

EXHIBIT D

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
FILE NO: 500-11-033561-081

SUPERIOR COURT
Commercial Division
Designated tribunal under the CCAA¹

IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF
MAAX CORPORATION AND VARIOUS
SUBSIDIARIES AND AFFILIATES AS
LISTED IN SCHEDULE "A"

PETITIONERS

- and -

ALVAREZ & MARSAL CANADA ULC
MONITOR

FIRST REPORT OF THE MONITOR – JUNE 25, 2008

INTRODUCTION

1. On June 12, 2008 this Court, sitting as designated tribunal under the CCAA¹, issued an order (the "**Initial Order**") at the request of MAAX Corporation ("**MAAX Corp.**") and certain of its direct and indirect subsidiaries, as listed on **Schedule "A"**, attached hereto (collectively, the "**Petitioners**" or the "**Companies**"), declaring that the Petitioners are debtor companies to which the CCAA applies, granting certain relief to the Companies while they consider any opportunities to advance a viable plan of arrangement pursuant to the CCAA, and appointing Alvarez & Marsal Canada ULC as monitor ("**A&M**" or the "**Monitor**").
2. This First Report of the Monitor ("**Report**") is provided to the Court:
 - as an update in respect of the activities of the Petitioners and certain events occurring since the date of the Initial Order;
 - in support of the Petitioners' Motion for the Approval of the Sale of Assets and Vesting Order (the "**Sale Approval Motion**") which seeks the approval of the Asset Purchase Agreement between, *inter alia*, the Petitioners and Brookfield Bridge Lending Fund Inc. ("**BBLF**") made as of June 11, 2008 (the "**Purchase Agreement**"); and
 - in support of the Petitioners' request for an extension of the Stay of Period to September 5, 2008.
3. The content of this Report is presented in the following categories:
 - Terms of Reference;
 - CCAA Proceedings;
 - Incentive Plan;

¹ *Companies' Creditors Arrangement Act* ("**CCAA**"), R.S.C. 1985, c. C-36, as amended.

- Actual Cash Flow Results Relative to Forecast;
- Recapitalization and Refinancing Efforts;
- Sale Process;
- Purchase Agreement;
- Security Opinions;
- Request for Approval of the Purchase Agreement;
- Request for an Extension to the Stay Period; and
- Monitor's Conclusions and Recommendations.

TERMS OF REFERENCE

4. In preparing this Report, the Monitor has relied upon unaudited financial information, Petitioners' records, Petitioners' prepared financial information and projections, discussions with management and employees of the Petitioners, and information from various other sources. A&M has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, A&M expresses no opinion or other form of assurance in respect of such information.

Certain of the information referred to in this Report consists of forecasts and/or projections. An examination or review of financial forecasts and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future oriented financial information referred to in this Report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

We have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this Report is based solely on the information (financial or otherwise) made available to us.

This Report has been prepared for the use of this Court, as general information on the status of the Companies' CCAA proceedings. Given the nature of A&M's mandate, this information is subject to change as the mandate progresses.

5. All references to dollars in this Report are in Canadian currency unless otherwise noted.
6. Capitalized terms not defined in this Report are as defined in the Initial Order. The Petitioners, together with their affiliates, are collectively referred to in this Report as the ("**MAAX Group**").

