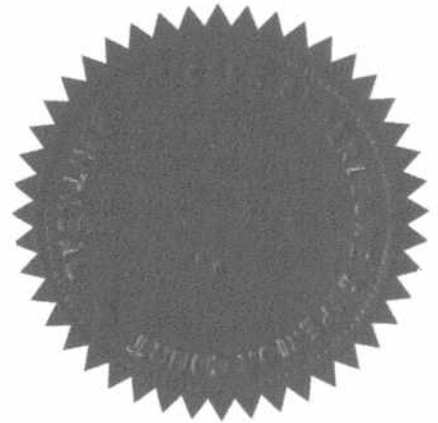


Superior Court



CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

N°: 500-11-033234-085
DATE : July 18, 2008

PRESIDING: The Honourable Robert Mongeon, J.S.C.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED:**

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

CLAIMS PROCESS ORDER

CONSIDERING Petitioners' Motion to Establish a Claims and Meetings Process, the Affidavit in support thereof and the representations made by Counsel for the Petitioners;

FOR THESE REASONS, THE COURT:

[1] **GRANTS** the present petition;

Service

[2] **DECLARES** sufficient the service of the present petition and prior notice of its presentation;

Definitions

[3] **ORDERS** that the following terms in this Order shall, unless otherwise indicated, have the following meanings ascribed thereto:

- (a) **"BIA"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
- (b) **"Business Day"** means a day, other than a Saturday, a Sunday, or a non-judicial day (as defined in article 6 of the *Code of Civil Procedure*, R.S.Q., c. C-25, as amended);
- (c) **"CCAA"** means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
- (d) **"CCAA Proceedings"** means the proceedings in respect of the Petitioners before the Court commenced pursuant to the CCAA;
- (e) **"Chair"** shall have the meaning ascribed to such term in paragraph 20;
- (f) **"Claim"** means any right or claim of any Person against the Petitioners, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind of the Petitioners owed to such person and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in

action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Determination Date, or which would have been claims provable in bankruptcy had the Petitioners become bankrupt on the Determination Date, and, without limitation, shall include (i) any Unaffected Claim, or (ii) any Restructuring Claim, provided however, that in no case shall a Claim include an Excluded Claim;

- (g) **"Claims Bar Date"** means 5:00 p.m. (Montréal time) on September 5, 2008;
- (h) **"Claims Process"** means the claims process set forth herein including the Schedules to the present Order;
- (i) **"Court"** means the Québec Superior Court (Commercial Division);
- (j) **"Creditor"** means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, or other Person acting on behalf of such Person and includes a Known Creditor. A Creditor shall not include an Excluded Creditor in respect of that Person's claim resulting from an Excluded Claim;
- (k) **"Creditors' Instructions"** means the instructions for Creditors, including a Proof of Claim for the Creditors other than the Scheduled Employee or a Notice of Scheduled Employee's Claim for the Scheduled Employee, as the case may be, and an instruction letter explaining how to complete the Proof of Claim or a Notice of Dispute in the case of the Notice of Scheduled Employee's Claim, and a copy of this Order;
- (l) **"Creditors' List"** means a list of all Known Creditors;
- (m) **"Creditors' Meeting"** means the meeting of the Petitioners' Creditors to be convened for the purposes of voting on the Plan, and any adjournment thereof;

