

CANADA

PROVINCE OF QUÉBEC  
DISTRICT OF MONTRÉAL

No.: 500-11-033234-085

**SUPERIOR COURT**  
(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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**MOTION FOR AN ORDER AUTHORIZING A CALL FOR TENDERS PROCESS**  
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act*, R.S.C. (1985), c. C-36)

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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:**

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**1. INTRODUCTION**

1. By the present Motion for an Order Authorizing a Call for Tenders Process (the "Motion"), the Petitioners hereby seek the approval of this Court of the call for tenders process more fully described below (the "Tender Process").

**2. THE PROCEEDINGS**

2. On May 5, 2008, an Initial Order was rendered by this Court pursuant to the *Companies' Creditors Arrangement Act* in relation to the Petitioners (the "Initial Order"), the whole as it appears from the Court record.
3. On March 2, 2009, Shermag Inc. ("Shermag") filed a Motion for an Order Authorizing the Reorganization of its Share Capital (the "Reorganization Motion") pursuant to which Shermag sought, *inter alia*, an order (i) authorizing the cancellation of all of its outstanding shares, (ii) authorizing the issuance of new shares and (iii) granting various ancillary reliefs, the whole as it appears from the Court record.
4. The granting of the Reorganization Motion was then necessary to the presentation to the Petitioners' creditors of the Plan of Arrangement the Petitioners had in mind.
5. On March 26, 2009, this Court dismissed the Reorganization Motion.
6. On April 3, 2009, this Court extended the Stay Termination Date of the Stay Period (as defined in the Initial Order) to July 13, 2009, the whole as more fully appears from the Court Record.

**3. THE TENDER PROCESS**

7. Pursuant to the judgment dismissing the Reorganization Motion, the Petitioners with the help of the Monitor and the Petitioners' secured creditor, namely Geosam Investments Limited ("Geosam") analyzed the various options available to them which would (i) allow the continuation of their business and (ii) maximize the return to all stakeholders.

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8. The Petitioners, after discussion with Geosam, concluded that the Tender Process should be launched. Through the Tender Process, the Petitioners intend to solicit offers from a wide variety of entities which would be interested in purchasing the assets belonging to the Petitioners. The Tender Process will divide the sale of the Petitioners' property into three (3) distinct categories:
- (i) the non-core assets of the Petitioners (the "**Non-Core Assets**"), which include eleven (11) land and facility lots, finished inventory, raw material, work in progress and machinery and equipment. Pursuant to the Tender Process, the Non-Core Assets will be divided in lots;
  - (ii) the sale of Jaymar Furniture Corp. ("**Jaymar**") which is a wholly-owned subsidiary of Shermag. The Tender Process will provide that Jaymar can be acquired through an asset or share deal and will 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 will allow the sale of the Shermag Business "as a going concern" through an asset deal.
9. In relation with the Tender Process, the Petitioners with the help of the Monitor and Geosam have prepared a confidentiality agreement, a press release and confidential information memorandums. Copies of said document will be filed *en liasse* and under seal at the hearing of the Motion as **Exhibit R-1**.
10. The Petitioners wish to ensure that the Tender Process (i) is fair and equitable to all the potential offerors, (ii) provides for a clear and final deadline known to all offerors and (iii) allows a closing for the sale of the Non-Core Assets, Jaymar and the Shermag Business in the best delays. Hence, the Petitioners are seeking an order of this Court approving:
- (i) a timetable outlining the various milestones which are necessary to complete the sale of the Non-Core Assets, Jaymar and the Shermag Business in the best delays in all fairness to the parties involved;

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- (ii) the deadlines attributed to said milestones; and
- (iii) a list of terms and conditions which shall be included in all offers.

11. The Petitioners and the Monitor believe that that the following timetable is fair and reasonable for all parties and request the approval of same by this Court:

<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 27, 2009

12. The Petitioners and the Monitor request that all the offers shall contain the following terms and conditions:

- (i) an attestation from a Canadian financial institution confirming the financial capacity of the offeror to satisfy all the financial obligations arising from its offer. If the financing is provided by a third party or a financial institution, a copy of the offer to finance must be joined to the offer;
- (ii) a deposit of ten percent (10%) of the purchase price offered will need to be remitted to the Monitor, who will keep such deposit in its trust account;
- (iii) a provision that the offeror will purchase the assets (or possibly the shares in the case of Jaymar Inc.) on an "as is where is basis";
- (iv) a provision that the offeror will purchase without representations and warranties, save that the relevant Petitioners are the owner of the purchased property;

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- (v) the lots of the Non-Core Assets, Jaymar and the Shermag Business can only be purchased on an “*en bloc*” basis;
  - (vi) the offer shall not be subject to any financing condition; and
  - (vii) an undertaking to respect the timetable described above.
13. The Petitioners and the Monitor believe that the Tender Process currently provides the best opportunity to (i) maximize the value of the property which belongs to the Petitioners and (ii) allow Shermag and Jaymar to pursue their operations. However, the Petitioners and the Monitor will continue to canvas, analyze and entertain any scenario and option available which could or would be more profitable than the Tender Process.
14. Geosam is aware of the Tender Process and supports it.
15. The Tender Process is also supported by the Monitor.
16. The Petitioners respectfully submit that the notices given of the presentation of the Motion are proper and sufficient.
17. The Motion is well founded both in fact and in law.