CCAA PROCEEDINGS

7. On June 12, 2008, this Court issued the Initial Order at the request of the Petitioners which *inter alia*:

- declared that the Petitioners are debtor companies to which the CCAA applies and granted certain relief to the Companies while they consider any opportunities to advance one or more viable plans of arrangement pursuant to the CCAA;
- approved the Incentive Plan pertaining to the Petitioners and their Affiliates (the “**Incentive Plan**”) and ordered that: (i) all amounts owing to employees pursuant to the Incentive Plan be held in trust by Samson Belair Deloitte & Touche; and (ii) the funds held in trust in the Incentive Plan do not form part of the Property and are to be paid to the employees named in the Incentive Plan in accordance with its terms;
- ordered that the Petitioners are entitled but not required to pay and fulfill the following expenses and obligations whether incurred prior to or after the date of the Initial Order:
 - all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses, and expenses payable on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
 - all outstanding and future trade obligations or related expenses incurred in the ordinary course of business and other amounts related to the preservation of the Property or the Business, including without limitation obligations to customers, suppliers, sales agents, independent contractors, governmental and taxation authorities, or other third parties;
 - the fees and disbursements of any Assistants retained or employed by the Petitioners in respect of these proceedings, at their standard rates and charges; and
 - such other amounts and obligations as agreed to by the Petitioners and BBLF;
- authorized the Petitioners to borrow under the Amended Credit Agreement, which provides the Petitioners with approximately \$30 million of Interim Financing, and ordered that advances made pursuant to the Interim Financing be secured by the Interim Lenders’ Charge;
- ordered that all of the Property of the Petitioners be charged by a movable or immovable hypothec, mortgage, lien and security interest to the extent of the aggregate amount of \$7.5 million as security for the obligation of the Petitioners to indemnify the Directors pursuant to paragraph 39 of the Initial Order in favour of the Directors, having the priority established by paragraphs 50 and 51 of the Initial Order;
- ordered that all of the Property of the Petitioners be charged by a movable or immovable hypothec, mortgage, lien and security interest to the extent of the aggregate amount of \$1 million in favour of the Monitor, the Monitor’s legal counsel, the Petitioners’ legal counsel and other advisors, as security for professional fees and disbursements incurred both before and after the making of the Initial Order, in addition to the retainers referred

to in paragraph 48 of the Initial Order, having the priority established by paragraphs 50 and 51 of the Initial Order; and

- ordered that the Petitioners are entitled to continue to utilize the central cash management system currently in place or replace it with another substantially similar central cash management system and to continue their current and any future banking arrangements (collectively, the “**Cash Management System**”).
8. Following the issuance of the Initial Order, MAAX Corp. issued a press release to publicly announce (as disclosed in the Motion for an Initial Order) that it had entered into the Purchase Agreement with BBLF, that the related transactions (the “**Transaction**”) would need to be implemented through a Court-supervised process under the CCAA and that the Court hearing in connection with approval of the Purchase Agreement and a vesting order was presentable on Thursday, June 26, 2008 at 9:15 a.m. in Courtroom 16.12, 1 East, Notre-Dame Street, Montreal, Quebec.
 9. Pursuant to the Initial Order, the Monitor mailed a notice, attached as **Schedule ‘B’**, to all known creditors of the Petitioners with amounts owing in excess of \$1,000 within ten business days of the issuance of the Initial Order.
 10. The Monitor has made available various materials relating to these proceedings on its website, at www.alvarezandmarsal.com/maax. The Monitor intends to promptly post Canadian court orders, motion materials and Monitor’s reports on the website throughout these proceedings.
 11. Readers of this Report should not rely on the above outline of the Initial Order for any purpose, and should refer to the Initial Order in its entirety.
 12. To date, the Companies have provided the Monitor with full co-operation and unrestricted access to their premises, books and records. The Monitor and the Companies have implemented procedures for the daily monitoring of receipts and disbursements, and the weekly analysis of actual cash flow results as compared to the cash flow forecast filed with this Honourable Court at the time of the Motion for an Initial Order (the “**CCAA Cash Flow Forecast**”). Further, the Monitor has assisted the Companies in compiling the weekly reporting required by BBLF pursuant to the Amended Credit Agreement.
 13. Since the issuance of the Initial Order, the Petitioners have focused on minimizing any potential disruptions to their businesses resulting from these proceedings, including taking proactive steps to communicate with the Companies’ stakeholders and employees. Management has informed the Monitor that, to date, it is not aware of any material changes to the Companies’ operations since the commencement of these proceedings.
 14. Paragraph 21 of the Initial Order provides the Companies with the ability to pay and fulfill, *inter alia*, all outstanding and future employee, customer and trade supplier obligations, whether incurred prior to or after the date of the Initial Order. Management has informed the Monitor that, in general, the Petitioners have experienced virtually no disruption to their business following the issuance of the Initial Order.