- (n) **"Debtors"** means collectively Shermag Inc., Jaymar Furniture Corp., Scierie Montauban Inc., Mégabois (1989) Inc., Shermag Corporation and Jaymar Sales Corporation;
- (o) **"Designated Newspapers"** means the Globe & Mail (National Edition), La Presse and La Tribune;
- (p) **"Determination Date"** means May 5, 2008;
- (q) **"Excluded Claim"** means any right of any Person against the Petitioners in connection with any indebtedness, liability or obligation of any kind which came into existence after the Determination Date and any interest thereon, including any obligation of the Petitioners toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Petitioners after the Determination Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds after the Determination Date and to the extent that such claims are not otherwise affected by the Plan;
- (r) **"Excluded Creditor"** means a Person having a Claim in respect of an Excluded Claim but only in respect of such Excluded Claim and to the extent that the Plan does not otherwise affect such Claim;
- (s) **"Initial Order"** means the order of this Court made on May 5, 2008 under the CCAA as extended, amended or restated as the case may be;
- (t) **"Known Creditor"** means a Creditor whose Claim is included in the Petitioners' books and records;
- (u) **"Meeting Materials"** shall have the meaning ascribed to such term in paragraph 25;
- (v) **"Monitor"** means RSM Richter Inc., in its capacity as monitor pursuant to the Initial Order;
- (w) **"Newspaper Notice"** means the notice of this Order to be published in the Designated Newspapers on the Publication Date in

accordance with paragraph 4, which shall set out the Claims Bar Date and the Creditors' Instructions, being substantially in the form of Schedule "A" hereto;

- (x) **"Notice of Dispute"** means a written notice, substantially in the form of Schedule "B" hereto, delivered to the Monitor by a Scheduled Employee who has received a Notice of Scheduled Employee's Claim and who intends to dispute such Notice of Scheduled Employee's Claim, which shall include all reasons for his dispute;
- (y) **"Notice of Scheduled Employee's Claim"** means a notice, substantially in the form of Schedule "C" hereto, to be sent to each of the Scheduled Employee;
- (z) **"Notice of Revision or Disallowance"** means the notice referred to in subparagraphs 12(a) and 13(a), substantially in the form of Schedule "D" hereto, advising a Creditor that the Monitor has revised or rejected all or part of its Proof of Claim or his Notice of Dispute in the case of a Scheduled Employee for the purposes of voting or distribution and setting out the reasons for such revision or rejection;
- (aa) **"Notice to Creditors"** shall have the meaning ascribed to such term in subparagraph 25(a);
- (bb) **"Person"** means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, governmental body or agency, or any other entity;
- (cc) **"Petitioners"** means collectively Shermag Inc., Jaymar Furniture Corp., Scierie Montauban Inc., Mégaboïs (1989) Inc., Shermag Corporation and Jaymar Sales Corporation;
- (dd) **"Plan"** means a plan filed or to be filed by the Petitioners pursuant to the CCAA, as such plan may be amended or supplemented from time to time;

- (ee) **"Proof of Claim"** means the form of Proof of Claim for Creditors other than the Scheduled Employees and referred to in paragraphs 11 and 12, being substantially in the form of Schedule "E" hereto;
- (ff) **"Proven Claim"** means the amount of a Claim which has been finally determined for voting and distribution purposes in accordance with this Claims Process;
- (gg) **"Publication Date"** means the date on which the publication of the Newspaper Notice in all of the Designated Newspapers has been completed;
- (hh) **"Restructuring Claim"** means any right of any Person against the Petitioners in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation, or termination of any contract, lease, employment agreement, collective agreement or other agreement, whether written or oral, after the Determination Date, including any right of any Person who receives a notice of repudiation or termination from the Petitioners; provided however, that a Restructuring Claim shall not include an Excluded Claim;
- (ii) **"Scheduled Employees"** means those Creditors who are or were employed by the Petitioners and whose Claims are assessed by the Petitioners;
- (jj) **"Schedules"** means the Schedules "A" to "G" to this Motion;
- (kk) **"Unaffected Claim"** shall have the meaning ascribed to such term in the Plan and includes any and all claims of the Lender, as defined in the Initial Order and as provided for at paragraph 14 of the Initial Order;
- (ll) **"Voting Claim"** of a Creditor means the Proven Claim of the Creditor unless the Proven Claim of the Creditor is not finally determined at the time of the Creditors' Meeting, in which case it means the Claim of the Creditor which is accepted for voting purposes in accordance with the provisions of this Order, the Plan and the CCAA;

