C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF BEAUHARNOIS
COURT NO.:
OFFICE NO.:

S U P E R I O R C O U R T
Companies' Creditors Arrangements Act (R.S.C. 1985, c. C-36), as amended

IN THE MATTER OF THE ARRANGEMENT OR COMPROMISE OF:

ÉBÉNISTERIE ST-URBAIN LTÉE.
Duly constituted corporation having a place of business at 226 Main Street, in the municipality of Saint-Louis-de-Gonzague, province of Quebec, J0S 1T0;

Hereinafter referred to as "EBSU"

WOODLORE INTERNATIONAL INC.
Duly constituted corporation having a place of business at 160 Delta Park Blvd., in the city of Brampton, province of Ontario, L6T 5T6;

Hereinafter referred to as "Woodlore"

Collectively the "Debtor Companies"

- AND -

RAYMOND CHABOT INC.,
Body corporate having a place of business at 600 De La Gauchetière Street West, Suite 200, in the City of Montréal, province of Quebec H3B 4L8;

Hereinafter referred to as
Hereinafter referred to as "Proposed Monitor"

PROPOSED MONITOR'S REPORT ON THE STATEMENT OF BUSINESS AND FINANCIAL AFFAIRS OF THE DEBTOR COMPANIES

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT SITTING IN THE COMMERCIAL COURT, IN AND FOR THE DISTRICT OF MONTRÉAL:

In connection with the presentation of an application for the issuance of an Initial Order and of an Amended and Restated Initial Order under the *Companies' Creditors Arrangement Act* (CCAA), we hereby submit our Proposed Monitor's report on the statement of business and financial affairs of the Debtor Companies.

Signed in Montréal, this 11th day of May 2023.

RAYMOND CHABOT INC.
Proposed Monitor

Dominic Deslandes, CPA, CIRP, LIT

In case of discrepancy between this translation and the original French version, the French version shall prevail.

INTRODUCTION

1.1. This report covers the following topics:

- Qualification to act (Section 2);
- Background (Section 3);
- Causes of financial difficulty (Section 4);
- Financial situation (Section 5);
- Forecast of changes in cash flows (Section 6);
- Application for temporary financing (Section 7);
- Administration charge requested by the Debtor Companies (Section 8);
- Directors' and officers' charge as requested by the Debtor Companies (Section 9);
- Restructuring plan (Section 10);
- Impact of bankruptcy and/or rapid realization of assets (Section 11);
- Conclusion and recommendations (Section 12).

2. QUALIFICATION TO ACT

2.1. Raymond Chabot inc. ("RCI") is a Trustee under Section 2 of the *Bankruptcy and Insolvency Act*, (R.S.C., 1985, c. B-3), as amended. RCI has given its consent to act as Monitor in this affair.

2.2. RCI informs the Court that Raymond Chabot Grant Thornton llp., an affiliate of RCI, acted as the auditor for EBSU and Woodlore for a period of four (4) years and signed the audited financial statements of EBSU on November 25, 2022 for the years ended April 30, 2022 and 2021 and signed the audited financial statements of Woodlore on December 8, 2022 for the period of ten (10) months ended April 30, 2022.

2.3. RCGT has resigned from its role as auditor on the date of this report.

2.4. Since March 29, 2023, Raymond Chabot Grant Thornton & Cie llp., an affiliate of RCI, acted as a financial consultant for the Debtor Companies in connection with its process to turn around their financial situation.

2.5. In this case, RCI is requesting the Court to allow RCI to act in the capacity of Monitor for the Debtor Companies, given the following matters:

2.5.1. RCI has in-depth knowledge of the businesses and their operations, some of their employees and the issues they are currently facing;

2.5.2. RCI is already in contact with numerous players, including the secured creditors and financiers for the Temporary Financing (as described in section 7);

2.5.3. RCI's experienced representatives in charge of this matter are chartered insolvency and restructuring professionals and licensed insolvency trustees, who have been involved in reorganizations and matters relating to the CCAA not only in Quebec, but also in the rest of Canada with our Grant Thornton LLP colleagues.