Banking / Central Cash Management System

15. As indicated above, the Initial Order provides for the continued use of the Companies' Cash Management System. Management has informed the Monitor that the Companies' Cash Management System continues to operate in the same manner as it had prior to the commencement of these proceedings.
16. As indicated above, paragraph 21 of the Initial Order provides the Companies with the ability to pay and fulfill all outstanding and future trade supplier obligations. Having the ability to pay the foregoing has significantly reduced the time and cost that would otherwise have been incurred by the Petitioners and the Monitor to differentiate between pre and post-CCAA filing payments and obligations, during the days immediately following the issuance of the Initial Order.

Customers

17. Immediately upon the issuance of the Initial Order, the Companies implemented a communication plan to notify customers of the Purchase Agreement and CCAA filing, and to advise customers that the Initial Order provides the Companies with the ability to pay and fulfill all outstanding and future customer obligations.
18. The Companies continue to be in regular contact with key customers to assure them that all regular policies and services remain in effect, and that the Companies would continue to fulfill their obligations to customers, including co-op advertising, volume rebates and warranty-related liabilities.

Suppliers and Other Vendors

19. Immediately upon the issuance of the Initial Order, the Companies implemented a communication plan to notify suppliers and vendors of the Purchase Agreement and CCAA filing, and to advise such parties that the Initial Order provides the Companies with the ability to pay and fulfill all outstanding and future trade obligations and related expenses incurred in the ordinary course of business, whether incurred prior to or after the date of the Initial Order.
20. Management has informed the Monitor that, with certain minor exceptions, suppliers have continued to provide goods and services on the same terms as those provided prior to the commencement of these proceedings. The Companies continue to be in regular contact with key suppliers and continue to pay for goods and services in the ordinary course of business. In general, the supply of goods and services to the Companies has continued without interruption.

Inter-Company Transactions

21. Inter-company transactions have been limited to the Cash Management System and normal course activities among the MAAX Group companies.

Employees

22. Immediately upon the issuance of the Initial Order, the Companies conducted a series of meetings and conference calls to notify their employees of the Purchase Agreement and CCAA filing, and to advise that the Initial Order provides the Companies with the ability to pay and fulfill, whether incurred prior to or after the Initial Order, all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses, and expenses payable

on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements.

23. Management has informed the Monitor that the Companies continue to enjoy the support of their workforce. The Companies have not experienced any increase in employee turnover since the commencement of these proceedings.

INCENTIVE PLAN

24. As indicated above, the Initial Order, *inter alia*, approved the Incentive Plan pertaining to the Petitioners and their Affiliates (the “**Incentive Plan**”) and ordered that: (i) all amounts owing to employees pursuant to the Incentive Plan be held in trust by Samson Belair Deloitte & Touche (the “**Trustee**”); and (ii) the funds held in trust in the Incentive Plan do not form part of the Property and are to be paid to the employees named in the Incentive Plan in accordance with its terms.
25. On June 12, 2008, the Companies issued a motion with this Honourable Court for approval of the Purchase Agreement, which satisfied the criteria to make the First Distribution. Accordingly, on that same day, MAAX Corp. and certain of its affiliates provided a Certificate to the Trustee confirming a written instruction authorizing the Trustee to pay out all funds required to satisfy the First Distribution.
26. On June 16, 2008, the Trustee issued payments to the Eligible Participants from the Canadian Trust Account and the U.S. Trust Account in the aggregate gross amounts of \$414,019 (\$214,854 net of payroll withholding taxes) and \$US631,408 (\$US394,455 net of payroll withholding taxes), respectively, in satisfaction of the First Distribution. The funds remaining in each of the Canadian Trust Account and the U.S. Trust Account continue to be held by the Trustee pursuant to the terms of the Trust Agreement made as of June 3, 2008.