Voting Procedure

- [4] **ORDERS** that the form of Newspaper Notice, which is hereby approved, shall be published by the Monitor in the Designated Newspapers as soon as possible following the issuance of this Order, but in any event no later than July 31, 2008;
- [5] **ORDERS** that the Monitor shall publish, on or before 5:00 p.m. (Montréal time) on July 23, 2008, on its website at <http://www.rsmrichter.com/restructuring/shermag.aspx>, a copy of the Creditors' List and of the Creditors' Instructions;
- [6] **ORDERS** that, in addition to the publication referred to in paragraph 4, the Monitor shall send, by regular mail, a copy of the Creditors' Instructions to each Known Creditor, other than the Scheduled Employee, by no later than 5:00 p.m. (Montréal time) on July 31, 2008;
- [7] **ORDERS** that the Monitor shall send to each Scheduled Employee his Notice of Scheduled Employee's Claim, together with a copy of the Creditors' Instructions, by no later than 5:00 p.m. (Montréal time) on July 31, 2008;
- [8] **ORDERS** that any Scheduled Employee who wishes to dispute the amount of his Claim as set out in the Notice of Scheduled Employee's Claim sent to him must return his duly completed Notice of Dispute to the Monitor and the Petitioners by no later than the Claims Bar Date. Upon receipt of any Notice of Dispute, the Monitor shall forthwith provide a copy thereof to the Petitioners.
- [9] **ORDERS** that any Scheduled Employee who does not file a Notice of Dispute with the Monitor and the Petitioners by the Claims Bar Date shall be deemed to have accepted the amount set in the Notice of Scheduled Employee's Claim and be entitled to vote at the Creditors' Meeting and shall be entitled to receive any distributions pursuant to the Plan (to the extent that the holders of such Claims are entitled to vote upon and receive distributions under the Plan) only with respect to his Claim, if any, as set out in the Notice of Scheduled Employee's Claim and the remainder of his Claim, if any, shall be extinguished and forever barred.

Excluded Claims

- [10] **ORDERS** that Excluded Claims as well as the Unaffected Claim are excluded from the Claims Process and that no Proof of Claim is required to be filed in respect therewith;

Claims Procedure

- [11] **ORDERS** that, unless otherwise authorized by this Court, a Creditor, other than a Scheduled Employee, who does not file a Proof of Claim by the Claims Bar Date shall not be entitled to any further notice, shall not be entitled to participate as a Creditor in these proceedings, shall not be entitled to vote on any matter in these Proceedings, including the Plan, or from advancing a Claim against the Petitioners or the directors and officers of the Petitioners, or from receiving a distribution under the Plan;
- [12] **ORDERS** that the following procedure shall apply where a Creditor, other than a Scheduled Employee, files a Proof of Claim on or before the Claims Bar Date:
- (a) the Monitor, together with the Petitioners, shall review the Proof of Claim to value the amounts and terms set out therein for voting and distribution purposes. Where applicable, the Monitor shall send the Creditor a Notice of Revision or Disallowance by mail, telecopier, courier or other means of electronic communication;
 - (b) the Creditor who receives a Notice of Revision or Disallowance and wishes to dispute it shall, within ten (10) days of the Notice of Revision or Disallowance, file an appeal motion with the Court and serve a copy of such appeal motion to the Petitioners and the Monitor;
 - (c) unless otherwise authorized by this Court, if the Creditor does not file an appeal motion within the delay provided for in (b) above, such Creditor shall be deemed to have accepted the value of its Claim as set out in the Notice of Revision or Disallowance;
 - (d) where the Creditor appeals from the Notice of Revision or Disallowance or its Claim has not been finally determined prior to the date of any Creditors' Meeting, the Monitor, in conjunction with

the Petitioners, will determine the amount of the Voting Claim without admission that such quantification is acceptable for dividend purposes;