2.6. Furthermore, an ethical wall has been put in place between RCGT and RCI to prevent information from inadvertently being transmitted between employees working on the audit assignment and the Monitor assignment under the CCAA.

3. BACKGROUND

3.1. The EBSU and Woodlore Debtor Companies are family businesses held by Canadian interests, specialized in the manufacturing of kitchen and bathroom cabinets and office furniture.

3.2. The Debtor Companies are seeking to restructure under the protection of the *Companies' Creditors Arrangement Act*.

Ébénisterie St-Urbain ltée.

3.3. Founded on June 19, 1981 under the *Canada Business Corporations Act*, EBSU is a business in the Montréal region specializing in the manufacturing of prefabricated kitchen and bathroom cabinets for sale in renovation superstores in Canada.

3.4. Its customers include, among others, major renovation players across Canada, such as Rona, Lowes Canada, Réno-Dépôt, BMR, Home Depot, Home Hardware and Patrick Morin.

3.5. Its products can be found in more than 1,000 stores across Canada.

3.6. Its sole director is Napoléon Boucher, who is ultimately the majority shareholder via management companies.

3.7. The organization chart in **Appendix A** presents EBSU's shareholding structure.

3.8. EBSU's head office, which is also its plant, is located at 1290 Gérard Cadieux Blvd., in the city of Valleyfield, where it is a tenant.

3.9. At the date of this report, EBSU has about 141 employees, 122 of which are assigned to cabinet-making.

Woodlore International inc.

3.10. Woodlore was founded in 1981 under Ontario's constitutional regime. It manufactures office custom furniture for large distributors across North America, and more specifically for the U.S. market. It also manufactures products for the health, accommodations and education sectors.

3.11. In its current form, the company is the result of a merger in 2021 of 2848024 Ontario inc. and Woodlore International inc. This merger was carried out with the current shareholders' acquisition of the business.

3.12. Its sole director is Napoléon Boucher, who is also the majority shareholder.

3.13. The organization chart in **Appendix A** presents Woodlore's shareholding structure.

3.14. The company conducts its operations from two leased plants located at 150 and 160 Delta Park Blvd., in Brampton, Ontario.

3.15. Woodlore manufactures its products using two assembly lines, one partially automated and the other, fully automated. The latter assembly line, recently put in place, has helped considerably reduce costs relating to cabinet manufacturing and as a result, enabled the company to compete with foreign manufacturers.

3.16. Woodlore has about 200 employees, 165 of which work in production.

4. CAUSES OF FINANCIAL DIFFICULTIES

4.1. Several factors have contributed to the Debtor Companies' financial difficulties.

4.2. In 2021, EBSU's acquisition of Woodlore via related entities represented a key part of its master plan to expand across North America, with a significant growth potential and synergies for both companies.

4.3. However, three months after acquiring Woodlore, EBSU lost a major customer that represented about 40% (more or less $20M) of its annual sales.

4.4. The structure of Woodlore's fixed expenses also affects its profitability partly due to its two plants, as only one would suffice given that sales have plummeted since the loss of its customer. In connection with its planned restructuring, measures will be put in place very soon to reduce the operational structure and financial expenses, and to promote a return to profitability.

4.5. The installation and running-in of the new automated equipment in one of the two plants have also had an impact on profitability during the course of the year.

4.6. EBSU, in turn, suffered a significant drop in orders from the main customer Rona/Lowes/Home Depot as of September 2022, given their desire to reduce in-store inventory (-$13M in sales in one year, especially between September and April 2023). The order book has since grown considerably (close to $10.6M), but the major drop in sales had a significant impact on profitability and, as a result, on the company's liquidities.

