

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

FOURTH 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 Fourth Motion for an Order Extending the Stay Period (the “**Motion**”), Shermag Inc. (“**Shermag**”), Jaymar Furniture Corp., Scieries Montauban Inc., Mégaboïs (1989) Inc. (“**Mégaboïs**”), 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 July 3, 2009.
2. Petitioners file in support of this Motion the fifth report of the Monitor RSM Richter Inc. (the “**Monitor’s Fifth Report**”) which contains a more detailed overview of the various issues mentioned in this Motion, the whole as more fully appears from a copy of said Monitor’s Fifth Report communicated herewith as **Exhibit R-1**.

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. This Court extended the Stay Termination Date of the Stay Period (as defined in the Initial Order) in several occasions and the last time to April 4, 2009, the whole as more fully appears from the Court record.
5. 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.
6. 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**”).
7. On July 31, 2008, this Court approved an Assignment Agreement between Wachovia Capital Finance Corporation (Canada) (“**Wachovia**”) and Geosam Investments Limited (the “**Lender**”) pursuant to which Wachovia assigned to the Lender all its rights, titles

and interests under the loan agreements entered into amongst the Petitioners and Wachovia, the whole as more fully appears from the Court Record.

8. On October 31, 2008, Petitioners filed a Motion for an Order Approving an Agreement (the “**Auction Motion**”) whereby they sought the approval of an agreement pursuant to which Industrial Recovery Services, Inc. and M.G. Martin Auctioneers will sell through an auction process the surplus equipment belonging to Petitioners, 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 April 4, 2008, Petitioners, together with the assistance of the Monitor, have completed the review of the various Proofs of Claim and Notices of Dispute received before the Claims Bar Date and have come to a final determination on practically all of them. Petitioners, together with the collaboration of the Monitor and their advisors, will complete such work in the coming weeks.

10. On December 10, 2008, Petitioners filed an application to seek the protection of the United States courts under Chapter 15 of the *United States Bankruptcy Code* (the “**US Application**”), the whole as more fully appears from a copy of the US Application communicated herewith as **Exhibit R-2**.

11. On January 1st, 2009, Petitioners leased for a period of five (5) years their facility located at 3106 route 108 East at Lennoxville.

12. On December 16, 2008, pursuant to the Auction Motion, Petitioners held an auction to sell all the surplus equipment located in the facility of Saint-Étienne-de-Lauzon.

13. On January 13, 2009, the US Application was heard and granted, the whole as more fully appears from a copy of the order rendered on January 13, 2009 communicated herewith as **Exhibit R-3** (the “**US Order**”). The US Order (i) recognized the Canadian proceedings as foreign main proceedings, (ii) enforced the Claims Process Order of the Canadian Court in the United States and (iii) established February 27, 2009 at 5:00 P.M.

EST as the bar date for claims of U.S. creditors not otherwise bound by the Claims Process Order.

14. On January 16, 2009, pursuant to the Auction Motion, Petitioners held an auction to sell all the surplus equipment located in the facility of Bécancour.
15. On February 24, 2009, Petitioners filed a Motion for an Order Authorizing and Approving the Granting of Hypothecs pursuant to which this Court authorized Petitioners to grant hypothecs in favour of Geosam on limited uncharged assets belonging to Shermag and Mégaboïs, the whole as it appears from the Court Record.
16. On the same day, Petitioners filed a Motion for the Approval of a Retention Bonus Plan pursuant to which this Court authorized Petitioners to enter into a second key employee retention bonus plan, the whole as it appears from the Court Record.
17. On March 2, 2009, 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 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.
18. On March 13, 2009, the Reorganization Motion was heard by this Court.
19. On March 26, 2009, this Court dismissed the Reorganization Motion.
20. Petitioners initially expected to file their plan of arrangement pursuant to the *CCAA* very shortly after the hearing of the Reorganization Motion.
21. In addition to the foregoing, Petitioners have also pursued their liquidation process of some of the non-core surplus inventory.
22. Petitioners have been and continue to be in communication with the Lender. Discussions with Lender 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. Very few creditors have communicated with the Petitioners or the Monitor, but all questions have been answered diligently.

4. **PLAN OF ARRANGEMENT**

24. Despite the dismissal of the Reorganization Motion, Petitioners, with the assistance of their advisors and the Monitor, are working on a plan of arrangement which they intend to file shortly (the “**Plan**”).

25. The Plan to be presented by Petitioners will *inter alia* provide for the injection of new funds (the “**New Funds**”) by Geosam Investments Limited (the “**Plan Sponsor**”) through a combination of a subscription amount for new shares of Shermag and of new loans to be made by the Plan Sponsor to Petitioners. The amount of the New Funds still need to be confirmed as of the day of this Motion.

