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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
COUR NO.: 500-11-038035-099
OFFICE NO.: 088440-003

SUPERIOR COURT
IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. (1985), C.C-36
(MODIFIED VERSION)

LES INDUSTRIES SHOW CANADA INC.,

Legal person dully constituted having its head office at 5555, Maurice-Cullen Street, in the City of Laval, in the province of Québec, H7C 2T8.

LES INDUSTRIES SHOW CANADA (US) INC.,

Legal person dully constituted having its head office at 5555, Maurice-Cullen Street, in the City of Laval, in the province of Québec, H7C 2T8.

3665658 CANADA INC.,

Legal person dully constituted having its head office at 5555, Maurice-Cullen Street, in the City of Laval, in the province of Québec, H7C 2T8.

Herein collectively called « *Debtors* »

- AND -

RAYMOND CHABOT INC.,

Legal person duly constituted having a place of business at National Bank Tower, 600 De la Gauchetière Street West, Suite 2000, in the City of Montréal, in the Province of Québec, H3B 4L8.

« *Monitor* »

**NOTICE OF THE FILING OF THE PLAN OF ARRANGEMENT,
AND OF THE MEETING OF THE CREDITORS AND SANCTION OF THE PLAN OF ARRANGEMENT OF
SHOW CANADA INDUSTRIES INC., SHOW CANADA INDUSTRIES (US) INC., & 3665658 CANADA INC.**

Notice is hereby given that Show Canada Industries Inc., Show Canada Industries (US) Inc., & 3665658 Canada Inc. have filed their Plan of Arrangement.

You will find the following documents enclosed:

- Proposed Plan of Arrangement;
- Monitor' report on the Plan of Arrangement;
- Voting letter;
- Proxy form.

Plan of Arrangement

Generally speaking, the proposed Plan of Arrangement provides that Show Canada Industries Inc., Show Canada Industries (US) Inc., & 3665658 Canada Inc. will pay an approximate amount of \$500,000 plus one third of the net proceeds recovered from the lawsuit against Perini Building Company, less administrative costs following the sanction of the Plan of Arrangement by the Court. These payments will make it possible to pay a dividend to the creditors in question equivalent to approximately 8 % of the amount of the affected claims. **The Monitor recommends the acceptance of the Plan of Arrangement.**

This notice is only a partial summary of some of the provisions of the Plan of Arrangement. Creditors should refer to the full text of the Plan of Arrangement available. For additional information, contact the office of the Monitor.

Raymond Chabot Inc.
 c/o Mr. Nicolas Boily, CA, MBA, CIRP
 600 De la Gauchetière Street West, Suite 2000
 Montréal, Quebec H3B 4L8
 Fax: 514-878-2100 - e-mail: boily.nicolas@rcgt.com

Meeting of Creditors

To be accepted, the Plan of Arrangement must be approved by a simple majority of creditors voting thereon and a two-thirds majority of the value of their claims. Accordingly, notice is hereby given of a General Meeting of the Creditors of Show Canada Industries Inc., Show Canada Industries (US) Inc., & 3665658 Canada Inc. to be held on:

June 7, 2010 at 11:00 A.M.
National Bank Tower
at 600 De La Gauchetière Street West, Suite 2000, Montreal, Quebec
Room G - 20th floor

Creditors' Vote

In order to vote, the Creditors:

- Must have sent to the Monitor, before respectively March 30, 2010 and May 15, 2010, their proof claim as provided in the Procedural Orders delivered by the Court on December 16, 2009 and February 12, 2010.
- Unless so authorized by the Court, a Creditor that has not filed its proof of claim before the deadline for filing claims may not:
 - i. Receive any other notices;
 - ii. Participate as a Creditor in these proceedings;
 - iii. Vote on any matter whatsoever relating to the Plan of Arrangement procedures;
 - iv. File a claim against the Debtor; or
 - v. Receive any distribution under the Plan of Arrangement.

Creditors that have complied with the terms of the Procedural Order or that have been so authorized by the Court:

- May:
 - Send a duly completed Voting letter to the Monitor before the meeting; OR
 - Appoint a person of their choice as proxy by filing in the proxy form and sending it to the Monitor before the meeting; OR
 - Vote in person at the meeting of Creditors.

Sanction

Moreover, notice is hereby given that, in the event the proposed Plan of Arrangement is accepted by the required majority of Creditors, Show Canada Industries Inc., Show Canada Industries (US) Inc., & 3665658 Canada Inc. will petition the Court to have the Plan of Arrangement sanctioned on:

On June 15, 2010
At the Montreal Court House
1 Notre-Dame Street East
Montréal, Quebec

MONTRÉAL, May 26, 2010

RAYMOND CHABOT INC.
 Monitor

NICOLAS BOILY, CA, MBA, CIRP

PLAN OF ARRANGEMENT

PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT, (CANADA)
R.S.C. (1985), c. C-36

SHOW CANADA INDUSTRIES INC.

AND

SHOW CANADA INDUSTRIES (US) INC.

AND

3665658 CANADA INC.

This document is not an official translation. In case of discrepancy, the French version shall prevail.

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PLAN OF ARRANGEMENT

PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT, (CANADA)
R.S.C. (1985), c. C-36

Involving:

SHOW CANADA INDUSTRIES INC.

AND

SHOW CANADA INDUSTRIES (US) INC.

AND

3665658 CANADA INC.

ARTICLE 1 INTERPRETATION

Article 1.1 Definitions

In this joint Plan of arrangement for the three companies involved, unless otherwise stated or the context otherwise requires, the terms hereinafter enumerated are defined and interpreted as follows:

"Administration Charge": means all expenses, fees and disbursements of the Monitor, including those of attorneys, accountants and financial consultants, as well as those of the Debtors' attorneys, retained after the date of this Arrangement relating to the Arrangement and the execution thereof;

"Admissible Claim for Voting Purposes": means the Proven Claim of a Creditor and, if the Proven Claim of the Creditor is not liquid at the time of the Meeting of Creditors, it means the admissible Claim for voting purposes of that Creditor pursuant to the Procedural Order, the Plan and the CCAA;

"Affected Claim": means a Claim held by a Creditor in that capacity, and for greater certainty but without limiting the generality of the foregoing, it does not include an Excluded Claim, a Crown Claim or a Secured Claim. Any amount payable by the Debtor with respect to returned merchandise relating to a sale prior to the Determination Date shall be a debt under the Plan;

"Assigned Claim": means all right, title and interest of the Debtor in the claim resulting from a judgment or settlement related to the Perini Lawsuit as at the date hereof, the whole in accordance with the assignment agreement to be entered into between the Monitor and Show Industries;

This document is not an official translation. In case of discrepancy, the French version shall prevail.

"Binding Contract": means any contract to which Show Industries is a party, except a contract or a lease that was resiliated or repudiated by Show Industries before the Effective Date of the Plan, and that foresees successive implementation or repetitive obligations by the parties to the contract in question;

"Business Day": means a day other than (i) a Saturday, a Sunday, or (ii) a statutory holiday as established by the provincial and federal laws in force in Quebec;

"CCAA": means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended from time to time;

"Charge": means a hypothec, collateral, a charge, a claim, a pledge, a priority claim or a priority on or against the totality or a portion of the property of Show Industries, as guarantee against a claim that could be admissible as a Secured Claim or as a claim by a Secured Creditor pursuant to Section 2 of the *Bankruptcy and Insolvency Act*, R.S.Q. 1985, c. B-3);

"Claim": means any right of any Person against the Debtors in connection with any indebtedness, liability or obligation of any kind of the Debtors owed to such person, whether liquid or non-liquid, determined or contingent, matured or un-matured, disputed or undisputed, legal or equitable, secured or unsecured, present or future, known or unknown, including any interest accrued thereon or costs payable in respect thereof, whether or not such right is executory or anticipatory in nature, whether a guarantee or a surety, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action or cause, whether currently existing 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 a claim provable in bankruptcy had the Debtors become bankrupt on the Determination Date. A Claim also includes any credit or amount payable on merchandise returned before or after the Determination Date relating to a sale by Show Industries prior to the Determination Date. A claim also includes all assessments in relation to a refusal or a reversal of an input tax credit (ITC) or an input tax refund (ITR) in relation to the cancellation of claims settled by the Plan. In no case shall an Excluded Claim be a Claim;

"Claim Against the Directors": means any debt or commitment, whether present or future, current or contingent, liquid or non-liquid, matured or un-matured, to which a Director, as defined in the CCAA, or an officer of Show Industries is or may become subject with respect to a Claim under the terms of any applicable legal or regulatory provisions or because such person was a director or officer of Show Industries before December 14, 2009;

"Claims Bar Date": means 5:00 p.m. (Montreal time) on March 30, 2010;

"Claim Eligible for Distribution": means the amount of a Proven Claim of any Creditor as accepted by the Monitor or established by a final and executory judgment for Distribution purposes;