4.7. The Debtor Companies' line of credit and borrowing capacity is combined with a $13M credit facility which, for all practical purposes, is currently fully drawn down. Considering the impacts of the unfavourable elements, previously mentioned, which have affected the Debtor Companies, HSBC Bank's ("HSBC") estimated position for its short-term loans would be a deficit of about $6M to date. The Debtor Companies are no longer able to purchase the raw materials required to manufacture products ordered by customers, in order to generate profits and the liquidity that would enable both EBSU and Woodlore to maximize the chances of restructuring to save more than 300 jobs.

4.8. Support from the Debtor Companies' customers is noteworthy:

4.8.1. Their main customers agreed to reduce payment terms from 30 to 15 days in the past few weeks;

4.8.2. Two of Woodlore's major customers also contributed by directly buying a significant portion of the raw materials needed to manufacture their orders.

4.9. On May 10, 2023, at the end of the day, HSBC, the Debtor Companies' bank, informed them that they would no longer be able to use the EFT system to pay their supplies, which evidently jeopardizes operations and the survival of the companies.

4.10. Furthermore, on May 11, 2023, at the end of the day, HSBC informed the Debtor Companies that no further payments would be authorized to the accounts.

4.11. As a result, this blockage prevents the Debtor Companies from doing business despite accommodations from their customers, and makes it impossible for the Debtor Companies to continue operations.

4.12. It is in this context that the Debtor Companies are filing an application to avail themselves of the CCAA's protection in order to have interim financing approved that will keep their operations afloat while enabling a restructuring that will benefit all parties concerned, including the HSBC Bank.

5. FINANCIAL SITUATION

5.1. We briefly analyzed the financial situation of the Debtor Companies.

5.2. Our analysis essentially consisted of enquiry, analytical procedures and discussion related to information supplied by management. We did not perform an audit, and consequently we do not express an audit opinion on the financial statements.

Earnings - EBSU

5.3. The following tables summarize EBSU's earnings:

EBSU - Income statement as at March 31, 2023 and April 30, 2022 and 2021

(In thousands of $)	CUM23 (Unaudited) (11 months)	FS22 (Audited) (12 months)	FS21 (Audited) (12 months)
Net sales	30 723	42 881	31 370
Variable costs	21 508	30 037	24 115
	9 216	12 844	7 255
	30,0%	*30,0%*	*23,1%*
Manufacturing overheads	4 701	5 315	1 502
Wage subsidies - COVID	-	-	(1 364)
Gross margin	4 514	7 529	7 116
	14,7%	*17,6%*	*22,7%*
Operating expenses			
Shipping and delivery	536	733	784
Selling expenses	1 504	1 573	1 336
Administrative expenses	3 110	2 597	2 795
	5 150	4 903	4 916
Earnings before interest and taxes	**(635)**	**2 626**	**2 200**
Financial expenses	878	669	525
Other losses (gains)	-	213	(37)
Income taxes	**(1 513)**	**1 743**	**1 713**
Net income	-	1 246	59
	(1 513)	**498**	**1 655**
Included in net income :			
Depreciation and amortization	1 918	1 813	1 283
Interest on short- and long-term debt	782	670	334
Income taxes	-	1 246	59
Acquisition costs - professional fees	871	445	284
Adjusted EBITDA	2 058	4 671	3 614

5.4. The summary of EBSU's historical results presents the following findings:

5.4.1. After 11 months of the 2023 fiscal year, EBSU's sales dropped significantly compared to the previous year (on an annual basis, a 27% drop in sales to its main customer);

5.4.2. In 2023, in an effort to centralize its activities to reduce fixed costs and increase efficiency, Management closed and subleased the Saint-Louis-de-Gonzague site and consolidated its operations in its new Valleyfield plant. This decision resulted in savings and there should be further savings in the future;

5.4.3. Administrative costs rose significantly since FY21 due to, among others, professional fees relating to the acquisition of Eurorite Cabinets Ltd. in western Canada ("ERC"), which represent non-recurring expenses;

5.4.4. In light of the rising interest rates and the increased use of the line of credit, financial costs have increased since 2021;

5.4.5. Therefore, EBSU lost $1.5M after the 11 months of 2023, while it generated significant earnings in FY22 and FY21;

5.4.6. The increase in company orders in the past few weeks is encouraging and promises a return to profitability, as long as liquidities allow the production and delivery to customers.