ACTUAL CASH FLOW RESULTS RELATIVE TO FORECAST

27. Through the two weeks ended Friday, June 20, 2008, reported actual cash flow was approximately \$3.99 million, as compared to projected net usage for that period in the CCAA Cash Flow Forecast of approximately \$9.27 million. As such, through the first two weeks of the CCAA proceedings, the MAAX Group had a favourable cash flow variance of approximately \$13.26 million relative to the CCAA Cash Flow Forecast.
28. As at the date of this Report, the Companies had been in these CCAA proceedings for only thirteen (13) days, therefore, the Monitor has not presented a comprehensive cash flow variance analysis herein. However, approximately \$6.86 million of the \$13.26 million positive variance indicated above was attributable to timing differences in the collection of accounts receivable with the remaining \$6.40 million resulting from lower disbursements than forecast.
29. In accordance with the terms of the Amended Credit Agreement, on June 17 and on June 24, 2008 (two business days following the end of the previous week), the MAAX Group provided BBLF with certain reporting relative to the CCAA Cash Flow Forecast that showed that the Companies were in compliance with the Permitted Variance threshold provided for in the Amended Credit Agreement through the weeks ended June 13 and June 20, 2008,

respectively. The Companies continue to have access to available funding within the terms of the Amended Credit Agreement.

RECAPITALIZATION AND REFINANCING EFFORTS

30. As described in the Sale Approval Motion, the MAAX Group has been experiencing financial challenges resulting principally from significant declines in the U.S. housing market, and from high oil prices, which have caused significant increases in freight costs and raw materials prices. As a result of those challenges, the MAAX Group's adjusted EBITDA is not sufficient to support the servicing and repayment of its existing debt obligations, including its obligations under its senior secured credit facility (the "**Senior Secured Facility**") provided by BBLF and other lenders (collectively, the "**Lenders**").
31. In December, 2007, MAAX Corp. was in default of its obligations to the Lenders under the Senior Secured Facility. A&M was engaged on December 20, 2007 to assist the MAAX Group in connection with its financial matters. On January 7, 2008, MAAX Corp. and certain of its affiliates entered into a forbearance agreement with BBLF acting as agent for the Lenders (the "**Forbearance Agreement**"). MAAX Corp. issued a press release on January 8, 2008, publicly announcing that it had entered into the Forbearance Agreement. The Forbearance Agreement provided the MAAX Group with the opportunity to continue to investigate various strategic alternatives relating to a recapitalization. Further, under the terms of the Forbearance Agreement, the Lenders agreed to assign their indebtedness and security upon full payment of their indebtedness, in order to facilitate a refinancing of the Senior Secured Facility.
32. Starting in January, 2008, as part of its recapitalization efforts, the MAAX Group, with the assistance of A&M, solicited preliminary proposals to refinance the Senior Secured Facility. Twelve (12) institutions executed confidentiality agreements and received an information package that included a three-year forecast prepared by the MAAX Group. Preliminary expressions of interest were received from seven (7) institutions. However, none of those expressions of interest proved viable in the circumstances as they were insufficient to facilitate the refinancing of the MAAX Group's obligations under the Senior Secured Facility.
33. In early December, 2007, a significant holder of the Senior Subordinated Notes (the "**Significant Opco Noteholder**") entered into a confidentiality agreement with the MAAX Group. Subsequent to the execution of the confidentiality agreement, the MAAX Group conducted discussions with the Significant Opco Noteholder and BBLF concerning potential recapitalization alternatives. The MAAX Group and the parties to the confidentiality arrangements continued to explore the possibility of a consensual recapitalization transaction. Despite the serious efforts made by the MAAX Group in this regard, no such transaction ultimately materialized.