"Claim of Dismissed Employees" means any right of any employee of Show Industries dismissed permanently on April 14, 2010, and whose time period for filing a Claim was exceptionally set by the Court between April 15, 2010 and May 15, 2010;

"Contracts of Successive Performance": means a contract which requires the Creditor to perform its obligations successively or continuously;

"Court": means the Superior Court of Quebec sitting in the district of Montreal, and, where applicable, the Court of Appeal of Quebec and the Supreme Court of Canada;

"Creditor": means any Person having an Affected Claim, including a shareholder of Show Industries, to whom Show Industries owes a monetary debt, and may, where the context requires, include an assignee or a trustee, interim receiver, receiver, receiver/manager or other Person in right of such Person, provided however that in no case shall an Excluded Creditor be a "Creditor" in respect of an Excluded Claim or a Secured Creditor be a "Creditor" in respect of a Secured Claim;

"Creditors' Committee": means the Creditors' Committee as defined in Article 10.1 of the Plan;

"Crown Claim": means all the Claims of Her Majesty the Queen in Right of Canada or of a province of Canada outstanding on December 14, 2009 that is subject to a claim under the provisions of Section 38 of the *Companies' Creditors Arrangement Act*;

"Crown Creditor": means Her Majesty the Queen in Right of Canada and of a province having a Crown Claim against the Debtors;

"Debtor(s)" or "Show Industries": means collectively Show Canada Industries Inc., Show Canada Industries (US) Inc. and 3665658 Canada Inc.;

"Determination Date": means December 14, 2009;

"Dismissed Employees" means the thirty-five (35) dismissed employees of Show Industries having a Claim of Dismissed Employees;

"Distribution": means any distribution of the Funds available for Distribution according to the terms of the Plan;

"Dollars" or "\$": means the lawful money of Canada, unless indicated otherwise;

“Effective Date”: means the Date on which all the conditions set out in Article 7.1 of the Plan are fulfilled or on the date on which Show Industries renounces in writing, in the measure that these conditions are in Show Industries’ favour;

“Employee”: means a Person who, on the Determination Date, was an employee of Show Industries or provided services as an employee at the request of Show Industries;

“Excluded Claim” includes any right of any Person against the Debtors in connection with any indebtedness, liability or obligation of any kind which came into existence after the Determination Date, and any interest thereon, including without limitation, any obligation toward creditors who have supplied or shall supply services, utilities, goods, materials of funds provided or delivered after the Determination Date, but only to the extent such services, utilities, goods, materials or funds were actually supplied after the Determination Date and to the extent that such claims are not otherwise affected by the Plan;

“Excluded Creditor”: means a Person having an Excluded Claim, but only in respect of such Excluded Claim and only to the extent that the Plan does not otherwise affect said Person;

“Final Order”: in relation to all Creditors bound by the Plan, means the order issued by the Court homologating the Plan or Arrangement, its conditions of implementation as well as any amendment that can be made from time to time by the Court to any such Order including the following: (i) the expiration of the applicable appeal deadline or (ii) in the case of a valid appeal, a request for an appeal and the final decision of a competent appeal court;

“Funds”: means the amounts set out in Article 5.1 of the Plan;

“Initial Order”: means the Court order dated December 14, 2009, and issued pursuant to CCAA, as renewed, extended or modified pursuant to subsequent Orders issued the first time on January 13, to March 17, 2010, the second time to April 30, 2010, and as renewed, modified and/or extended subsequently by the Court;

“Meeting of Creditors”: means the meeting of the Creditors of the Debtors to be convened for the purposes of considering and voting on the proposed Plan or Arrangement in accordance with the CCAA and any adjournment or postponement of such Meeting;

“Monitor”: means Raymond Chabot Inc., in its capacity as Monitor, pursuant to section 11.7 of the CCAA and the Initial Order;

“Notice of Review or Disallowance”: means any notice mentioned in the Procedural Order and in this Plan, notifying a Creditor that the Monitor has reviewed

or disallowed some or all of the Creditor's Claim as presented in the Proof of Claim and explaining the reasons for such review or disallowance;

"Notice to Creditors": means the notice of the Meeting of Creditors sent to all Creditors having produced a Proof of Claim to which is attached a copy of the Plan, a Voting Letter, the report of the Monitor on the Plan and any other document which the Monitor deems necessary;

"Order": means an Order issued by the Court during these proceedings;

"Ordinary Creditor": means a Person who has a Claim against Show Industries that is not a Crown Claim, a Claim of Dismissed Employees, or a Secured Claim;

"Payment": means the remittance by the Debtor to the Monitor of a sum of \$500,000 to be distributed by the latter to all creditors as an arrangement or transaction, in full and final settlement of the Claims against the Debtor;

"Perini Lawsuit": Pursuant to a contractual agreement, the services of Show Industries were retained by the general contractor Perini Building Company to proceed with the creation and fabrication of a stage that would be used by the Canadian company, Cirque du Soleil Inc., in the CityCenter complex in Las Vegas, Nevada, USA. As of the date hereof, sums owing to Show Industries remain unpaid. Legal proceedings have been initiated by Show Industries in order to obtain from Perini, payment for work performed and disbursements incurred for the benefit of Perini, which represents, as at the date hereof, an amount of 5.2 million dollars;

"Perini Remittance": means a third (33%) of all sums of money that can be obtained, net of all fees and expenses resulting from the Perini Lawsuit and the contract to be entered into between the Monitor and Show Industries, either by trial or settlement in the Perini Lawsuit, and that need to be approved by the Creditors' Committee, the whole in compliance with the claim assignment agreement to be entered into between Show Industries and the Monitor;

"Person": means any individual, corporation, general or limited partnership, government or government agency, trust, patrimony by appropriation and any other private or public legal entity, including, without limiting the generality of the foregoing, a person having the meaning attributed thereto in paragraph 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. (1985), c.B-3;

"Plan" or "Arrangement": means this Plan of Arrangement, as amended from time to time as provided herein;

"Procedures": means all motions filed in the Superior Court, District of Montreal, bearing file number 500-11-038035-099;

"Procedural Order": means the Court order dated February 12, 2010, establishing the process for the filing and valuation of the Claims;

"Proof of Claim": means a proof of claim presented by a Creditor according to the Procedural Order and according to the proof of claim form detailing the Claim, duly supported by a statement of account, invoice or affidavit;

"Proven Claim": means the amount of the Affected Claim of any Creditor as of the Determination Date including interest to be determined in accordance with the provisions of the CCAA and the Procedural Order, and proven by delivering a Proof of Claim to the Monitor on or before the Claims Bar Date;

"Required Majority": means, for voting purposes, the majority required by section 6 of the CCAA;

"Resiliated Contract": means any written or verbal contract, agreement or undertaking to which Show Industries is a party or under which its assets are affected or encumbered and (i) which is terminated, resiliated or resolved by Show Industries pursuant to the terms of the Initial Order or (ii) which is the object of a notice of termination, resiliation or resolution sent by Show Industries after the Determination Date;

"Salary": means any salary, pledge or similar compensation payable to an employee of Show Industries, but excluding any severance pay, pay in lieu of notice, damages, bonus and other forms of monetary compensation other than those specifically provided for in *An Act Respecting Labour Standards*, R.S.Q. c. N-1.1;

"Secured Claim": means any right, of any nature, held by a Secured Creditor in that capacity;

"Secured Creditor": means any Person holding a hypothec, a pledge or any other security on all or some of the Debtors' property as security for a debt due or accruing due, and further includes:

- i) the Person holding a right of retention or a prior claim constituting a real right, valid and binding, on all or part of the Debtors' assets; and
- ii) the Person who maintains a place of ownership on all property used by the Debtors in the course of business pursuant to a conditional sales agreement or a leasing, valid and binding, duly published in a timely manner in compliance with the *Civil Code of Quebec*;

"Show Industries" or "Debtor": means collectively Show Canada Industries Inc., Show Canada Industries (US) Inc. and 3665658 Canada Inc.;

"Unaffected Claims" means the Excluded Claims and the Secured Claims that are not affected by the Plan and that shall be paid pursuant to existing contracts or pursuant to any special agreement;

"Unsecured Claim": means a Claim that is not a Crown Claim or a Secured Claim;

"Unsecured Creditor": means any Person having a Claim against the Debtors that is not a Secured Claim;

For the purposes of the Plan:

1.1.1 Any presumption is absolute and irrevocable;

1.1.2 Unless otherwise specified, all references in the Plan to sections or articles are references to sections or articles of the Plan;

1.1.3 The words "herein" and "hereto" and words of similar nature refer to the Plan in its entirety rather than to any particular portion of the plan;

1.1.4 Captions and headings of articles and sections of the Plan are inserted for ease of reference only and are not intended to be a part of nor to affect the interpretation of the Plan;

1.1.5 Where the context requires, a word or words importing the singular shall include the plural and vice versa;

1.1.6 The word "including" is not limitative;

1.1.7 The phrase "may not" or "cannot" is prohibitive and not permissive;

1.1.8 The word "or" is inclusive;

1.1.9 If the date on which any payment or action is required under the Plan is not a Business Day, such payment shall be made or action taken on the next succeeding day which is a Business Day; and

1.1.10 Unless indicated otherwise, all references in the Plan to an amount of money are expressed in the lawful money of Canada.