Balance sheet - EBSU

5.5. The following table summarizes EBSU's balance sheet:

EBSU - Statement of financial position at March 31, 2023 and April 30, 2022

(In thousands of $)	March 31, 2023 (Unaudited)	April 30, 2022 (Audited)
Current assets		
Cash	-	1
Accounts receivable	4 024	4 952
Inventories	11 515	10 509
Prepaid expenses	725	270
	16 264	15 732
Advances to an affiliated company	720	1 123
Property, plant and equipment and intangible assets	11 108	10 581
	28 091	**27 436**
Current liabilities		
Bank advances	6 457	7 065
Accounts payable	10 476	8 275
Income taxes payable (receivable)	141	225
	17 075	15 565
Deferred subsidies	585	632
Long-term debt	7 779	8 630
Due to an affiliated company	1 558	-
Preferred shares	2 900	2 900
Capital leases	3	20
Future income taxes	1 172	1 172
	31 071	**28 919**
Shareholders' equity		
Share capital	18	0
Retained earnings	(2 998)	(1 483)
	(2 980)	(1 483)
	28 091	**27 436**

5.6. An analysis of EBSU's balance sheet reveals the following:

5.6.1. Accounts receivable as at March 31, 2023 include several contentious accounts, for a total of $1.6M, the receipt of which is uncertain;

5.6.2. While inventories are high, their composition nevertheless requires new purchases to enable the production of current orders. Management is working on a plan to reduce inventories in order to optimize their use and reduce the impact on liquidities;

5.6.3. Accounts payable increased significantly since April 30, 2022, a consequence of the current liquidity crisis. Several providers require payment for balances due in addition to the amounts for current purchases, which further impacts liquidities. This situation will be improved by the procedure herein;

5.6.4. In light of the above, current assets are not sufficient for assuming EBSU's current obligations as they mature.

Earnings - Woodlore

5.7. The following table summarizes Woodlore's earnings:

Woodlore - Income statement as at March 31, 2023 and April 30, 2022

(In thousands of $)	CUM23 (Unaudited) (11 months)	FS22 (audited) (10 months)
Sales	27 218	30 253
Variable costs	21 563	23 034
	5 655	7 220
	20,8%	*23,9%*
Manufacturing overheads	6 386	4 804
Gross margin	(730)	2 415
	-2,7%	*8,0%*
Operating expenses		
Selling expenses	414	173
Administrative expenses	2 884	2 165
	3 298	2 338
Earnings before interest and taxes	**(4 028)**	**77**
Financial expenses	1 267	989
Other losses (gains)	-	1 909
Earnings before taxes	**(5 295)**	**(2 821)**
Income taxes	-	(641)
Net income	**(5 295)**	**(2 180)**
Included in net income :		
Depreciation and amortization	1 672	1 253
Interest on short- and long-term debt	1 030	752
Income taxes	-	641
Acquisition costs - professional fees	383	590
Adjusted EBITDA	(2 210)	1 057

5.8. The analysis of Woodlore's historical results presents the following findings:

5.8.1. Following the loss of a major customer at the end of 2021, sales were considerably affected. This represented, annually, about 40% ($19M) of sales before the transaction;

5.8.2. Notwithstanding the impact of this customer, sales in the recent months of 2023 have been below historical levels and expectations owing to the reduced supplies caused by a lack of liquidities, according to officers. For the last few weeks, customers' direct purchase of raw materials has resulted in higher sales;