5. **EXTENSION OF THE STAY PERIOD**

26. Since the issuance of the Initial Order, Petitioners have acted, and continue to act, in good faith and with due diligence.
27. The extension of the Stay Period is necessary in order to provide stability to Petitioners’ businesses.
28. No creditor will be materially prejudiced by the extension of the Stay Period.
29. The need for an extension of the Stay Period is supported by the Monitor, the whole as it appears from the Monitor’s Fifth Report.
30. The Lender supports the request for extension and the present motion.
31. Therefore, the circumstances are such that extending the Stay Period is more than appropriate.

32. Based on the foregoing, Petitioners pray this Court to extend the Stay Period up to and including July 3, 2009, which date shall then be the new Stay Termination Date, the whole subject to all the other terms of the Initial Order.
33. Petitioners file in support hereto their cash flow projections, which were prepared in conjunction with the Monitor and are included in the Monitor's Fifth Report.

6. **GENERAL**

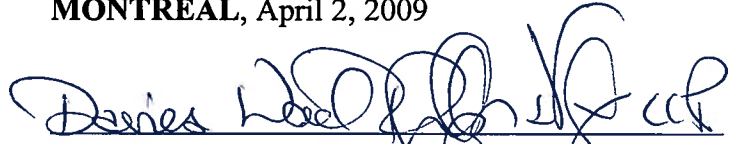
34. Petitioners respectfully submit that the notices given of the presentation of the Motion are proper and sufficient.
35. The Motion is well founded both in fact and in law.

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 July 3, 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-4 (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, April 2, 2009

A handwritten signature in blue ink, appearing to read "Davies Ward Phillips & Vineberg LLP", written over a horizontal line.

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

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and

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JAYMAR FURNITURE CORP.

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SCIERIE MONTAUBAN INC.

and

MÉGABOIS (1989) INC.

and

SHERMAG CORPORATION

and

JAYMAR SALES CORPORATION

Mis en cause

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 April 2, 2009, at 10:18 a.m., Davies Ward Phillips & Vineberg LLP received by telecopier an Affidavit signed by Josée Girard dated April 2, 2009, a copy of such Affidavit is attached to this Attestation of Authenticity.

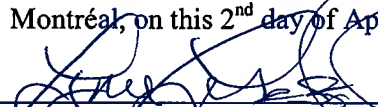
2. All the facts alleged herein are true.

AND I HAVE SIGNED:



CHRISTIAN LACHANCE

SOLEMNLY AFFIRMED BEFORE ME, at
Montréal, on this 2nd day of April, 2009.



Commissioner for Oaths for all
judicial districts of Québec

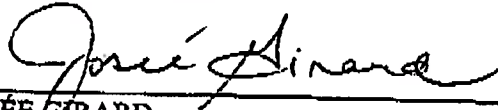


AFFIDAVIT

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:

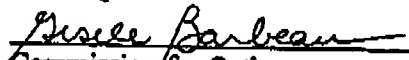
1. I am the duly authorized representative of the Petitioners;
2. All the facts contained in the present "Fourth Motion for an Order Extending the Stay Period" are true;
3. All the facts contained in this Affidavit are true.

AND I HAVE SIGNED:



 JOSÉE GIRARD

Solemnly affirmed before me, in the City of Sherbrooke, Province of Québec, this 2nd day of April, 2009



 Commission for Oaths
 Districts of St-François and Montreal
 Commission # 179404

TRUE COPY



 DAVIES WARD PHILLIPS & VINEBERG LLP

Md#: 1679870.2

NOTICE OF PRESENTATION

TO: Me Martin Desrosiers
Osler, Hoskin & Harcourt LLP
1000 De La Gauchetière Street West, Suite 2100
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Attorneys for Geosam Investments Limited

AND TO: Me Louis Gouin
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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
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Attorneys for Godbout, Plante associés enr.

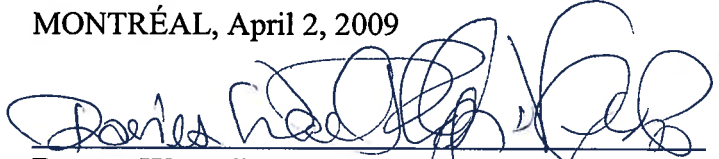
AND TO : Me François Viau
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Attorneys for Industries Wajax

AND TO : Me Annie Claude Beauchemin
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Attorneys for Hachette Filipacchi Media U.S. Inc.

TAKE NOTICE that the present "Fourth 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 April 3, 2009, at 9:15 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, April 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

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Monitor

**FOURTH MOTION FOR AN ORDER
EXTENDING THE STAY PERIOD**
(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

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