

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

---

**MOTION FOR AN ORDER EXTENDING THE STAY PERIOD AND OTHER REQUESTED  
RELIEF**

(Sections 9 and 11 of the *Companies' Creditors Arrangement Act*, R.S.C. (1985), c. C-36 and Section 133  
of the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44)

---

**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 Motion for an Order Extending the Stay Period and Other Requested Relief (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 below) until August 8, 2008, and other relief, the whole as more fully described below.
2. Petitioners will file at the hearing, in support of this Motion, the second report of the Monitor RSM Richter Inc. (the "**Monitor's Second Report**") which contains a more detailed overview of the various issues mentioned in this Motion, including:
3. On May 5, 2008, an initial order was rendered by this Court pursuant to the *Companies Creditors Arrangement Act* (the "**CCAA**") in relation to Petitioners (the "**Initial Order**"), the whole as it appears from the Court Record.
4. The Initial Order establishes June 4, 2008 as the "Stay Termination Date" of the "Stay Period" (both as defined in the Initial Order).

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

5. Following the granting of the Initial Order, Petitioners, together with the Monitor, have worked to stabilize the business of the Petitioners and to the extent possible, return the operations to a business as usual basis.
6. Petitioners have also pursued their operations on a reduced basis and, in parallel, have undertaken :
  - (i) a sale process to dispose of their surplus equipment which should shortly be in place;
  - (ii) a liquidation process of some of the surplus inventory, which has taken place in the Montreal distribution center;
  - (iii) a sale of surplus inventory throughout Petitioners operations, which will continue;

- (iv) a sale process, which should shortly be in place, with the objective to dispose of the remaining surplus inventory by the end of the fiscal year developed;
- (v) a sale process of its surplus facilities. Twelve (12) facilities already are or will soon be listed for sale, in addition to the two (2) facilities which are already under contract of sale.

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

- 7. As part of the restructuring, the operations of the Granby facilities have been temporarily shut down;
- 8. Petitioners, with the assistance of the Monitor, have also begun a review of the business operations and assets of Petitioners with a view to preparing a business and financial plan for the business of Petitioners and, following the completion of such Plan, formulating a plan of arrangement.
- 9. Petitioners have been and continue to be in communication with its secured lender, Wachovia Capital Finance Corporation (“**Wachovia**”).

### **3. EXTENSION OF THE STAY PERIOD**

- 10. Since the issuance of the Initial Order, Petitioners have acted, and continue to act, in good faith and with due diligence.
- 11. 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.
- 12. No creditor will be materially prejudiced by the extension of the Stay Period.
- 13. The need for an extension of the Stay Period is supported by the Monitor, the whole as it appears from the Monitor's Second Report.

14. In addition, discussions are well advanced for the extension of the forbearance agreement previously entered into with Wachovia and Petitioners are confident that an agreement will be executed before the hearing of his motion, which will assure that Petitioners have the funds available to pursue this operations throughout the extension.
15. Wachovia supports the request for extension and the present motion.
16. Therefore, the circumstances are such that extending the Stay period is more than appropriate.
17. Based on the foregoing, Petitioners pray this Court to extend the Stay Period up to and including August 8, 2008, which date shall then be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order.
18. Petitioners file in support hereto its cash flow projections, which were prepared in conjunction with the Monitor and are included in the Monitor' Second Report.

**4. OTHER RELIEF SOUGHT**

19. Pursuant to paragraph 47 of the Initial Order, Petitioners are relieved, *inter alia*, from their obligations to hold and call an annual meeting and to prepare the year-end financial statements. Said paragraph 47 reads as follows:

ORDER that Shermag be relieved of any obligation (i) to call and hold an annual meeting of shareholders on or before July 31, 2008, and (ii) to prepare any related documents, including the year-end financial statements, the Management's Information Circular and the Annual Information Form, which would otherwise be given or communicated in the context of said annual meeting of shareholders;

20. Petitioners are companies or corporation incorporated under the *Companies Act* (Québec) or *Canada Business Corporations Act*.
21. Petitioners hereby request this Court to amend the Initial Order to add paragraph 48-A to the Initial Order, which paragraph should read as follows:

ORDER that Shermag be relieved of any obligation to prepare any quarterly financial statements, for any quarter ending after the Initial Order, except for the one quarter which will end immediately after the Stay Termination Date, and then, Petitioners shall have four (4) months from said Stay Termination Date to prepare the said quarterly financial statement.

22. Petitioners are currently devoting their efforts on stabilizing their business and returning it to a business as usual status with a view to preparing a business and financial plan for their business and eventually formulating a plan of arrangement for the benefit of all their stakeholders.
23. Preparing the quarterly financial statements would divert the attention of senior management away from such tasks, would require significant resources and could impede Petitioners' ability to achieve their restructuring under the *CCAA*.
24. Financial and other information will be available to the public through Petitioners' Court filings which are easily accessible on the Monitor's website, and other public records for the disclosure of documents of public companies.