Article 1.2 Date for any Action

In the event that any date on which any action is required to be taken under the Plan by any of the Parties is not a Business Day, this measure shall be required to be taken on the next succeeding day which is a Business day. Except if indicated otherwise, any delay during which or after which a payment must be made or a step must be taken is calculated by excluding the starting day and by including the last day and extending the deadline to the next Business Day, if the day on which the deadline falls is not a Business Day.

Article 1.3 Time

All time expressed in the Plan refer to the local time in Montreal (Québec), Canada, unless otherwise stipulated.

Article 1.4 Governing Law

The Plan shall be governed by and construed in accordance with the law applicable in the Province of Québec. All questions as to the interpretation or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

Article 1.5 Statutory References

Any reference in the Plan to a statute includes all its provisions, all regulations made thereunder, all amendments to such statute or regulations in force from time to time, as well as any statute or regulation that completes or replaces the statute and regulation in question.

Article 1.6 Schedules

The Schedule hereunder is incorporated by reference to the Plan and is an integral part thereof:

Schedule 1 List of Creditors of Show Industries.

**ARTICLE 2
PURPOSE OF THE PLAN**

Article 2.1 Purpose

The purpose of the Plan is to make the Payment, settle Claims, by transaction and arrangement, in the manner provided herein such that Show Industries is discharged upon fulfilling its obligations pursuant to the terms of this Arrangement and that the Debtors' revival and continuity be assured, with the intention that all Persons that have an interest in Show Industries draw a better advantage from the survival of Show Industries than from its assets pursuant to an immediate and forced liquidation of Show Industries.

ARTICLE 3 AFFECTED CLAIMS

Article 3.1 Classes of Affected Creditors

The classes of affected Creditors (each "Class of Creditors") for the purpose of considering and voting on the Plan shall be the following:

- Class 1: Dismissed Employees;
- Class 2: Unsecured Creditors.

Article 3.2 Procedure Concerning the Affected Claims and Voting

The procedure to determine the eligibility and the amount of the Affected Claims for voting and distribution purposes is governed by the Procedural Order, as supplemented by this Plan.

Article 3.3 Meeting of Creditors

3.3.1 The Monitor shall send to all known Creditors disclosed by Show Industries, a notice of convocation of a meeting together with a copy of the Plan, the whole in accordance with the Plan and the Orders;

3.3.2 The Meeting of Creditors shall be called to consider and vote on the Plan under the CCAA;

3.3.3 The Meeting of Creditors shall be held in accordance with the Plan, any Order, the CCAA, and more generally, the applicable legislation;

3.3.4 A representative of the Monitor shall act as chairperson of the Meetings of Creditors and shall decide all matters relating to the conduct of the Meetings of Creditors;

3.3.5 The only Persons entitled to attend the Meeting of Creditors are those Persons entitled to vote at the Meeting of Creditors and their proxies, including the holders of a Proven Claim, a proxy or Voting Letter, Show Industries' representatives, directors, officers, legal advisers, auditors and the Monitor. Any other Person may be admitted on invitation of the chairperson of the Meeting of Creditors or of Show Industries.

Article 3.4 Transfer of Admissible Claims for Voting Purposes

If a Creditor who has an Admissible Claim for Voting Purposes transfers ownership of all or part of its Claim after the Determination Date and the transferee establishes ownership to all or part of the Claim and requests in writing, no later than ten (10) days before the Meeting of the Creditors, that such transferee's name be included in the list of Creditors entitled to vote at the Meeting of Creditors, then such transferee shall be entitled to attend

and vote for the acquired portion of the Admissible Claim for Voting purposes at the Meeting of Creditors; provided, however, that for the purposes of determining whether the Plan has been approved by a majority in number of the Creditors in a class, (i) only the vote of the transferor or the transferee, whichever holds the highest dollar value of Admissible Claim for Voting Purposes, shall be counted and, if equal in value, only the vote of the transferor shall be counted, and (ii) subject to the foregoing paragraph (i), a transferee who has acquired the ownership of Claims of more than one Creditor shall be counted as having a vote in respect of each Creditor from whom the transferee acquired the Claim.

Article 3.5 Procedure for Valuing Claims for Voting Purposes

Each Creditor having a Proven Claim shall be entitled to attend and to vote at the Meeting of Creditors. Each Creditor who is entitled to vote shall be entitled to that number of votes at the Meeting of Creditors as is equal to the dollar value of its Proven Claim. If the dollar value of the Proven Claim of a Creditor is not determined definitively before the Date of the Meeting of Creditors in conformity with the Plan, and has the requisite Court Order, the Creditor will be entitled to vote at the Meeting of Creditors on the basis of an Admissible Claim for Voting Purposes, as determined by the Monitor, without prejudice to the right of Show Industries or the right of the Creditor from requesting that the Court determine definitively the amount of the Proven Claim of the Creditor, the Proven Claim would then in all regards be subject to the Plan, including, and without limitation, the right of the Creditor to participate in the distribution pursuant to the Plan.

Article 3.6 Admissible Claims for Voting Purposes

Each Creditor holding an Admissible Claim for Voting Purposes shall be entitled to vote in accordance with the amount of its Admissible Claim for Voting Purposes. For purposes of examining the Plan and voting thereunder, the Ordinary Creditors are deemed to form a single class and they shall cast their votes together.

Article 3.7 Claims Eligible for Distribution

Only Crown Creditors, Dismissed Employees and Ordinary Creditors holding a Claim Eligible for Distribution shall participate in the Distributions.

Article 3.8 Unaffected Claims

The Excluded Claims shall not be affected by this Plan and they shall be paid by Show Industries in accordance with the terms of the existing contracts or according to any other specific agreement.

Article 3.9 Contracts of Successive Performance

With the exception of the Resiliated Contracts, the Debtors shall pay, when due, the Contracts of Successive Performance entered into after the Determination Date in the ordinary course of business and in accordance with the terms of the existing contracts, notably the Binding Contracts or any other agreement made with the other contracting party. The Creditors holding an Affected Claim pursuant to a Contract of Successive

Performance shall be considered Ordinary Creditors under the Plan for the amounts which are due and unpaid on the Determination Date.

Article 3.10 Resiliated Contracts

The Creditors of a Resiliated Contract shall have an Affected Claim as Ordinary Creditors for the amounts which are due and unpaid on the Determination Date and, where applicable, for any amount to which they would be entitled as a result of the resiliation.

**ARTICLE 4
CLAIM PROCEDURE**

Article 4.1 Claim Procedure

The procedure for determining the eligibility and amount of Claims for purposes of voting and distribution is governed by the Procedural Order as set out in this Plan.

Article 4.2 Failure to File a Proof of Claim

Unless so authorized by the Court, a Creditor that has not filed its Proof of Claim before the Claims Bar Date shall not be entitled to (i) receive any other notice, (ii) participate in these proceedings as a Creditor, (iii) vote on any matter relating to these proceedings, including the Plan, (iv) file a Claim against Show Industries, or (v) receive any distribution under the Plan.

Article 4.3 Interest

No interest or indemnity shall be added to any Claims for any period prior or subsequent to the Determination Date, for whatever purpose.

**ARTICLE 5
TREATMENT OF CLAIMS**

Article 5.1 Composition of Funds

The Funds shall be remitted to the Monitor by Show Industries and shall be composed of the Payment and the Perini Remittance.

Article 5.2 Distribution

5.2.1 The Monitor shall distribute the Payment, in one Distribution, in the following order:

- 5.2.1.1 Administration Charge;
- 5.2.1.2 Crown Claims;
- 5.2.1.3 Claims of Dismissed Employees; and
- 5.2.1.4 Unsecured Claims.

5.2.2 The Monitor may make the Distribution within 30 days of receiving the amounts that constitute the Funds or any such longer period with the approval of the Creditors' Committee.

Article 5.3 Secured Creditors

The Claims of the Secured Creditors were paid or shall be paid out of the exercise of their respective security rights on the Debtor's property. The Secured Creditors are part of the Plan as Unsecured Creditors and are covered by the Debtor's proposed transaction with respect to any unsecured balance of their Claims.

Article 5.4 Unsecured Creditors

The Debtor, no later than thirty (30) days following the Effective Date, shall pay to the Monitor the Payment and shall execute the assignment agreement regarding the Assigned Claim in order for the Monitor to use it, as soon as practicable, in full and final settlement of any Claim against the Debtor.

For the purpose of the following payments, all Claims of a Creditor on the Determination Date, and any transferee of such Claims, are deemed to give rise to a single Proven Claim.