5.8.3. Since 2022, the contribution margin has dropped from 23.9% to 20.8% in YTD23 given the increase in costs (materials and labour) as well as productivity losses related to downtime caused by the lack of supplies;

5.8.4. The increase in manufacturing overhead in 2023 is essentially related to the higher depreciation and amortization expense of the new automated production equipment installed in FY21;

5.8.5. Administrative costs rose sharply in 2023 due to, among others, professional fees relating to a lawsuit with a former client and proceedings against former shareholders;

5.8.6. Since FY22, Woodlore has suffered losses of close to $7.5M.

Balance sheet - Woodlore

5.9. The following table summarizes Woodlore's balance sheet:

Woodlore - Statement of financial position at March 31, 2023 and April 30, 2022

(In thousands of $)	March 31, 2023 (Unaudited)	April 30, 2022 (Audited)
Current assets		
Cash	-	161
Accounts receivable	2 068	5 964
Inventories	6 063	5 177
Prepaid expenses	293	356
	8 424	11 659
Advances to an affiliated company	1 271	1 071
Property, plant and equipment and intangible assets	20 261	20 341
	29 956	**33 071**
Current liabilities		
Bank advances	6 681	4 451
Accounts payable	8 929	7 098
	15 611	11 548
Long-term debt	21 365	23 247
Future income taxes	456	456
	37 432	**35 251**
Shareholders' equity		
Share capital	0	0
Retained earnings	(7 476)	(2 180)
	(7 475)	**(2 180)**
	29 956	**33 071**

5.10. An analysis of Woodlore's balance sheet reveals the following:

5.10.1. Significant drop in receivables as at March 31, 2023 compared to April 30, 2022, given lower sales numbers and faster customer collection times;

5.10.2. Like EBSU, inventories are high and management also intends on actively working to maximize their use in future production;

5.10.3. Advances of $1.3M to Corporation Naxion for professional costs incurred to acquire Woodlore and ERC these past two years;

5.10.4. Accounts payable have increased by more than $1M since April 30, 2022, given the liquidity problems resulting from major operating losses. Bank advances have also grown by more than $2.2M in the past 11 months.

5.11. The table below presents a summary of the Debtor Companies' debts, based on most recent accounting information:

EBSU ET WOODLORE - Summary of creditors

(In thousands of $ - unaudited)	EBSU	WDL	Total
Deemed trusts			
Federal and provincial source deductions	497	-	497
	497	-	497
Secured claims under 81.3			
Wages and vacation pay (EBSU: 141 / WDL: 200)	282	342	624
	282	342	624
Secured creditors			
HSBC - Line of credit (EDC guaranteed for 50% of losses)	7 000	6 000	13 000
HSBC - Term loans	946	7 143	8 089
HSBC - Term loan (IQ guaranteed for 50% of losses)	2 276	-	2 276
HSBC - Term Loan (BDC guaranteed)	1 333	-	1 333
Business Development Bank of Canada	-	4 583	4 583
Investissement Québec	3 234	-	3 234
Woodlore Seller (July 2021) - William James Phillips Sr./Jr.	-	7 000	7 000
	14 790	24 726	39 516
Unsecured creditors			
Suppliers	5 333	6 711	12 045
Federal Economic Development Agency for Southern Ontario	-	2 500	2 500
Revenu Québec (GST/QST/HST)	414	-	414
Salaries and vacations payable (unsecured)	217	-	217
	5 965	9 211	15 176
Due to an affiliated company	1 558	-	1 558
	23 092	**34 279**	**57 371**

5.12. Unpaid deductions at source relate to a payment agreement entered into with governments for the deferment of payment owing to an error in the remittance of deductions at source following the implementation of changes to the payroll processing system;

5.13. Secured debt payable to employees represents the first $2,000 payable to each employee under section 81.3 of the *Bankruptcy and Insolvency Act*. It is based on the number of employees working for the Debtor Companies.

