion, the fourth report of the Monitor RSM Richter Inc. (the "**Monitor's Fourth Report**") which contains a more detailed overview of the various issues mentioned in this Motion.

2. **THE PROCEEDINGS**

3. On May 5, 2008, an initial order was rendered by this Court pursuant to the *Companies' Creditors Arrangement Act* in relation to Petitioners (the "**Initial Order**"), the whole as it appears from the Court Record.
4. The Initial Order established June 4, 2008 as the Stay Termination Date of the Stay Period (both as defined in the Initial Order).
5. On June 4, 2008, this Court extended the Stay Termination Date of the Stay Period to September 8, 2008, the whole as it appears from the Court Record.
6. On July 16, 2008, Petitioners filed a Petition to Establish a Claims and Meetings Process (the "**Claims Process Petition**") which was granted by this Court according to its conclusions, the whole as it appears from the Court Record.
7. The Claims Process Petition provides, *inter alia*, that the bar date for the filing of a Proof of Claim or a Notice of Dispute (as defined in the Claims Process Petition) with the Monitor was September 5, 2008 (the "**Claim Bar Date**").
8. On September 8, 2008, this Court extended the Stay Termination Date of the Stay Period to December 10, 2008, the whole as it appears from the Court Record.

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

9. Following the extension of the Stay Period to December 10, 2008, Petitioners, together with the assistance of the Monitor, have reviewed the various Proofs of Claims and Notices of Dispute received before the Claim Bar Date and have come to a final determination on most of them. Petitioners, together with the collaboration of the Monitor and their advisors, will complete such work in the coming weeks.
10. Moreover, on October 31, 2008, Petitioners filed a Motion for an Order Approving an Agreement whereby they sought the approval of an agreement pursuant which Industrial Recovery Services, Inc. and M.G. Martin Auctioneers will sell through an auction process the surplus equipment belonging to Petitioners.
11. On November 4, 2008, this Court granted said motion according to its conclusions, the whole as it appears from the Court Record.
12. The auction for all the surplus equipment located in the facilities of Saint-Étienne-de-Lauzon and Bécancour will respectively take place on December 16, 2008 and on January 16, 2009. Both auctions have already been widely advertised by the auctioneers.
13. Furthermore, Petitioners with the collaboration of their advisors have prepared an application to seek the protection of the United States Courts under Chapter 15 of the *United States Bankruptcy Code* (the "US Application"). The US Application will seek, *inter alia*, the approval by the US Courts of the conclusions contained in the Claims Process Petition and will be filed in the coming days.
14. In addition to the foregoing, Petitioners have also:
- (i) pursued intensively their liquidation process of some of the non-core surplus inventory;
 - (ii) pursued the sale or lease process of their surplus facilities. In this regard, Petitioners (a) completed the sale of their head office located at 2171 King Street West at Sherbrooke as mentioned in the Second Motion for an Order Extending

the Stay Period and (b) leased for a period of five (5) years starting January 1st, 2009 their facility located 3106 route 108 East at Lennoxville; and

(iii) terminated the employment agreements of several employees whose services were not required pursuant to the Petitioners' new business plan.

the whole as more fully explained in the Monitor's Fourth Report.

15. Lastly, Petitioners, with the assistance of their attorneys and the Monitor, have begun the work required to formulate a plan of arrangement.
16. Petitioners have been and continue to be in communication with its secured lender, Geosam Investments Limited ("Geosam").
17. Very few creditors have communicated with the Petitioners or the Monitor, but all questions have been answered diligently.

4. EXTENSION OF THE STAY PERIOD

18. Since the issuance of the Initial Order, Petitioners have acted, and continue to act, in good faith and with due diligence.
19. The extension of the Stay Period is necessary in order to provide stability to Petitioners' businesses while Petitioners, with the assistance of their advisors and the Monitor, are taking further steps in furtherance of their goal of filing a plan of arrangement for the benefit of all stakeholders.
20. No creditor will be materially prejudiced by the extension of the Stay Period.
21. The need for an extension of the Stay Period is supported by the Monitor, the whole as it appears from the Monitor's Fourth Report.
22. In addition, discussions with Geosam are advanced for the extension of the forbearance agreement previously entered into with Wachovia. Petitioners are confident that an agreement will be executed before the hearing of the present motion, which will assure

that Petitioners have the funds available to pursue their operations throughout the extension.

23. Geosam supports the request for extension and the present motion.
24. Therefore, the circumstances are such that extending the Stay period is more than appropriate.
25. Based on the foregoing, Petitioners pray this Court to extend the Stay Period up to and including April 4, 2009, which date shall then be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order.
26. Petitioners file in support hereto their cash flow projections, which were prepared in conjunction with the Monitor and are included in the Monitor's Fourth Report.

5. **GENERAL**

27. Petitioners respectfully submit that the notices given of the presentation of the Motion are proper and sufficient.
28. 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 to April 4, 2009, the whole subject to all other terms and conditions of the Initial Order;
- [4] **APPROVE** the Forbearance Agreement between Geosam Investments Limited and the Petitioners substantially in the form of the agreement communicated as Exhibit R-1 (the "Forbearance Agreement")

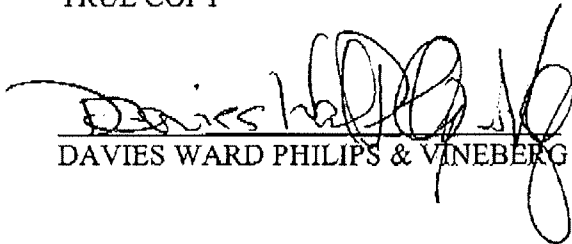
- [5] **DECLARE** that notices given of the presentation of the Motion are proper and sufficient;
- [6] **ORDER** the provisional execution of the Order to be rendered notwithstanding any appeal and without the necessity of furnishing any security.
- [7] **THE WHOLE** without costs, except if contested, and then with costs against each opposing party.