In no event will a Creditor have the right to receive more than one hundred percent (100%) of the principal amount of the Proven Claim, without interest or any other indemnity.

5.4.1 Administration Charge

The Monitor shall first pay the Administration Charge.

5.4.2 Crown Claim

The Monitor shall then make a payment in full in favour of the Crown Creditors of all outstanding amounts, if any, as at the Determination Date and which are likely to be subject to a request under the Crown Claim pursuant to Section 6.3 of the CCAA.

5.4.3 Claim of Dismissed Employees

The Claims of Dismissed Employees prior to or during the restructuring period shall be paid in priority out of the Payment, net of all amounts distributed pursuant to Sections 5.4.1 and 5.4.2, as follows:

- a) For the first three thousand dollars (\$3,000) of Claim of Dismissed Employees, the payment in full out of the Payment; and
- b) The portion of the Claim of Dismissed Employees exceeding three thousand dollars (\$3,000) shall be settled along with the Unsecured Claims pursuant to Section 5.4.4.

5.4.4 Unsecured Claim

The payment of all Claims due and not mentioned in Section 5.4.1, 5.4.2 and 5.4.3(a) will be paid out of the Payment, net of the Administration Charge (5.4.1), the Crown Claim (5.4.2) and the Claim of Dismissed Employees for the first three thousand dollars (\$3,000) (5.4.3(a)), as follows:

- a) For the first five hundred dollars (\$500) of Claim, payment in full;
- b) For the portion of Claim exceeding five hundred dollars (\$500), payment prorated between the Ordinary Creditors.

Article 5.5 Contested Affected Claims

Show Industries and the Monitor will deploy their best efforts in order that disputes relating to the admissibility and to the amount of an Affected Claim be definitively settled before the first Distribution to Creditors. If an Affected Claim is contested by the Monitor or Show Industries and this contestation is not resolved before the first Distribution, the Monitor shall adjust the Distributions in order to take into account the amount payable to the Creditor in the event that its Affected Claim shall be approved. In the event that such Affected Claim is rejected entirely or partially, the remainder preserved by the Monitor shall be deposited, for subsequent payments, in the Funds available for Distribution.

Article 5.6 Interest

After the Determination Date, no interest shall be payable on account of the Affected Claims and all amounts necessary for the payment of a Distribution shall be paid by Show Industries to the Monitor, without interest or penalty thereon.

Article 5.7 Unclaimed Distribution

If a Creditor does not claim his portion of a Distribution within one (1) year after the Final Distribution, his entitlement to such portion shall be extinguished and forever barred. In this event, the Monitor shall redeposit the remainder in the Funds in order to be included in the Funds available for Distribution.

**ARTICLE 6
APPROVAL AND HOMOLOGATION OF THE PLAN**

Article 6.1 Meeting of Creditors

Pursuant to the Notice to Creditors, the Monitor shall convene and Show Industries shall hold the Meeting of Creditors for the purposes of examining the Plan and voting thereunder in accordance with the Procedural Order and the CCAA.

Article 6.2 Approval of the Plan at the Meeting of Creditors

Only an Ordinary Creditor holding an Admissible Claim for Voting Purposes shall be entitled to vote on the Plan. In accordance with the CCAA, the Plan must be approved by the Required Majority of Ordinary Creditors which is a majority in number of Show Industries' Ordinary Creditors having two thirds in value of the Admissible Claims for Voting Purposes present at the Meeting of Creditors, whether in person or by proxy.

Article 6.3 Certificate of Completion

Upon receipt of the Payment and the executed assignment agreement between Show Industries and the Monitor, the latter shall issue and file with the Court a certificate of completion of the Arrangement in favour of the Debtor, releasing for same.

Article 6.4 Final Order

Within five (5) days after the approval of the Plan by the Required Majority of Ordinary Creditors, Show Industries shall apply for the Final Order.

ARTICLE 7
CONDITIONS PRECEDENT TO THE COMING INTO FORCE OF THE PLAN

Article 7.1 Conditions Precedent

The coming into force of this Plan is conditional upon the entire satisfaction of the following conditions:

7.1.1 that all the administrative and procedural steps necessary for the approval of the Plan have been taken;

7.1.2 that the Court homologates and approves the Plan and renders a Final Order which in form and content is acceptable to Show Industries;

7.1.3 that Show Industries fulfills all its obligations pursuant to the Plan, including the payments to Creditors foreseen in Section 5 herein, as well as all agreements and all instruments foreseen by the Plan; and

7.1.4 that all the documents and instruments foreseen by the Plan are signed and delivered, including the claim assignment agreement regarding the Perini Lawsuit.

ARTICLE 8
EFFECTS OF THE COMING INTO FORCE OF THE PLAN

Article 8.1 General Scope of the Plan

Upon the Effective Date, the settlement of the Affected Claims in accordance with this Plan shall become final and shall be binding upon Show Industries and all the Creditors, their successors and assignees. This Plan shall determine the final and complete settlement of all Affected Claims of Creditors and of all debt or all of the obligations to which Show Industries can be subject to by reason of an obligation born, at whatever date, from the consequences of the Plan, from its homologation by the Court or from its execution, including all tax obligations towards the Crown arising from the consequences and effects of the execution of the Plan.

8.1.1 Release from all Claims

On the Effective Date, Show Industries will be liberated from all the Claims and from all the Creditors associated with this Plan, including any and all interest incurred or to be incurred on the Claims, excluding the obligations of Show Industries towards the surviving Creditors in virtue of the Plan.

8.1.2 Renunciation in relation to all Claims

From the Effective Date, each Creditor is deemed to have renounced his rights in regards to all breaches of Show Industries to any restrictive clause, guarantee, declaration, stipulation, condition, provision, or obligation, explicit or implicit, included in any of the contracts, agreements, hypothecs, surety agreements, trust agreements, loan agreements, letters of engagement, sale contracts, leases or other, written or verbal, including all modifications thereto or in any annex or addendum added thereto, existing between the Creditors and Show Industries and still in effect at the Effective Date, and all notices of default or demands for payment in virtue of all instruments or all agreements, including without limitation, all guarantees, are deemed to be annulled.

8.1.3 The transaction takes effect for intent and purpose

The payment, the transaction or any other form of settlement of the Claim in virtue of the Plan, subject to homologation and approbation by the Court, binds all the Creditors whose Claim is within the scope of the Plan, including their heirs, executors, liquidators, directors, successor directors, right full successors, assigns, and for all intend and purposes, equally releases all third parties directly or indirectly responsible for the debt related to a Claim, whether it be a surety, a guarantee, a tenant, a director, a co-contactor or under any other title.

8.1.4 Precedence and priority of the Plan

If after the Effective Date, there exists a conflict between the Plan and a restrictive clause, guarantee, declaration, stipulation, condition, provision, or obligation, explicit or implicit, included in any of the contracts, agreements, hypothecs, surety agreements, trust agreements, loan agreements, letters of engagement, sale contracts, leases or other, written or verbal, including all modifications thereto or in any annex or addendum added thereto, between one or more Creditors and Show Industries, or in any administrative regulation of Show Industries, the provisions of the Plan will prevail.

8.1.5 Consent, Renunciation and Deemed Agreements

At 12:01 am of the Effective Date, each of the Creditors within the scope of the Plan is deemed to have consented to all the provisions of the Plan in its entirety and is deemed to have accepted it. More specifically, each Creditor is deemed to:

- a) have signed and delivered to Show Industries all consent, release, transfer, renunciation or any other document, required by law or otherwise necessary for the implementation and the execution of the Plan in its entirety;
- b) have renounced and lay claim to its rights with regards to all breaches of Show Industries to all provisions, explicit or implicit, or an agreement or arrangement, written or verbal, between the Creditor and Show Industries that took place at or before the Effective Date;
- c) have agreed that in the case of conflict between any provision, explicit or implicit, or an agreement or arrangement, written or verbal, between the Creditor and Show Industries at the Effective Date (except and agreement or an arrangement concluded by Show Industries at the Effective Date, or which comes into effect at the Effective Date) and any provision of the Plan, the provisions of the Plan shall prevail and the provisions of the agreement or arrangement shall be modified accordingly.
- d) have given release to each of its Claims; and
- e) at the Effective Date, have renounced for now and forever to each of the following: knowledge of claims, lawsuit or cause of action that it could have against the directors, actual and predecessor, of Show Industries, in the measure that the CCAA authorises, and officers, employees, counsellors of Show Industries that were officers, employees, and counsellors at or before the Effective Date.

In this Plan, deemed provisions are irrefutable, conclusive and irrevocable.