5.14. The Debtor Companies' main creditor is HSBC, which disposes of securities on all of the Debtor Companies' assets;

5.15. Prior to the acquisition of Woodlore shares by the current shareholders, the Business Development Bank of Canada ("BDC") had granted financing for the acquisition of state-of-the-art equipment for the automated manufacture of several cabinet components. BDC disposes of first-ranking securities on this Woodlore equipment and lower-ranking securities to HSBC on the other assets;

5.16. Investissement Québec ("IQ") granted funds to acquire production equipment and disposes of securities on all of EBSU's assets;

5.17. Woodlore's sellers have security interests in the company's assets to secure a balance of sale payable to them.

6. FORECAST FOR CHANGES IN CASH FLOWS

6.1. Forecasts for changes in cash flows for the 12-week period ending July 29, 2023 were established by the Debtor Companies' management with help from the Proposed Monitor as to assumptions by entity and on a combined basis. Our review of these forecasts consisted of enquiry, analytical procedures and discussion related to information supplied by the Debtor Companies' management and employees. We also examined the support provided by management for the other assumptions and the preparation and presentation of the projections.

6.2. These projections have been drawn up on a business continuity basis and reflect costs relating to the proposed recovery plan (Section 11). Financial costs are limited to the payment of interest on current financing and on planned interim financing. There are no capital payments on the secured loans.

6.3. The projections provide for two interim financings, the first of which will take place in the week ended May 20, 2023 and will amount to $700,000 (as described in the following section) in order to resume operations at an acceptable level and meet order book intake. The second financing, at this stage established at $1.6M, will help carry out the purchases required to resume operations at full capacity.

6.4. The projections are presented in **Appendix B (under seal)**.

7. APPLICATION FOR TEMPORARY FINANCING

7.1. In accordance with the forecast changes of cash flows (Section 6), the Debtor Companies' short-term liquidity requirements to maintain and preserve their continuity as a going concern, and to implement the proposed recovery plan (Section 11), are for $700,000.

7.2. 9414-0050 Québec inc. submitted a temporary financing offer (the "Temporary financing offer") to act as a temporary lender to finance the needs of the Debtor Companies. The Temporary financing offer reflects the following in particular:

7.2.1. Amount: $700,000;

7.2.2. Interest: Base rate plus 1% annually, payable monthly;

7.2.3. Use of funds: as presented on the statement of changes in cash flows.

7.2.4. Main conditions, among others:

7.2.4.1. Agreement signed by the Lender on behalf of the Debtor Companies;

7.2.4.2. Issuance of an Initial Order under the CCAA appointing RCI as the monitor for the Debtor Companies;

7.2.4.3. The Initial Order must be binding, final and without appeal, and must not have been cancelled, amended or revised without the prior written consent of the Interim Lender;

7.2.4.4. There must be no charge on the Assets ranking higher than or equal to the Temporary Lender's Charge, subject to the provisions of clause 11 of the Agreement;

7.3. We believe that the financing established in the Temporary financing offer is necessary, that its terms and conditions are reasonable and within market parameters and that there are no viable alternatives to the Temporary financing order given the Debtor Companies' refusal to accept the terms and conditions of the interim financing proposed by the HSBC.

8. ADMINISTRATION CHARGE REQUESTED BY THE DEBTOR COMPANIES

8.1. Under the terms of the Application, the Debtor Companies are requesting the implementation of an administration charge to guarantee the payment of fees to the Monitor, the Debtor Companies' lawyers and the Monitor's lawyers with regard to the restructuring under the CCAA.

8.2. The administration charge requested would be $250,000 at the time the Initial Order is issued and shall rank before any existing security.

8.3. We believe that the administration charge requested by the Debtor Companies is reasonable and necessary to its restructuring, given, among others, the size of the businesses and the restructuring measures to be put in place.

