

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
(Commercial Division)
(Sitting as a court designated pursuant to the
Bankruptcy and Insolvency Act,
R.S.C. 1985, c. B-3)

No.: 500-11-028119-069
Estate No.: 41-336505

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

D. & F. FURNITURE LTD.,

Debtor

- and -

RSM RICHTER INC., acting in its capacity as
Trustee to the Proposal of D. & F. Furniture Ltd.,
Trustee-Petitioner

MOTION FOR THE APPROVAL OF THE DEBTOR'S PROPOSAL
(Sections 58 and following of the *Bankruptcy and Insolvency Act* ("BIA"))

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, OR
TO ONE OF THE REGISTRARS THEREOF, PETITIONER RESPECTFULLY SUBMITS
THE FOLLOWING:

1. On May 17, 2006, the Debtor filed a Notice of Intent to Make a Proposal ("**Notice of Intention**") with the Trustee, as appears from the Court record;
2. On May 23, 2006, the Debtor was authorized to enter into an Agency Agreement with Century Services Inc. ("**Century**") and the Trustee was appointed as Interim Receiver for the purposes, *inter alia*, of controlling the receipts and disbursements of the Debtor, as appears from the Court record;
3. On June 15, 2006, this Court extended the time for the filing of a proposal by the Debtor to July 31, 2006, as appears from the Court record;
4. On July 28, 2006, the Debtor filed a proposal ("**Proposal**") with the Trustee and a copy of the Proposal with the Official Receiver, as appears from a copy of the Proposal filed as Schedule A of the Report of Trustee on Proposal dated September 8, 2006, such report together with its schedules, is being filed herewith *en liasse* as Exhibit **R-1**;

5. A meeting of the Debtor's creditors was called for August 18, 2006, in order to consider and vote on the acceptance of the Proposal, as appears from the Notice of Proposal to the Creditors and annexed documentation, the Trustee's affidavit relating to the sending of such notice, as well as the Report of the Trustee on the Financial Situation of the Debtor and on the Proposal, as appears from a copy of these documents forming Schedules B, C1, C2 and C3 of the Report of Trustee on Proposal, Exhibit R-1;
6. The Proposal provides, *inter alia*, as follows:
 - a) A proposal is not made to the secured creditors of the Debtor;
 - b) Amounts:
 - i) Owing to Her Majesty in right of Canada or a Province as enumerated in Section 60(1.1) of the BIA, shall be paid in full within six (6) months after the approval of the Proposal by this Court;
 - ii) Owing to employees and former employees, that they would have been entitled to receive under paragraph 136(1)(d) of the BIA if the employer became bankrupt on the date of the filing of the Notice of Intention, as well as wages, salaries, commissions or compensation for services rendered after that date and before the approval of the Proposal by this Court, shall be paid in full immediately after approval of the Proposal by this Court;
 - c) Unsecured creditors of the Debtor will receive, in full and final satisfaction of their claims:
 - i) On December 15, 2006, the liquidation proceeds then available, if any, of the liquidation of the assets of the Debtor presently being conducted by Century; and
 - ii) No later than December 15, 2007, an amount of \$400,000 ("Additional Amount") to be paid by 9033-6868 Quebec Inc., a company related to the Debtor; and
 - iii) Any additional liquidation proceeds available between December 15, 2006 and the date of the payment of the Additional Amount;

The whole as appears from the Proposal;

7. At the meeting of the creditors of the Debtor on August 18, 2006, 91.7% in numbers and 82% in value of the unsecured creditors of the Debtor voted for the acceptance of the Proposal, as appears from a copy of the minutes forming Schedule D of the Report of Trustee on Proposal, Exhibit R-1;
8. On September 1, 2006, the Trustee addressed, by ordinary mail, a notice of hearing of this motion to all of the Debtor's creditors having filed a proof of claim and to the Official Receiver in the prescribed manner, as appears from a copy of this notice and the

affidavit relating to the sending thereof forming Schedule F of the Report of Trustee on Proposal, Exhibit R-1;

9. On September 8, 2006, the Trustee issued the Report of Trustee on Proposal, Exhibit R-1, and forwarded a copy thereof to the Official Receiver at least 10 days before the hearing on this motion, as appears from the fax transmission confirmation sheet relating to the sending thereof forming Schedule G of the Report of Trustee on Proposal, Exhibit R-1;
10. The terms of the Proposal are reasonable and to the benefit of the general body of creditors of the Debtor;
11. This motion is well founded in fact and in law.

WHEREFORE, THE DEBTOR PRAYS THIS HONOURABLE COURT TO:

GRANT the present motion;

RATIFY and **APPROVE** the Debtor's proposal;

THE WHOLE WITH COSTS, against the mass of creditors.

Montréal, September 15, 2006



Osler, Hoskin & Harcourt LLP
Attorneys for the Trustee-Petitioner
RSM Richter Inc.

TRUE COPY


Osler, Hoskin & Harcourt LLP

AFFIDAVIT

I, the undersigned, Philip Manel, CA, CPA, exercising my profession at 2 Place Alexis-Nihon, 3500 De Maisonneuve Blvd. West, 22nd Floor, Montréal, Québec, H3Z 3C2, in the city and district of Montréal, Province of Québec, solemnly declare the following:

- I am the Senior Vice-President of Petitioner and I am duly authorized for purposes hereof;
- I have taken cognizance of the present *Motion for the Approval of the Debtor's Proposal*;
- All the facts alleged in the said motion are true.

AND I HAVE SIGNED



Philip Manel

SOLEMNLY AFFIRMED BEFORE ME IN MONTRÉAL
on the 15th day of September 2006



COMMISSIONER OF OATHS
FOR THE JUDICIAL DISTRICT OF MONTRÉAL



TRUE COPY



Osler, Hoskin & Harcourt LLP

NOTICE OF PRESENTATION

TAKE NOTICE that the attached motion will be presented for hearing and allowance in room 16.10 at 9:00 a.m. (Montreal Time) at the Montreal Courthouse, 1 Notre-Dame Street East, Montreal, on Wednesday, September 20, 2006, or so soon thereafter as Counsel may be heard.
DO GOVERN YOURSELF ACCORDINGLY.

Montréal, September 15, 2006



Osler, Hoskin & Harcourt LLP
Attorneys for the Trustee-Petitioner
RSM Richter Inc.

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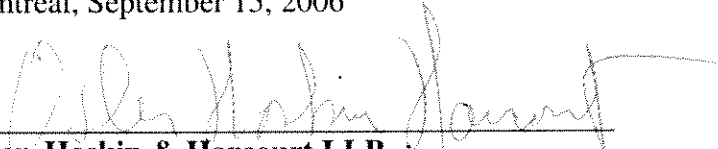
RSM RICHTER INC., acting in its capacity as
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Trustee-Petitioner

LIST OF EXHIBITS
(Motion for the Approval of the Debtor's Proposal)

EXHIBIT R-1: Report of Trustee on Proposal dated September 8, 2006, together with its
schedules, *en liasse*.

Montréal, September 15, 2006


Osler, Hoskin & Harcourt LLP
Attorneys for the Trustee-Petitioner,
RSM Richter Inc.

TRUE COPY


Osler, Hoskin & Harcourt LLP