**5. GENERAL**

25. Petitioners respectfully submit that the notices given of the presentation of this Motion are proper and sufficient.
26. 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 Motion;
- [3] **EXTEND** the Stay Period and the Stay Termination Date to August 8, 2008, the whole subject to all other terms and conditions of the Initial Order;

- [4] **ADD** after paragraph 48 of the Initial Order the following paragraph:
- 48-A ORDER that Shermag be relieved of any obligation to prepare any quarterly financial statements, for any quarter ending after the Initial Order, except for the one quarter which will end immediately after the Stay Termination Date, and then, Petitioners shall have four (4) months from said Stay Termination Date to prepare the said quarterly financial statement.
- [5] **DECLARE** that notices given of the presentation of this Motion are proper and sufficient
- [6] **THE WHOLE** without costs, except if contested, and then with costs against each opposing party.

**MONTREAL**, May 30, 2008

*Douglas Ward  
Phillips & Vineberg*

---

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

**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 "Motion for an Order Extending the Stay Period and Other Requested Relief" are true;
- 3. All the facts contained in this Affidavit are true.

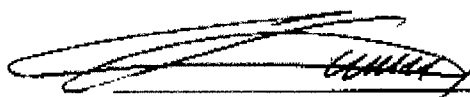
AND I HAVE SIGNED:



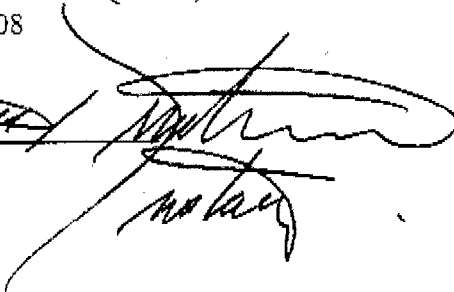
JOSÉE GIRARD

Solemnly affirmed before me, in the

City of Sherbrooke, Province of Québec,  
this 30<sup>th</sup> day of May, 2008



Commission for Oaths



notary

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

**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)

---

No.: 500-11-033234-085

**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

---

**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, 26<sup>th</sup> Floor, in the City and District of Montréal, Province of Québec, solemnly affirm that:

1. On May 30, 2008, at 15:45, Davies Ward Phillips & Vineberg LLP received by fax an Affidavit signed by Josée Girard dated May 30, 2008, a copy of such Affidavit is attached to this Attestation of Authenticity.



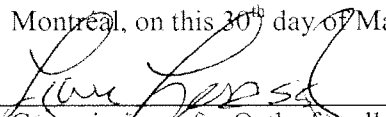
2. All the facts alleged herein are true.

AND I HAVE SIGNED:



CHRISTIAN LACHANCE

SOLEMNLY AFFIRMED BEFORE ME, at  
Montreal, on this 30<sup>th</sup> day of May, 2008.

  
Commissioner for Oaths for all  
judicial districts of Québec

**NOTICE OF PRESENTATION**

TO: Me Max Mendelsohn  
Me Marc-André Morin  
Me Nicholas Scheib  
**McMillan Binch Mendelsohn LLP**  
1000 Sherbrooke Ouest/West, Suite 2700  
Montréal (Québec) Canada H3A 3G4  
Attorneys for Wachovia Capital Finance of Canada

AND TO: Mr. Phil Manel, CA  
**RSM Richter Inc.**  
2 Place Alexis Nihon, Suite 2200  
Montreal, Quebec, H3Z 3C2

Monitor

**TAKE NOTICE** that the present “Motion for an Order Extending the Stay Period and Other Requested Relief” 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 June 4, 2008, at 9:30 a.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, May 30, 2008

*Daniel Ward  
Phillips & Vineberg*

---

**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

No. 500-11-033234-085

**S U P E R I O R C O U R T**  
**(Commercial Division)**  
District of Montréal

---

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

**SHERMAG INC. ET ALS.**

Petitioners

and

**RSM RICHTER INC.**

Monitor

---

**MOTION FOR AN ORDER EXTENDING  
THE STAY PERIOD  
AND OTHER REQUESTED RELIEF**  
(Sections 9 and 11 *CCAA* and Section 133 *CBCA*)

---

**ORIGINAL**

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

**DAVIES**

**DAVIES WARD PHILLIPS & VINEBERG LLP**

1501 McGill College Avenue  
26<sup>e</sup> Floor  
Montréal Canada H3A 3N9

Tel 514 841 6400  
Fax 514 841 6499  
BP-0181