8.1.6 Effect of the Plan on Binding Contracts

In the motion that will be presented to the Court in view of obtaining a Final Order, Show Industries will seek an Order declaring that all the Binding Contracts, including the leases

for all the immovables as well as the movables, to which Show Industries is a party, excluding the contracts or leases that were resiliated or repudiated by Show Industries before the Effective Date, remain in effect despite:

- a) the fact that Show Industries obtained relief in virtue of the CCAA;
- b) the consequences for Show Industries of the completion of any of the transactions foreseen by the Plan;
- c) any transactions or any arrangements completed in virtue of the Plan;
- d) any or all breaches to such a contract on the part of Show Industries before the Effective Date; or
- e) all automatic resiliation of a contract or all alleged resiliation of a contract of any Person other than Show Industries.

Show Industries will also at the same time, seek to obtain an Order declaring that no party to a Binding Contract has the right to declare the forfeiture of term of the obligations of Show Industries or resiliate, annul or repudiate its obligations by virtue of the Binding Contract after the Effective Date on the sole basis that:

- i) an event occurred on or before the Effective Date that would give that party the right to declare the forfeiture of term of the obligations of Show Industries in virtue of the Binding Contract in question;
- ii) Show Industries obtained relief in virtue of the CCAA;
- iii) the consequences for Show Industries of the completion of any of the transactions or arrangements foreseen by the Plan; or
- iv) any transactions or any arrangements completed in virtue of the Plan.

Article 8.2 Discharges

Upon the Effective Date, Show Industries and/or the Persons mentioned herein shall benefit from the following discharges and releases, which shall become effective, for each Creditor, only upon the full receipt by that Creditor of the portion of the Payment to which it is entitled under the Plan:

8.2.1 A final and complete discharge and release from the Creditors with respect to any Affected Claim and any related personal and real right that such Creditors may have against the Debtors;

8.2.2 A final and complete discharge and release of all claims and any related personal and real right, with the exception of those provided by section 5.1(2) of the CCAA, that Creditors have or may have against the shareholders, directors, officers, employees, agents or representatives of the Debtors and are or may be related to any claim;

8.2.3 A final and complete discharge and release of any direct or indirect claim that the Creditors have or may have against the Debtors, the Monitor, or their respective shareholders, officers, directors, employees, agents or representatives as well as their legal counsels for any act taken or omission made in good faith in connection with the Procedures or related to preparing and implementing the Plan or any contract, instrument, release or other agreement or document created or entered into, or any other act or omission taken in connection with the Procedures and the Plan, provided that nothing in this paragraph shall limit the liability of any Person for breach of any express obligation pursuant to the Plan or under any agreement or other document entered into by such Person after the Determination Date or in accordance with the terms of the Plan, or for any breach of a duty of care owed to any Person occurring after the Effective Date. In all respects, the Debtors, the Monitor and their respective shareholders, employees, officers, directors, agents and advisors shall be entitled to rely upon the advice of legal counsel with respect to their duties and responsibilities under the Plan; and

8.2.4 A final and complete discharge of the Debtors' shareholders, officers, directors and employees for any claim direct or indirect that the Debtors have or may have against them.

Article 8.3 Directors' Statutory Responsibility

Without limiting the scope of the previous paragraph, and for greater accuracy, the Arrangement results in settlement of any Claim against present and past directors of the Debtors arising prior to the Determination Date for which they are by law liable in their capacity as directors for the payment of such obligations and from which they shall be permanently discharged and released on the Effective Date, except for any claim described under subsection 5.1(2) of the CCAA.

Article 8.4 Interpretation

Any reference made in Article 8 to officers, directors, employees and any other representatives or agents of a Person includes any Person who has acted as an officer, director, employee or other representative or agent.

**ARTICLE 9
AMENDMENT OF THE PLAN**

Article 9.1 Amendment of the Plan

Show Industries reserves the right, to amend this Plan at any time provided that:

9.1.1 any such amendment is contained in a written document presented to the Court and approved by the Monitor and, if made following the Meeting of Creditors, approved by the Court following notice to the Creditors affected thereby. The Debtors may give notice of a proposed amendment or amendments to the Plan at the Meeting of Creditors by written notice which shall be sufficient if given to those creditors present at such meeting in person or by proxy;

9.1.2 any amendment may be made unilaterally by Show Industries before or following the Final Order, provided that it concerns a matter which in the opinion of Show Industries and Monitor, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and to the Final Order and is not adverse to the financial or economic interests of the Creditors. An amendment which does reduce the Funds shall be deemed to be an amendment of an administrative nature;

9.1.3 any supplementary Plans of compromise or arrangement filed with the Court and, if required by this provision, approved by the Court, shall be deemed for all intent and purpose to be an integral part of this Plan; and

9.1.4 a proxy vote in favour of the Plan shall be deemed to be a vote in favour of an amended Plan if such amendments shall not reduce the Funds.

Article 9.2 Proxies

Any proxy holder entitled to vote in favour of the Plan as initially presented to the Creditors may use this proxy to vote in favour of any amended Plan, provided that the Monitor, acting reasonably, shall deem that such amendment shall not cause the Plan to be less beneficial to the Creditors affected by such amendment.

**ARTICLE 10
CREDITORS' COMMITTEE**

Article 10.1 Creditors' Committee

At the Meeting of Creditors, the Creditors of the Debtor under the Plan shall be entitled to appoint amongst themselves a maximum of five (5) persons to form a committee designated the "Creditors' Committee" which shall have the following attributions:

10.1.1 to assure payment in full of the Crown Claim referred to in Section 6(3) of the CCAA;

10.1.2 to be informed from time to time by the Monitor of the evolution of the Perini Lawsuit, to enforce the assignment agreement, to approve any settlement agreement, if the case may be, and to approve the Perini Remittance with respect to the Monitor's certificate; and

10.1.3 to extend the time period within which all sums shall be remitted to the Monitor for distribution to the Creditors affected by the Plan;

**ARTICLE 11
MISCELLANEOUS**

Article 11.1 Paramountcy

As of the Effective Date, any conflict between the Plan and the covenants, terms, conditions or obligations, expressed or implied, of any contract or other agreement, written or oral, existing between one or more of the Creditors and the Debtors as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Final Order, which shall take precedence and priority. For greater certainty, all Creditors shall be deemed to consent to all implementing conditions contemplated in the Plan.

Article 11.2 Waiver of Defaults

As of the Effective Date, each Creditor shall be deemed to have waived any and all defaults then existing or previously committed by the Debtors in any condition or obligation, expressed or implied, in any contract, or other agreement, written or oral, existing between any such Creditor and the Debtors and any and all notices of default and demands for payment under any instrument, including without limitation, any guarantee, shall be deemed to have been rescinded.

Article 11.3 Successors and Assignees

The Plan shall be binding upon the heirs, trustees, executors, administrators and other legal representatives, successors and assignees of the Creditors and any Person who is a party to the Plan or affected by the Plan in any manner.

Article 11.4 Notices and Addresses

Any notices or communication to be made or given hereunder shall be in writing and shall refer to the Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail, by fax or by mail addressed to the respective parties as follows:

a) To the Debtors:

Show Canada Industries Inc., Show Canada Industries (US) Inc.,
3665658 Canada Inc.
c/o Jean Labadie
Email: jlabadie@show-canada.ca
Telephone: (450) 664-5155
Fax: (450) 434-4360
5555 Maurice-Cullen
Laval, Québec H7C 2T8

With a copy to:

Séguin Racine, Attorneys
c/o Me Pierre Hubert-Séguin
Email: phs@seguinracine.com
Telephone: (450) 681-7744
Fax: (450) 681-8400
3030 Le Carrefour Boulevard, Suite 1002
Laval, Québec H7T 2P5

b) To the Monitor:

Raymond Chabot Inc.
c/o Nicolas Boily
Email: boily.nicolas@rcgt.com
Telephone: (514) 879-1385
Fax: (514) 878-2100
National Bank Tower
600 De La Gauchetière Street West, Suite 2000
Montreal, Québec H3B 4L8

or to such other address as any of the above may from time to time provide in writing.

Article 11.5 Notices and Delivery

In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communication during such interruption may only be given or made by personal delivery, by courier, by fax or by mail. Any notice or other communication by prepaid mail within the period of five (5) Business Days immediately preceding the commencement of such interruption shall be deemed not to have been given or made unless actually received.

Where any notice or communication is delivered personally or received by fax after 5:00 p.m. on a Business Day or at any time on a non-Business Day, receipt thereof is deemed to be on the following Business Day. Where a notice or communication is delivered by mail, receipt shall be deemed on the fourth Business Day following the date on which such notice or communication is mailed.

The unintentional failure by the Debtors to give notice contemplated hereunder to any particular Creditor shall not invalidate the Plan or any action taken by any Person pursuant to the Plan.

Article 11.6 Severability of Plan Provisions

If, prior to the Effective Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Debtors or the Monitor, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

Article 11.7 Revocation, Withdrawal or Non-Consummation

Show Industries reserves the right to revoke or withdraw the Plan at any time prior to the Effective Date and to file, subject to Court approval, subsequent plans of reorganization or of compromise or arrangement. If Show Industries revokes or withdraws the Plan, (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan shall be deemed null and void, and (iii) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving Show Industries.