[13] **ORDERS** that the following procedure shall apply where a Scheduled Employee files a Notice of Dispute on or before the Claims Bar Date:

- (a) the Monitor, together with the Petitioners, shall review the Notice of Dispute to value the amounts and terms set out therein for voting and distribution purposes. Where applicable, the Monitor shall send the Scheduled Employee a Notice of Revision or Disallowance by mail, telecopier, courier or other means of electronic communication;
- (b) the Scheduled Employee who receives a Notice of Revision or Disallowance and wishes to dispute it shall, within ten (10) days of the Notice of Revision or Disallowance, file an appeal motion with the Court and serve a copy of such appeal motion to the Petitioners and the Monitor;
- (c) unless otherwise authorized by this Court, if the Scheduled Employee does not file an appeal motion within the delay provided in (b) for above, such Scheduled Employee shall be deemed to have accepted the value of his Claim as set out in the Notice of Revision or Disallowance;
- (d) where the Scheduled Employee appeals from the Notice of Revision or Disallowance or his Claim has not been finally determined prior to the date of any Creditors' Meeting, the Monitor, in conjunction with the Petitioners, will determine the amount of the Voting Claim without admission that such quantification is acceptable for dividend purposes;

Creditors' Meeting

[14] **ORDERS** that the Petitioners be and are hereby authorized to call, hold and conduct the Creditors' Meeting at a date to be determined in conjunction with the Monitor, in Montréal, Québec for the purpose of considering and, if deemed advisable, approving the Plan, unless the

Creditors decide by resolution carried by the majority of votes (one vote for each dollar of every Voting Claim) to postpone the Creditors' Meeting;

- [15] **ORDERS** that the only Persons entitled to attend and speak at the Creditors' Meeting are Creditors with Voting Claims and their proxy holders, representatives of the Petitioners, members of the boards of directors of the Petitioners, representatives of the Monitor, the Chair and their respective legal and financial advisors. Any other Person may be admitted to the Creditors' Meeting on invitation of the Chair;
- [16] **ORDERS** that the quorum required at the Creditors' Meeting shall be one Creditor present at such meeting in person or by proxy. If the requisite quorum is not present at the Creditors' Meeting, then the Creditors' Meeting shall be adjourned by the Chair (as defined below) to such time and place as the Chair deems necessary or desirable;
- [17] **ORDERS** that the only Persons entitled to vote at the Creditors' Meeting shall be Creditors with Voting Claims and their proxy holders. Each Creditor with a Voting Claim will be entitled to a number of votes equal to the value in dollars of its Voting Claim as determined in accordance with this Order. A Creditor's Voting Claim shall not include fractional numbers and Voting Claims shall be rounded down to the nearest whole Canadian dollar amount;
- [18] **ORDERS** that any proxy that any Creditor wishes to submit in respect of the Creditors' Meeting (or any adjournment thereof) must be substantially in the form attached hereto as Schedule "F" (or in such other form acceptable to the Monitor or the Chair) and be received by the Monitor before the beginning of the Creditors' Meeting;
- [19] **ORDERS** that the results of any and all votes conducted at the Creditors' Meeting shall be binding on all Creditors, whether or not any such Creditor is present or voting at the Creditors' Meeting;
- [20] **ORDERS** that the Monitor shall preside as the chair of the Creditors' Meeting (the "**Chair**") and, subject to any further order of this Court, shall decide all matters relating to the conduct of the Creditors' Meeting. The Chair shall vote any Claims for which it is a proxyholder in accordance with the related instructions and, in the event of no such instructions at its

entire discretion. The Petitioners and any Creditor may appeal from any decision of the Chair to the Court, within five (5) Business Days of any such decision;