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

- [1] **GRANT** the present Motion for an Order Authorizing a Call For Tenders Process (the “**Motion**”);
- [2] **DECLARE** that notices given of the presentation of the Motion are proper and sufficient;
- [3] **APPROVE** the following timetable with the steps described therein and the deadlines provided for the fulfillment of such steps, the whole subject to modifications authorize by the Monitor RSM Richter Inc. :

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<u>Steps</u>	<u>Description</u>	<u>Deadline</u>
8.	Execution of the confidentiality and the non-disclosure agreement by the interested parties	June 26, 2009
9.	End of the due diligence period and access to the virtual data room	July 10, 2009
10.	Filing of the offers	July 10, 2009
11.	Opening of the offers	July 10, 2009
12.	Clarification and improvement of the offers, if needed	July 17, 2009
13.	Approbation of the offers by the Petitioners	July 17, 2009
14.	Approval by the Court of the various offers accepted	July 27, 2009

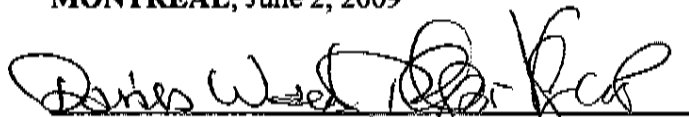
**[4] ORDER** that any offer which the Petitions will receive pursuant to this Order shall include the following terms and conditions:

- (i) an attestation from a Canadian financial institution confirming the financial capacity of the offeror to satisfy all the financial obligations arising from its offer. If the financing is provided by a third party or a financial institution, a copy of the offer to finance must be joined to the offer;
- (ii) a deposit of ten percent (10%) of the purchase price offered will need to be remitted to the Monitor, who will keep such deposit in its trust account;
- (iii) a provision that the offeror will purchase the assets (or possibly the shares in the case of Jaymar Inc.) on an "as is where is basis";
- (iv) a provision that the offeror will purchase without representations and warranties, save that the relevant Petitioners are the owner of the purchased property;
- (v) the lots of the Non-Core Assets, Jaymar and the Shermag Business can only be purchased on an "*en bloc*" basis;
- (vi) the offer shall not be subject to any financing condition; and

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- (vii) an undertaking to respect the timetable described above.
- [5] **ALLOW** the Petitioners and the Monitor RSM Richter Inc. to seize this Court of any difficulty which might arise during the sale process that the Petitioners and the Monitor will undertake pursuant to this Order;
- [6] **APPROVE** the confidentiality agreement, the press release and the confidential information memorandums filed *en liasse* as Exhibit R-1, subject to any amendments approved by the Monitor RSM Richter Inc.;
- [7] **ORDER** the sealing of the confidentiality agreement, the press release and the confidential information memorandums filed *en liasse* as Exhibit R-1;
- [8] **DECLARE** that unless required by any purchaser, no other Court approval should be required to sell and dispose of the Non-Core Assets, Jaymar or the Shermag Business as defined at paragraph 8 of the Motion;
- [8] **ORDER** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security;
- THE WHOLE** without costs, except if contested, and then with costs against each opposing party.

MONTREAL, June 2, 2009



**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**

TO: Me Martin Desrosiers  
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Attorneys for Geosam Investments Limited

AND TO: Me Louis Gouin  
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Attorneys for the Monitor

AND TO: Mr. Yves Vincent, CA  
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AND TO: Me Claude Gravel  
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Attorneys for Industries Wajax

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Attorneys for Hachette Filipacchi Media U.S. Inc.



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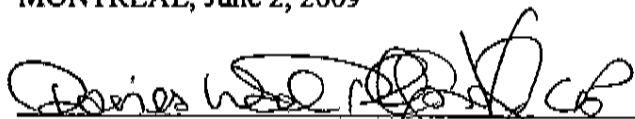
AND TO : Me Marc-André Blain / Me Jonathan Brochu  
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Montréal QC H3B 2C3

Attorneys for Bermex Group Inc.

**TAKE NOTICE** that the present "Motion for an Order Authorizing a Call For Tenders Process" 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, 2009 at the Montréal Courthouse, located at 1 Notre-Dame Street East, in the City of Montréal, Province of Québec, at a time and in a room to be determined.

**DO GOVERN YOURSELVES ACCORDING.**

MONTRÉAL, June 2, 2009



**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

CANADA  
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DISTRICT OF MONTRÉAL

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**SHERMAG INC.**  
and  
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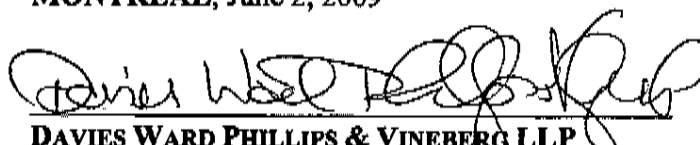
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**LIST OF EXHIBITS IN SUPPORT OF THE  
MOTION FOR AN ORDER AUTHORIZING A CALL FOR TENDERS PROCESS**  
(Sections 9 and 11 of the *Companies' Creditors Arrangement Act*, R.S.C. (1985), c. C-36)

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**Exhibit R-1:** Copy of a confidentiality agreement, a press release and confidential information memorandums, *en liasse*.

**MONTRÉAL, June 2, 2009**



**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 AUTHORIZING THE  
SALE OF A REAL PROPERTY AND RELATED  
VESTING ORDER**

(Sections 9 and 11 of the *Companies' Creditors  
Arrangement Act*, R.S.C. (1985), c. C-36)

**ORIGINAL**

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