**SHOW CANADA INDUSTRIES INC.
SHOW CANADA INDUSTRIES (US) INC.
3665658 CANADA INC.**

LAVAL, May 17, 2010

By: (s) Jean Labadie

Jean Labadie, President,
duly authorized as he so declares

SHOW CANADA INDUSTRIES INC.,
a duly incorporated legal person, having its head office at 5555,
Maurice-Cullen Street, in the city of Laval, in the province of
Quebec, H7C 2T8.

SHOW CANADA INDUSTRIES (US) INC.,
a duly incorporated legal person, having its head office at 5555,
Maurice-Cullen Street, in the city of Laval, in the province of
Quebec, H7C 2T8.

3665658 CANADA INC.,
a duly incorporated legal person, having its head office at
5555, Maurice-Cullen Street, in the city of Laval, in the
province of Quebec, H7C 2T8..

Hereinafter collectively called "the Debtors"

- AND -

RAYMOND CHABOT INC.,
a duly incorporated company having a place of business at 600
De La Gauchetière Street West, Suite 2000, in the City and
District of Montréal, in the Province of Quebec, H3B 4L8.

"Monitor"

MONITOR'S REPORT ON THE PLAN OF ARRANGEMENT AND ON THE STATE OF THE DEBTORS' BUSINESS AND FINANCIAL AFFAIRS

TO THE HONOURABLE ROBERT MONGEON, SUPERIOR COURT JUDGE:

1. INTRODUCTION

- ▶ On December 14, 2009, the Debtors submitted an application to obtain an Initial Order according to the provisions foreseen in sections 4, 5 and 11 of the *Companies' Creditors Arrangement Act* (CCAA). On December 16, 2009, Quebec Superior Court Justice Robert Mongeon issued an Initial Order appointing Raymond Chabot Inc. (Nicolas Boily, CA, MBA, CIRP) as Monitor of the business and financial affairs of the Debtors.
- ▶ The Initial Order was renewed three (3) times, until June 25, 2010. On May 17, 2010, a plan of arrangement was submitted by the Debtors. This Plan is summarized in Section 8 of this report.

2. BACKGROUND AND NATURE OF OPERATIONS

2.1 SHOW CANADA INDUSTRIES INC. ("SHOW CANADA")

- ▶ Show Canada was incorporated on June 15, 1999 under the *Canada Business Corporations Act*, and its sole director is Jean Labadie.

- The shareholders of Show Canada are:
 - ◆ 3655962 Canada Inc. (76,6 %);
 - ◆ Beam LLC (0,1 %);
 - ◆ 3665658 Canada Inc. (23,3 %).
- The head office of Show Canada is situated at 5555 Maurice-Cullen Street, Laval, Quebec, H7C 2T8.
- Show Canada is a company specializing in the design, production and installation of mechanized, automated and artistic architectural elements. Show Canada also has sought-after expertise in the design of mechanized stages, architectural ceilings and other complex décor items.
- Its main clients are organizers of large-scale international events including the Vancouver 2010 Olympic Games, the 2007 Asian Games, the Cirque du Soleil in Las Vegas, along with companies such as Wynn, MGM, Mirage, Disney, Universal Studios and Hard Rock Café.
- Today, Show Canada has about twenty (20) employees that work mainly at the two (2) plants located in Laval.

2.2 SHOW CANADA INDUSTRIES (US) INC. ("SHOW US")

- Show US was incorporated on December 14, 2007 under the *Canada Business Corporations Act*, and its sole director is Jean Labadie.
- The sole shareholder of Show US is Show Canada.
- Show US offers the products and services of Show Canada on the American market. Show US has no employees, and acts as a distributor of the products of Show Canada.

2.3 3665658 CANADA INC.

- 3665658 Canada is a minority shareholder of Show Canada Industries Inc., holding (23,3 %) of Show Canada Inc.'s shares. It was incorporated on November 3, 1999 under the *Canada Business Corporations Act*, and its sole director is Jean Labadie.
- 3665658 Canada is mainly a management company that employs a portion of the staff used for the commercial activities of Show Canada Industries Inc. and Show Canada Industries (US) Inc. Currently, about twenty (20) office employees work for 3665658 Canada Inc.

2.4 FINANCIAL DIFFICULTIES

- The financial difficulties result mainly from the following elements:
 - Major difficulties of execution related to a contract signed in the United States with Perini Building Company. The details of the litigation between the Company and Perini Building Company are described in greater detail in Section 2.5 of this report.
 - The global economic situation in recent months has reduced the number of projects available to the industry and caused some investment decisions to be deferred. Consequently, over the short-term a sufficient quantity of work for the employees of the Debtors could not be assured.
 - The Debtors have found it difficult to effectively monitor the cost of ongoing projects, which have caused significant overruns in unforeseen costs for certain projects.

- ◆ In the fall of 2009, the Debtors initiated an action plan notably intended to reduce production costs and inventories, but this action plan did not permit the Debtors to improve their financial situation over the very short term.
- ◆ The Debtors thus incurred a cumulative loss of nearly \$2.5 million for the period of twenty (20) months of operations that ended on November 30, 2009.
- ◆ Because of its financial difficulties, the Debtors experienced considerable pressure from their main suppliers, which threatened to interrupt their purchases and thus compromise the continuity of their activities over the near term.
- ◆ All of these factors contributed to the deterioration of the Debtors' financial situation and has obliged them to file an application for an Initial Order under the CCAA.

2.5 CLAIM AGAINST PERINI BUILDING COMPANY ("PERINI")

➡ The situation is summarized as follows:

- ◆ In March 2008, Show US was hired by the manager Perini Building Company to design and produce a stage to be used for production of shows by the Cirque du Soleil at the City Center complex, owned by MGM in Las Vegas, United States;
- ◆ This contract initially stipulated that invoicing of work done would total US\$7.2 million, with execution costs of US\$5 million. This contract would consequently generate a margin of US\$2.2 million;
- ◆ However, the invoicing of work done totalled US\$11.5 million, whereas the total execution costs were US\$10.7 million, generating a low margin of \$800,000;
- ◆ As at December 14, 2009, an amount of US\$2.8 million remained unpaid on this contract, and was the subject of a major commercial litigation;
- ◆ Since the issue of the Initial Order, Show US filed a third (3rd) claim against Perini for US\$2.4 million, for a total claim of US\$5.2 million;
- ◆ Show US, assisted by its American attorney, is continuing the procedures for recovering this debt;
- ◆ Further, Perini verbally informed Show US of its intention to file a claim against Show US. On the date of this report, we have no indication that such a claim has been filed and/or that legal procedures have been initiated to this effect;
- ◆ We cannot rule on the amount that will be recovered or the recovery time for this contested claim.

3. FINANCIAL SITUATION

- ➡ We have performed a summary analysis of the unaudited combined financial statements of the Debtors for the years ended March 31, 2008 and 2009, and the eight (8) month period ended November 30, 2009.
- ➡ This analysis consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management. We did not perform an audit, and consequently we do not express an audit opinion on these financial statements.
- ➡ For the purposes of this report, the financial information is presented in combined form, given the activities of the Debtor companies, which are intimately related. The combined financial statements include the following companies: 3665658 Canada Inc., Show Canada Industries Inc. and Show Canada Industries (US) Inc.

3.1 **COMBINED STATEMENT OF INCOME (in thousands of dollars)**

	November 30, 2009 (8 months) (unaudited)	March 31, 2009 (12 months) (unaudited)	March 31, 2008 (12 months) (unaudited)
	\$	\$	\$
Sales	15,629	18,495	17,412
Cost of sales	13,432	17,480	13,409
Gross income	2,197 14.1%	1,015 5.5%	4,003 23.0%
Operating expenses			
Sales	126	205	353
Administration	1,237	3,308	2,240
Financial	334	481	484
	1,697	3,994	3,077
Operating income (loss)	500	(2,979)	926
Interest income and gain (loss) on exchange rate	(286)	607	(320)
Net income (net loss) before income taxes	214	(2,372)	606
Income taxes (recovered)	---	---	(42)
Net income (net loss)	214	(2,372)	648

The analysis of the statement of income yields the following findings:

- Sales have been relatively stable since the fiscal year that ended March 31, 2008, and are strongly attributable to the number and size of the contracts;
- The decrease in gross income since the end of the fiscal year that ended March 31, 2008 is explained mainly by the low margin on the execution of the contract for City Center in Las Vegas – Perini Building Company and certain other projects;
- The rise in administration costs for the fiscal year ended March 31, 2009 is explained mainly by the recognition of a provision for bad debts of \$583,000 related to the project carried out by Wynn in Macau, and by the increase in payroll;
- Given the foregoing, the Debtors have incurred significant operating losses of nearly \$3 million for the fiscal year ended March 31, 2009 compared with operating income of \$926,000 for the fiscal year ended March 31, 2008;

For the eight (8) month period ended November 30, 2009, the Debtors reported operating income of \$500,000, which nonetheless originates from the collection of the contested account from Perini Building Company.