- [21] **ORDERS** that, at the Creditors' Meeting, the Chair shall be and is hereby authorized to direct a vote with respect to the Plan and any amendments thereto as the Petitioners and the Monitor may consider appropriate;
- [22] **ORDERS** that the Chair be and is hereby authorized to adjourn the Creditors' Meeting on one or more occasions to such time(s), date(s) and place(s) as the Chair deems necessary or desirable (without the need to first convene the Creditors' Meeting for the purpose of any adjournment);
- [23] **ORDERS** that the Monitor may appoint scrutineers for the supervision and tabulation of the attendance at, quorum at and votes cast at the Creditors' Meeting. A Person designated by the Monitor shall act as secretary at the Creditors' Meeting;
- [24] **ORDERS** that the Monitor shall be directed to calculate the votes cast at the Creditors' Meeting called to consider the Plan in accordance with this Order and shall report to the Court at the sanction hearing as to the effect, if any, that the Monitor's determination of Creditors' Voting Claims pursuant to subparagraph 12(d) and 13(d) hereof had on the outcome of the votes cast at the Creditors' Meeting;

Notice of Creditors' Meeting

- [25] **ORDERS** that, in addition to the documents described in paragraph 5 hereof, the Monitor shall publish on its website at <http://www.rsmrichter.com/Restructuring/Shermag.aspx>, the following documents (collectively, the "**Meeting Materials**"):
 - (a) a notice of the Creditors' Meeting, substantially in the form attached hereto as Schedule "G" (the "**Notice to Creditors**");
 - (b) the Plan;
 - (c) a copy of the form of proxy for Creditors substantially in the form attached hereto as Schedule "F"; and

(d) a copy of this Order;

[26] **ORDERS** that publication of a copy of the Notice to Creditors in the manner set out in subparagraph 25(a), and mailing of the Meeting Materials in accordance with paragraph 25 hereof, shall constitute good and sufficient service of the Meeting Materials on all Persons who may be entitled to receive notice thereof, or of these proceedings, or who may wish to be present in person or by proxy at the Creditors' Meeting, or who may wish to appear in these proceedings, and no other form of notice or service need be made on such Persons, and no other document or material need be served on such Persons in respect of these proceedings;

Notice of Transfers

[27] **ORDERS** that, for purposes of voting at the Creditors' Meeting, if a Creditor who has a Voting Claim transfers or assigns all of its Voting Claim and the transferee or assignee delivers evidence satisfactory to the Monitor of its ownership of all of such Voting Claim and a written request to the Monitor, not later than the Claims Bar Date, or such later time that the Monitor may agree to, that such transferee's or assignee's name be included on the list of Creditors entitled to vote, either in person or by proxy, the transferor's or assignor's Voting Claim at the Creditors' Meeting in lieu of the transferor or assignor;

[28] **ORDERS** that, for purposes of distributions to be effected pursuant to the Plan, if a Creditor transfers or assigns the whole of its Claim to another Person after July 31, 2008, neither the Petitioners, nor the Monitor shall be obligated to deal with the transferee or assignee of the Claim as the Creditor in respect thereof unless and until notice of the transfer or assignment from either the transferor, assignor, transferee or assignee, together with evidence showing that such transfer or assignment was valid at law, has been received by the Monitor at least ten (10) Business Days prior to any distribution under the Plan;

[29] **ORDERS** that if the holder of a Claim or any subsequent holder of the whole of a Claim who has been acknowledged by the Monitor as the Creditor in respect of such Claim, transfers or assigns the whole of such Claim to more than one Person or part of such Claim to another Person or Persons, such transfer or assignment shall not create a separate Claim or

Claims and such Claim shall continue to constitute and be dealt with as a single Claim notwithstanding such transfer or assignment, and the Monitor and the Petitioners shall in each such case not be bound to recognize or acknowledge any such transfer or assignment and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim in whole as the Creditor in respect of such Claim, provided such Creditor may by notice in writing to the Monitor direct that subsequent dealings in respect of such Claim, but only as a whole, shall be with a specified Person and in such event, such Creditor, such transferee or assignee of the Claim as a whole shall be bound by any notices given or steps taken in respect of such Claim with such Person in accordance with this Order;