SALE PROCESS

34. With refinancing and recapitalization efforts failing to have resulted in an acceptable transaction at the time of expiration of the Forbearance Agreement on March 19, 2008, the Forbearance Agreement was amended and extended to April 1 (the "**First Extension**"), and further amended and extended on April 1, 2008 (the "**Second Extension**"), to provide for the

availability of \$30 million in increased credit to allow additional time for the MAAX Group to explore various strategic alternatives to find a restructuring, recapitalization or refinancing transaction acceptable to its key stakeholders. The First Extension and the Second Extension were publicly announced in press releases issued on March 19 and April 1, 2008, respectively. The Second Extension contemplated that the MAAX Group would conduct a marketing and sale process (the “**Sale Process**”) for its bathroom fixtures business (the “**MAAX Business**”). The MAAX Group’s spa business (the “**Spa Business**”) was not included in the Sale Process as it was already subject to negotiations relating to a sale to a third party, Spa Logic Inc. (“**Spa Logic**”), at that time.

35. While continuing its efforts to recapitalize the business, the MAAX Group initiated the Sale Process in April 2008, with the overall objectives of finding a transaction that would benefit stakeholders and ensure the continuation of its business as a going concern. The MAAX Group engaged Alvarez & Marsal Securities LLC (“**A&M Securities**”), an entity related to A&M, to assist in conducting the Sale Process. Although A&M Securities was not formally engaged until March 31, 2008, it had been working with the MAAX Group throughout March in preparation for the Sale Process. In its press release of April 1, 2008, MAAX Corp. specifically announced that it was pursuing the Sale Process. Several press articles were published in local (Montreal) and national newspapers commenting on the commencement of the Sale Process in the days following the issuance of the press release.
36. Beginning on April 2, 2008, A&M Securities contacted numerous specifically targeted potential purchasers and responded to a number of unsolicited inquiries regarding the sale of the MAAX Business. In total, one hundred and forty-eight (148) potential purchasers, including one hundred and twelve (112) financial buyers and thirty-six (36) strategic buyers were contacted. Potential purchasers were provided with a teaser document as an additional step to generate interest.
37. As part of the Sale Process, the MAAX Group and A&M Securities prepared a confidential information memorandum for prospective purchasers (the “**CIM**”). In order to obtain a copy of the CIM, prospective purchasers were required to execute a confidentiality agreement (“**Confidentiality Agreement**”). Sixty-two (62) prospective purchasers executed a Confidentiality Agreement to obtain a copy of the CIM. A&M Securities remained available and responded (with the assistance of management) to any queries raised by the prospective purchasers during the Sale Process.
38. The MAAX Group and A&M Securities solicited non-binding indications of interest from prospective purchasers. Under the terms of the Second Extension, the MAAX Group was required to have received such indications of interest by May 2, 2008, and a final and binding asset purchase agreement by June 6, 2008.
39. Considerable interest was generated by the Sale Process. In all, sixteen (16) indications of interest were received. Commencing on May 2, through May 5, 2008, A&M Securities, the MAAX Group and its counsel reviewed all of the indications of interest in detail. A&M Securities prepared a summary of the indications of interest (the “**Bid Summary**”). As outlined in the Affidavit of Mark Belanger, sworn on June 11, 2008 in support of the Sale Approval Motion, the Bid Summary showed that all of the indications of interest were significantly below the value of the amounts owing to the Lenders under the Senior Secured Facility. The Monitor will provide the Court with such Bid Summary on a confidential basis.

40. On May 8, 2008, BBLF indicated that it would not support the pursuit of a transaction that would fall short of enabling the MAAX Group to repay, in full, its obligations to the Lenders under the Senior Secured Facility. BBLF further indicated that it would be willing to negotiate a sale transaction to transfer the MAAX Business and Spa Business to BBLF in satisfaction of all amounts owing to BBLF under the Senior Secured Facility.
41. The MAAX Group did not accept or pursue any of the indications of interest generated by the Sale Process as all of the indications of interest put forward purchase prices that were significantly below the value of BBLF's proposal, even after taking into consideration proceeds relating to the sale of the Spa Business that were expected at that time.
42. Following its review of the indications of interest and subsequent discussions with BBLF, the MAAX Group determined that the best available course of action was to enter into negotiations with BBLF regarding a sale transaction to transfer the MAAX Business and Spa Business to the Lenders in satisfaction of all amounts owing to them under the Senior Secured Facility. The MAAX Group and its legal advisors met with BBLF and its advisors on several occasions regarding the negotiation of a transaction. Extensive negotiations between the parties continued throughout May and June, 2008, ultimately resulting in the Purchase Agreement which is described below. Discussions with the Significant Opco Noteholder and BBLF continued through this period but ultimately did not result in any transaction that would be supported by those parties.
43. On May 28, 2008, MAAX Corp. publicly announced that it had entered into an agreement with a letter of intent for the purchase of the Spa Business by Spa Logic or one of its affiliates. The completion of the transaction with Spa Logic was subject to certain conditions precedent and the successful negotiation, settlement and agreement of all documents necessary to finalize and complete the transaction. On June 4, 2008, MAAX Corp. determined that the sale of the Spa Business to Spa Logic could not be completed on the terms provided for in the agreement with Spa Logic. MAAX Corp. terminated the agreement with Spa Logic and its obligations thereunder.