MONTREAL, December 5, 2008

(s) 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

TRUE COPY



DAVIES WARD PHILIPS & VINEBERG

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-033234-085

SUPERIOR COURT
(Commercial Division)
(Sitting as a court designated pursuant to the
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COMPROMISE OR ARRANGEMENT OF:**

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and
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and
SCIERIE MONTAUBAN INC.
and
MÉGABOIS (1989) INC.
and
SHERMAG CORPORATION
and
JAYMAR SALES CORPORATION

Petitioners

and

RSM RICHTER INC.

Monitor

ATTESTATION OF AUTHENTICITY

I, the undersigned, Christian Lachance, attorney, practising my profession with the law firm of Davies Ward Phillips & Vineberg LLP, having its principal place of business at 1501 McGill College Avenue, 26th Floor, in the City and District of Montréal, Province of Québec, solemnly affirm that:

1. On December 5, 2008, at 4:01 p.m., Davies Ward Phillips & Vineberg LLP received by fax an affidavit signed by Josée Girard dated December 5, 2008, a copy of such Affidavit is attached to this Attestation of Authenticity.
2. All the facts alleged herein are true.

AND I HAVE SIGNED:

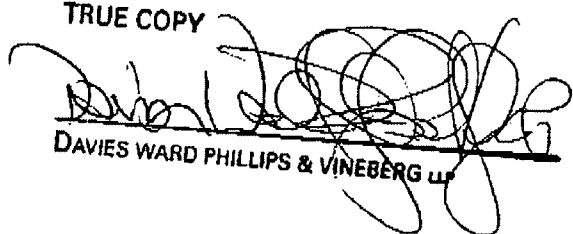
(s) Christian Lachance

CHRISTIAN LACHANCE

SOLEMNLY AFFIRMED BEFORE ME, at
Montréal, on this 5th day of December, 2008.

(s) Lyne Levasseur (#102,612)

Commissioner for Oaths for all
judicial districts of Québec

TRUE COPY


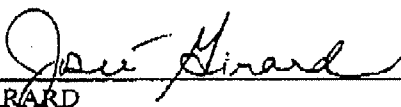
DAVIES WARD PHILLIPS & VINEBERG LLP

AFFIDAVIT

I, the undersigned, JOSÉE GIRARD, Vice-President Finance of Shermag Inc., having my place of business at 2171 King Street West, in the City of Sherbrooke, Province of Québec, solemnly declare as follows:

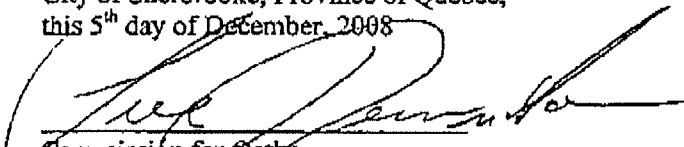
1. I am the duly authorized representative of the Petitioners;
2. All the facts contained in the present "Third Motion for an Order Extending the Stay Period" are true;
3. All the facts contained in this Affidavit are true.

AND I HAVE SIGNED:




JOSÉE GIRARD

Solemnly affirmed before me, in the
City of Sherbrooke, Province of Québec,
this 5th day of December, 2008



Commissioner for Oaths

TRUE COPY



DAVIES WARD PHILLIPS & VINEBERG LLP

NOTICE OF PRESENTATION

TO: Me Martin Desrosiers
Osler, Hoskin & Harcourt LLP
1000 De La Gauchetière Street West, Suite 2100
Montréal (Québec) Canada H3B 4W5
Attorneys for Geosam Investments Limited

AND TO: Me Louis Gouin
Ogilvy Renault LLP
1981 McGill College Avenue, Suite 1100
Montréal (Québec) Canada H3A 3C1
Attorneys for the Monitor

AND TO: Mr. Yves Vincent, CA
RSM Richter Inc.
2 Place Alexis Nihon, Suite 2200
Montréal, (Québec) Canada H3Z 3C2
Monitor

AND TO: Me Claude Gravel
Gowling Lafleur Henderson LLP
1, Place Ville Marie
Montréal (Québec) Canada H3B 3P4
Attorneys for Godbout, Plante associés enr.

AND TO : Me François Viau
Gowling Lafleur Henderson LLP
1, Place Ville Marie
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Attorneys for Industries Wajax

AND TO : Me Annie Claude Beauchemin
BCF LLP
1100 René-Lévesque Blvd. West, 25th Floor
Montréal (Québec) Canada H3B 5C9
Attorneys for Hachette Filipacchi Media U.S. Inc.

TAKE NOTICE that the present "Third 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 December 10, 2008, at 2:00 p.m., in room 16.12 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.

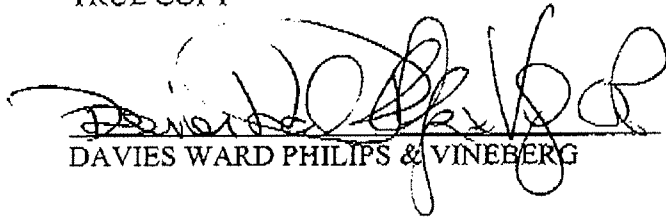
DO GOVERN YOURSELVES ACCORDING.

MONTRÉAL, December 5, 2008

(s) 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

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SHERMAG INC. ET ALS.**

Petitioners

and

RSM RICHTER INC.

Monitor

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

COPY TO:

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RSM Richter Inc.
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Attorneys for Petitioners
Per: Me Denis Ferland
Me Christian Lachance
Dir 514 841 6423
O/F 223966



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