Evidence that Claim was Paid

[30] **ORDERS** that, should the Monitor receive evidence satisfactory to it that the Claim of a Creditor was paid in part or in full by a party other than the Petitioners prior to the Determination Date, such Claim shall be reduced or deleted, for the purposes of distributions under the Plan;

Notices and Communications

[31] **ORDERS** that any notice or other communication to be given under this Order by a Creditor to the Monitor or the Petitioners shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if given by mail, telecopier, courier or email communication addressed to:

Monitor:

RSM Richter Inc.
2 Place Alexis Nihon
3500 de Maisonneuve blvd. West
Montréal, Québec
H3Z 3C2
Attention: André Hébert
Fax: (514) 934-3477
E-mail: shermag@rsmrichter.com

Petitioners:

**Davies Ward Phillips & Vineberg
LLP**

1501 McGill College Avenue
26th Floor

Montréal, Québec

H3A 3N9

Attention: Denis Ferland and
Christian Lachance

Fax: (514) 841-6499

E-mail: shermag@dwpv.com

- [32] **ORDERS** that any document sent by the Monitor pursuant to this Order may be sent by e-mail, ordinary mail, registered mail, courier or facsimile transmission. A Creditor shall be deemed to have received any document sent pursuant to this Order two (2) Business Days after the document is sent by mail and one (1) Business Day after the document is sent by courier, e-mail or facsimile transmission. Documents shall not be sent by ordinary or registered mail during a postal strike or work stoppage of general application;

Aid and Assistance of Other Courts

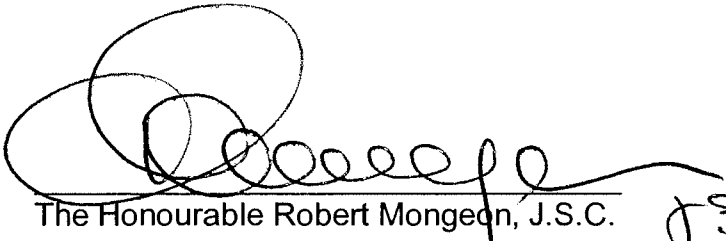
- [33] **REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province or any court or any judicial, regulatory or administrative body of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order;

General Provisions

- [34] **ORDERS** that the following Schedules form part of this Claims Process:
- (a) Schedule "A" – Newspaper Notice;
 - (b) Schedule "B" – Notice of Dispute;
 - (c) Schedule "C" – Notice of Scheduled Employee's Claim;
 - (d) Schedule "D" – Notice of Revision or Disallowance;

- (e) Schedule "E" – Proof of Claim;
 - (f) Schedule "F" – Form of Proxy; and
 - (g) Schedule "G" – Notice to Creditors.
- [35] **ORDERS** that the Monitor may make any amendments or modifications to the Schedules without seeking approval of this Court;
- [36] **ORDERS** that the Monitor is authorized and empowered to exercise all its powers hereunder;
- [37] **ORDERS** that for the purposes of this Order, all Claims that are denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Determination Date;
- [38] **ORDERS** that the Monitor shall use reasonable discretion as to the adequacy of completion and execution of any document completed and executed pursuant to this Order and, where the Monitor is satisfied that any matter to be proven under this Order has been adequately proven, the Monitor may waive strict compliance with the requirements of this Order as to the completion and execution of documents;
- [39] **ORDERS** that references in this Order to the singular include the plural, to the plural include the singular and to any gender include the other gender;
- [40] **ORDERS** that the Monitor may apply to this Court for advice and direction in connection with the discharge or variation of its powers and duties under this Order;
- [41] **ORDERS** the provisional execution of this Order notwithstanding appeal;
- [42] **THE WHOLE** without costs.

COPIE CONFORME
Carole Lefort
Greffier adjoint


The Honourable Robert Mongeon, J.S.C. J.S.C.