9. DIRECTORS' AND OFFICERS' CHARGE AS REQUESTED BY THE DEBTOR COMPANIES

9.1. Pursuant to the Application, the Debtor Companies seek the establishment of a directors' and officers' charge (the "D&O Charge") to indemnify the directors and officers of the Debtor Companies (the "D&Os") against any statutory liability they may incur once the Initial Order has been issued.

9.2. The D&O Charge requested would amount to $920,000 when both the Initial Order and the Amended and Restated Initial Order are issued. It would rank before any security, except for the Administration Charge and the Temporary Lender's Charge.

9.3. The charge is intended to cover sales taxes ($320,000) and employees' unpaid vacations ($600,000).

9.4. We believe that the D&O Charge requested by the Debtor Companies is reasonable and necessary for their restructuring in that it makes it possible to secure the director and avoid their resignation to the detriment of the Debtor Companies' and creditors' operations.

10. RESTRUCTURING PLAN

10.1. With the help of the Proposed Monitor, the Debtor Companies have developed a restructuring plan, which includes the following elements:

10.1.1. Maintain the value of the assets by continuing to operate the Debtor Companies in the normal course of business;

10.1.2. Set up a process to solicit bids in order to:

10.1.2.1. Sell some of the Debtor Companies' surplus assets;

10.1.2.2. Find a strategic business partner or equity partner to recapitalize the companies;

10.1.2.3. Find financial partners to foster all or part of the current lenders' refinancing;

10.1.3. Terminate an excess lease at Woodlore;

10.1.4. Rationalize overhead and administrative costs;

10.1.5. Rationalize payroll by optimizing the structure, which should result in the lay-off of about 80 employees;

10.1.6. Maintain measures taken with their customers in order to:

10.1.6.1. Reduce customer collection times;

10.1.6.2. Continue with the consignment of raw materials provided by Woodlore's two main customers.

11. IMPACT OF BANKRUPTCY AND/OR RAPID REALIZATION OF ASSETS

11.1. A rapid realization of the assets, in connection with a bankruptcy or receivership, even in an orderly context, could lead to a realization significantly lower than the amount of secured debt.

11.2. The Debtor Companies' bankruptcy would undoubtedly significantly diminish the value of their assets and would also have the following impacts:

11.2.1. Employees: all employees would be laid off;

11.2.2. Secured Creditors: these creditors would suffer major losses, as the value of the rapid realization of the encumbered assets is likely to be significantly lower than the balance of the secured debt;

11.2.3. Suppliers: given suppliers' unsecured creditor status, there would be no dividends for them;

11.2.4. Customers:

11.2.4.1. Customers' orders would not be honoured;

11.2.4.2. Contracts with customers would be terminated;

11.3. The Proposed Monitor deems that the issuance of an Initial Order under the CCAA is not prejudicial to any stakeholder and is vastly preferable to a bankruptcy or rapid realization of the assets by a receiver.

12. CONCLUSION AND RECOMMENDATIONS

12.1. Considering, in particular, the following:

12.1.1. The Debtor Companies are currently unable to fulfil their obligations as they become due;

12.1.2. The continuity of operations and the restructuring plan enable the companies to maintain/increase the value of assets for various stakeholders;