3.2 COMBINED BALANCE SHEETS (in thousands of dollars)

	November 30, 2009 (unaudited)	March 31, 2009 (unaudited)	March 31, 2008 (unaudited)
	\$	\$	\$
Assets¹			
Short-term assets			
Cash	---	---	429
Accounts receivable	2,886 ²	4,386	1,815
Account receivable – Perini Building (City Center)	2,458	---	---
Income taxes receivable	705	675	644
Inventories	950	1,332	887
Work in process	1,377	2,581	2,345
Advances to parent company	---	---	142
Prepaid expenses	33	82	109
	<u>8,409</u>	<u>9,056</u>	<u>6,371</u>
Fixed assets	<u>3,746</u>	<u>3,971</u>	<u>3,900</u>
	<u>12,155</u>	<u>13,027</u>	<u>10,271</u>
Liabilities			
Short-term liabilities			
Bank loan	1,067	3,449	1,516
Accounts payable and accrued liabilities	5,426	4,161	2,283
Deferred income	1,787	2,035	68
Future income taxes	5	5	299
Current portion of long-term debt	301	301	318
	<u>8,586</u>	<u>9,951</u>	<u>4,484</u>
Long-term debt	<u>2,938</u>	<u>2,659</u>	<u>2,913</u>
Future income taxes	<u>2</u>	<u>2</u>	<u>71</u>
	<u>11,526</u>	<u>12,612</u>	<u>7,468</u>
Shareholders' equity			
Capital stock	1	1	1
Retained earnings	628	414	2,802
	<u>629</u>	<u>415</u>	<u>2,803</u>
	<u>12,155</u>	<u>13,027</u>	<u>10,271</u>

The main headings of the balance sheet are described in detail below:

- Accounts receivable consist mainly of gradual invoicing for ongoing projects;
- The accounts receivable of Perini Building Company as at November 30, 2009, described in greater detail in Section 2.5 of this report, are presently the subject of important litigation, and the recovery of this amount is uncertain;
- Income taxes receivable as at November 30, 2009 are respectively made up of the provision for R&D credits receivable (\$424,000) and future tax assets (\$281,000);
- Inventories consist mainly of raw material inventories, namely electrical parts, small tools, steel, engines etc.
- Work in process is related to ongoing projects whose work has not been invoiced.

¹ All of the assets of the Debtors are secured in the interest of various secured creditors.

² The account receivable - Perini Building (City Center) is shown net of a provision for doubtful account for the amount of \$456,000.

➤ Fixed assets are made up of:

	(in thousands of dollars) \$
Buildings	2,927
Equipment	686
Computer	66
Automotive equipment	13
Leased equipment	54
	3,746

- The bank loan is granted by the National Bank of Canada, and is secured by a first movable hypothec on all debts, inventories and movables.
- Deferred income corresponds to the excess of invoicing on the advancement of work.
- Long-term debt, contracted mainly by Show Canada as at November 30, 2009, is detailed as follows (in thousands of dollars, unaudited):

	Show Canada Industries Inc.
Secured debt	
• Business Development Bank of Canada <i>Secured by first and second immovable hypothecs on the building located at 5555 Maurice-Cullen Street, Laval, Quebec;</i> <i>Secured by movable hypothecs on specific equipment.</i>	2,609
• National Bank of Canada <i>Secured by second movable hypothecs on the universality of debts, inventories and movables.</i>	538
• Chrysler Credit Canada, CitiCorp, National Leasing and MCAP Leasing <i>Secured by leases on specific equipment</i>	41
	3,188
Unsecured debt	
• Canada Economic Development	51
	3,239

- ◆ 3665658 Canada inc. and Show US have partly guaranteed the secured debt.
- ◆ The Business Development Bank of Canada also holds a third movable hypothec of \$1,440,000 on the building located at 5555 Maurice-Cullen Street, Laval, Quebec, which was granted by Show Canada Industries Inc. as a guarantee of the obligations of 3655962 Canada Inc.
- ◆ After November 30:

- Jevco Insurance Company ("Jevco") intervened in a settlement with Vegas Steel Inc. regarding its obligations related to the payment bond provided for the City Center project in Las Vegas. On the date of this report, the balance due to Jevco is \$978,474, for which it holds a third (3rd) hypothec on the universality of debts, inventories and movables.
- The Debtors received a total contribution of \$500,000 in the form of convertible debentures guaranteed by fourth and fifth securities on the building located at 5555 Maurice-Cullen Street, Laval. This amount comes from parties related to Jean Labadie.

4. MONITORING OF OPERATIONS

- Since the Initial Order, the Debtors' operations have continued normally:
 - ◆ The Debtors have fully executed the contracts that were ongoing when the Order was issued;
 - ◆ Purchasing from suppliers has remained stable;
 - ◆ Operating expenses are being incurred in the normal course of business.
- Despite sustained prospecting efforts, the Debtors have not signed any major new contracts since the issue of the Initial Order.

Consequently, the Debtors have made more than sixty (60) temporary layoffs in December, 2009 and February, 2010. Of this number, the Debtors made thirty-five (35) permanent layoffs on April 14, 2010. The Debtors currently have about forty (40) employees.
- Further, the Debtors are presently in the final negotiation phase of two major projects (in New York and Qatar). The conclusion of these ongoing negotiations is nonetheless uncertain.
 - ◆ According to these negotiations, Show Canada Industries inc. should act as a subcontractor regarding the execution of a project to be concluded with Protec (Qatar).
- Below we present a comparison between the combined projections of the changes in bank advances attached to the initial application and the real receipts and disbursements for the period of November 28, 2009 to May 14, 2010:

	(In thousands of dollars – unaudited)		
	Actual	Projections	Variance
	\$	\$	\$
Receipts			
Accounts receivable	6,828	8,876	(2,048)
Advance from a shareholder	500	500	---
Income tax credits	240	279	(39)
Reimbursement of sales taxes	141	45	96
	7,709	9,700	(1,991)
Disbursements			
Salaries and employee benefits	2,042	1,937	(105)
Suppliers	5,020	6,959	1,939
Deposits to suppliers	---	100	100
Rent	123	140	17
Leasing contracts	68	158	90
Repayment of long-term debt	50	60	10
Financial expenses	96	166	70
Restructuring fees	667	915	248
	8,066	10,435	2,369
Increase in bank advances	357	735	378
Bank advances, beginning of period	940	940	---
Bank advances, end of period	1,297	1,675	378

- The unfavourable variance of \$2,048,000 in cash is explained mainly by a temporary variance in the cashing of the holdback stipulated in the contract of projects associated with the Vancouver 2010 Olympic Games (\$672,000) and the Cosmopolitan project (\$845,000). According to Management, this temporary variance should be absorbed in the coming weeks.
- The favourable variance of \$1,939,000 in the disbursements to suppliers is mainly attributable to a temporary variance in payments made to some subcontractors and to the costs of completing some projects, which were lower than anticipated.
- The favourable variance of \$248,000 in the restructuring fees is explained by lower restructuring fees than anticipated, and by a temporary variance in the payment of these fees.

5. SOLLICITATION OF FINANCING OR INVESTMENT OFFERS

- Since the issue of the Initial Order and particularly since January, the executives of the Debtors have pursued refinancing processes. To date, the Debtors have received:
 - ◆ A letter of intent from a parapublic financing company regarding refinancing of its operations. This letter is subject to certain conditions and is still under negotiation. On the date of this report, we cannot rule on the probability of this refinancing process's becoming concrete;
 - ◆ A "sale leaseback" purchasing offer on the building of Show Canada Industries Inc. This purchase offer is conditional on the execution of the Plan of Arrangement and the realization of a due diligence review by the purchaser, which has begun. If it's completed, the transaction would allow an injection of about \$1 million into the Debtors' working capital and enable them to restart their operations.

- The Debtors are also continuing discussions with various financial institutions and private lenders.
- In addition, business partners of Mr Jean Labadie are willing to inject \$500,000, as part of the execution of the Plan of Arrangement. This injection of funds is, among other things, conditional on the proposed Plan of Arrangement's being accepted and approved by the court.