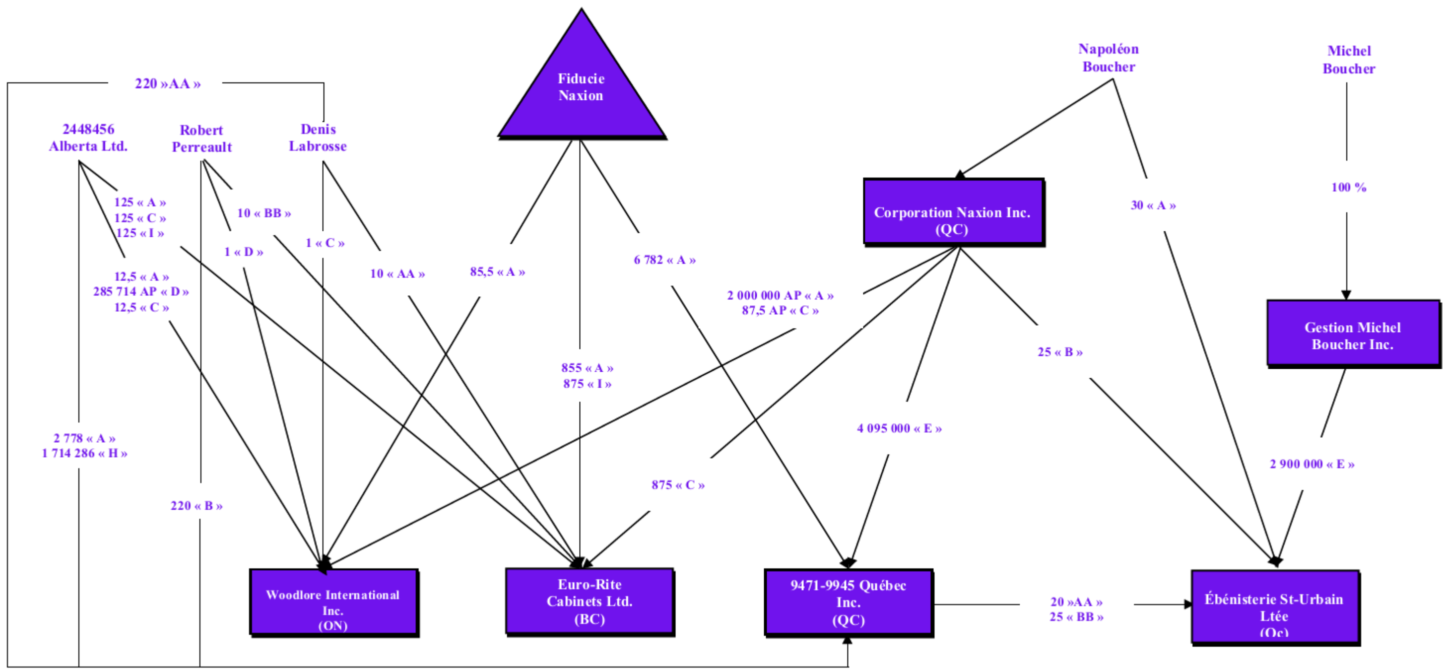
12.1.3. The potential obtention of temporary financing;

12.1.4. The Debtor Companies obtention of investment and/or financing and/or sales offers, or assets in connection with the sales process to be put in place;

12.2. We deem it beneficial to the Debtor Companies' creditors that the Application be authorized for the issuance of an Initial Order under the CCAA.

APPENDIX A

DEBTOR COMPANIES' ORGANIZATION CHART



220 »AA »
2448456
Alberta Ltd.
Robert
Perreault
Denis
Labrosse
Fiducie
Naxion
Napoléon
Boucher
Michel
Boucher
125 « A »
125 « C »
125 « I »
10 « BB »
1 « D »
1 « C »
12,5 « A »
285 714 AP « D »
12,5 « C »
10 « AA »
85,5 « A »
6 782 « A »
Corporation Naxion Inc.
(QC)
30 « A »
100 %
2 000 000 AP « A »
87,5 AP « C »
25 « B »
Gestion Michel
Boucher Inc.
855 « A »
875 « I »
4 095 000 « E »
2 778 « A »
1 714 286 « H »
2 900 000 « E »
875 « C »
220 « B »
Woodlore International
Inc.
(ON)
Euro-Rite
Cabinets Ltd.
(BC)
9471-9945 Québec
Inc.
(QC)
20 »AA »
25 « BB »
Ébénisterie St-Urbain
Ltée
(Qc)

APPENDIX B

FORECAST FOR CHANGES IN CASH FLOWS

<u>UNDER SEAL</u>