6. IMPLEMENTATION OF A CLAIMS PROCESS

- The Court allowed and issued an Order on February 12, 2010, initiating the process of filing a proof of claim.
- The Order notably foresees that creditors should send their duly completed proof of claim, along with a statement of account showing the amounts claimed, before March 30, 2010 at 5:00 p.m. Creditors that have not submitted proof of claim to the Monitor by the deadline may not participate as a creditor in the present procedures and may not receive a dividend under the plan.
- On April 15, 2010, the Court allowed and issued an Order amending the claim process for a specific group of creditors, namely permanently dismissed employees.
- This new Order notably foresees that dismissed employees should submit their duly completed proof of claim, along with a statement of account showing the amounts claimed, before May 15, 2010 at 5:00 p.m. Dismissed employees that have not submitted proof of claim to the Monitor by the deadline may not participate as a creditor in the present procedures and may not receive a dividend under the plan.
- Claims by creditors were received and compiled until March 30, 2010 at 5:00 p.m. and May 15, 2010 at 5:00 p.m. respectively, as foreseen by the Orders. The status of proof of claim forms received is summarized as follows (in thousands of dollars):

	Number of creditors	Claims submitted	Claims under study/rejected	Claims accepted to date
Secured claims	7	\$ 6,690	\$ ---	\$ 6,690
Claim by the Crown	1	2	---	2
Claims by dismissed employees	29	78	---	78
Ordinary claims	151	8,771	244	8,527
Total claims received	188	15,541	244	15,297
Total creditors	189	15,543	246	15,297

The following claims are presently under study or are the subject of a notice of rejection, for which the period of ten (10) days that the creditor has to appeal this decision by the Monitor has not expired:

- »»»» Atelier Orgiazzi Inc., for the amount of \$98,354.17;
- »»»» Vegas Steel Inc., for the amount of \$145,847.16.

7. SITUATION WITH THE MAIN SECURED CREDITORS

- »»»» Since the issue of the Initial Order, the Debtors and the Monitor have been in constant communication with all the secured creditors;
- »»»» On or about April 28, 2010, the National Bank of Canada and the Debtors renewed the extension agreement in force until June 25, 2010, to allow the continuity of the Debtors' operations;
- »»»» The Debtors obtained a moratorium on the repayment of loan principal granted by the Business Development Bank of Canada;
- »»»» The Debtors are currently negotiating with Jevco Insurance Company to conclude an agreement regarding repayment of the amounts due to Jevco. No agreement has been reached to date.

8. PLAN OF ARRANGEMENT

8.1 JOINT PLAN OF ARRANGEMENT

- »»»» The Debtors propose to their creditors that they will settle their obligations in keeping with the provisions of the Plan, and ensure their recovery and continuity of their operations. **The Plan is proposed jointly by the Debtors and is intended for all creditors covered by the Plan.**
- »»»» **It is important and incumbent upon all creditors to read the Plan.**

8.2 FUND ACCUMULATION

The plan of arrangement stipulates that the Company pay their creditors via the Monitor:

- »»»» The amount of \$500,000 within thirty (30) days of the date the Plan takes effect;
- »»»» One third (33.3%) of the amount recovered under the terms of a judgement rendered or a settlement reached in the lawsuit of Show US versus Perini Building Company, less an amount equivalent to the fees and costs of this lawsuit. It is important to mention that to ensure the execution of this commitment by the Debtors, the benefit of this lawsuit will be assigned by Show US to the Monitor in the same proportion for distribution to the creditors in keeping with the Plan, as soon as the Plan is approved by the court.

8.3 DISTRIBUTION OF FUNDS

The Monitor shall distribute the funds in the following order:

- »»»» Administrative expenses;

- Claims by the Crown;
- Claims by dismissed employees such that:
 - ◆ The first \$3,000 is paid in full;
 - ◆ The balance of the unpaid debts will be treated with ordinary claims.
- Ordinary claims, such that:
 - ◆ The first \$500 is paid in full;
 - ◆ The balance of debt will be paid on a prorated basis.

The Monitor will distribute the funds within 30 days of the effective date. Below is an estimate of the distribution of the Funds (in thousands of dollars):

	\$
Amount offered	500
One third (33.3%) of net proceeds – Perini lawsuit	Not determined
	500
<u>Less:</u>	
Estimated administrative expenses	85
Claims by the Crown	2
Claims by dismissed employees (first \$3,000)	78
Estimated net amount offered to ordinary creditors	335
1st \$500	72
Residual surplus to distribute to ordinary creditors	263
Ordinary claims accepted	8,527
Less: Intercompany claims	(2,607) ³
Ordinary claim by Business Development Bank of Canada	(2,615) ³
Ordinary claims eligible to receive a dividend	3,305
Estimated residual dividend ⁴	8.0 %

³The Debtors and the Business Development Bank of Canada have forgiven any dividend that would otherwise be payable under the Plan.
⁴ Excluded any potential recovery from Perini Building.

9. EVALUATION OF THE PLAN

- Should the plan be rejected by the creditor, it is probable that the Debtors will declare bankruptcy. The bankruptcy would notably engender the loss of various operating permits and licenses currently in force, the potential loss of rights, titles and interests in contracts in force and the loss of many jobs.

The table below illustrates the estimated realization value of the assets as at April 30, 2010, according to criteria based on experience (in thousands of dollars):

	Book value	Estimated realization value
Account receivable	2 139	1 500
Account receivable – Perini Building (City Center)	2 776	--- ⁵
Income taxes receivable	560	--- ⁶
Inventories	765	100
Work in process	290	---
Prepaid expenses	140	---
Building	2 875	2 835
Equipment	735	160
Automotive equipment	11	5
Computers	59	5
TOTAL	<u>10 350</u>	<u>4 605</u>
<u>Less:</u>		
Debt to Crown related to unpaid DAS		2
Debt related to unpaid salaries – WEPP provision (namely 100 employees x \$2,000/employee)		200
Secured Creditors		
▪ Business Development Bank of Canada		3 869
▪ National Bank of Canada		1 652
▪ JEVCO Insurance Company		978
▪ City of Laval (municipal tax)		140
▪ Various credit leases		51
		<u>6 690</u>
Realization costs		125
		<u>7 017</u>
Estimated deficit in the bankruptcy		<u>(2 412)</u>

⁵ A Bankruptcy would cause additional difficulties related to the settlement and recovery of the contested claim against Perini Building Company, notably regarding the financing of legal procedures and the collaboration of the executive of Show US.

⁶ Income taxes receivable (R&D credits and future income taxes) are subject to accounting and scientific audits and to the compensation rights of the tax authorities.

- ▶ As illustrated, the Monitor believes that given the value of the assets of the Company, liquidation of assets as part of bankruptcy would not permit full reimbursement of the amounts due to the various secured creditors and consequently no amount would be available for the ordinary creditors covered by the Plan.

10. CONCLUSION AND RECOMMANDATION

Whereas:

- ▶ The secured creditors support the Plan of arrangement;
- ▶ In the context of a bankruptcy, no funds would be available for the ordinary creditors.

The Monitor believes that the Plan of arrangement submitted is reasonable and would benefit all the creditors of the Debtors. The Monitor recommends that the creditors vote to accept the Plan of arrangement proposed by the Debtors.

May 26, 2010

RAYMOND CHABOT INC.
Monitor

By: _____
Nicolas Boily, CA, MBA, CIRP



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IN THE MATTER OF THE ARRANGEMENT OF:

**SHOW CANADA INDUSTRIES INC.
SHOW CANADA INDUSTRIES (US) INC.
3665658 CANADA INC.
5555 MAURICE-CULLEN STREET
LAVAL, QC H7C 2T8**

VOTING LETTER

I (We) _____ of _____
(Name & Title or Position) (Your Company Name)

creditor(s) in the above matter for an amount of \$_____ and belonging to section 5.4 of the proposed arrangement request that the Monitor of the above mentioned matter, register my/our vote for the acceptance of the Arrangement of SHOW CANADA INDUSTRIES INC., SHOW CANADA INDUSTRIES (US) INC., 3665658 CANADA INC. dated May 17, 2010.

For

Against

Signed at _____ this _____ day of _____ 2009

(Signature of witness)

(Signature of person filling in this form)

Notes:

1. A Creditor cannot vote during the meeting of Creditors unless a duly completed proof of claim has been submitted to the Monitor no later than respectively March 30, 2010 & May 15, 2010 at 5:00 p.m. as provided in the Procedural Orders delivered by the Court on respectively December 16, 2009 & February 12, 2010 or unless being so authorized by the Court.
2. A Creditor may vote before the date of the meeting on the condition that the Creditor submits to the Monitor its duly completed proof of claim accompanied by the supporting documents and voting letter before the meeting of the Creditors.



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IN THE MATTER OF THE ARRANGEMENT OF: **SHOW CANADA INDUSTRIES INC.**
SHOW CANADA INDUSTRIES (US) INC.
3665658 CANADA INC.
5555 MAURICE-CULLEN STREET
LAVAL, QC H7C 2T8

SPECIAL PROXY

I _____ of _____
(Name) (Creditor's Name)

creditor hereby appoint as my authorized representative to the meeting of creditors that will be held on June 4, 2010 or at any adjournment of this meeting and for any matter that could be decided upon, the following representative:

CHECK ONE OF THE FOLLOWING BOXES:

Nicolas Boily, CA, MBA, CIRP, Monitor appointed by the Court, or a person designated by him;

Other (specify): _____
(State Name & Title or Position)

Signed at _____ this _____ Day of _____ 2009

(Signature of witness)

(Signature of person filling in this proxy)