PURCHASE AGREEMENT

44. A copy of the Purchase Agreement is appended to the Sale Approval Motion as **Exhibit R-6**. Certain of the salient features of the Purchase Agreement can be summarized as follows:
- BBLF will acquire the Purchased Assets (as defined in the Purchase Agreement), which consist of substantially all of the assets used in connection with the MAAX Business and the Spa Business, including, subject to certain exceptions, the MAAX Group's right, title and interest in and to: (a) cash and accounts receivable; (b) prepaid expenses; (c) inventory; (d) fixed assets and equipment; (e) vehicles; (f) personal and real property leases; (g) real property; (h) certain contracts; (i) intellectual property; (j) software; (k) goodwill; (l) employee loans; (m) employee plans; (n) business records; (o) permits; (p) licenses; (q) collective agreements; (r) insurance; (s) rights of action; (t) securities or other ownership interests; (u) loans; (v) tax refunds; and (w) warranty rights. Notwithstanding the foregoing, certain of the MAAX Group's assets will be retained, including, without limitation: (a) certain corporate records; (b) certain contracts; (c) certain insurance proceeds and claims; (d) a \$300 million receivable held by MAAX Corp. owing by MAAX Canada Inc., and MAAX Canada Inc.'s right to \$300 million from Beauceland Corporation; (e) shares or other ownership interest held by the MAAX

Group in MAAX Luxembourg S.A.R.L., MAAX Hungary Services LLC and MAAX (2004) LLC; and (f) other assets sold by MAAX Group in the ordinary course of business prior to the Closing Date (as defined below);

- BBLF will assume the Assumed Liabilities (as defined in the Purchase Agreement) which include, *inter alia*: (a) product warranty claims existing or arising under the MAAX Group's existing warranty programs and return policies in the ordinary course of business; (b) liabilities arising in the ordinary course under the MAAX Group's customer rebate programs; (c) substantially all of the MAAX Group's trade and employee obligations; and (d) obligations that rank in priority to the obligations of BBLF under the Senior Secured Credit Facility. Furthermore, BBLF will offer continued employment to substantially all of the MAAX Group's employees. Notwithstanding the foregoing, certain of the MAAX Group's liabilities will not be assumed by BBLF, including, without limitation: (a) intercompany accounts payable; (b) liabilities relating to any assets not being purchased by BBLF; (c) intellectual property claims; (d) certain consulting and management fees; (e) liabilities under the Senior Subordinated Notes; (f) liabilities under the indenture which governs the Senior Subordinated Notes; and (g) liabilities for certain taxes and other enumerated claims;
- the Purchased Assets are being sold, and the Assumed Liabilities are being assumed, on an "as is, where is" basis;
- the Purchase Price (as defined in the Purchase Agreement) is the amount owing to the Lenders by the MAAX Group under the Senior Secured Facility, which, as at June 11, 2008 was approximately \$276.5 million, plus all amounts subsequently advanced under the Interim Financing, exclusive of further costs, interest and fees, in addition to the value of the Assumed Liabilities;
- the Purchase Price is to be satisfied by BBLF's delivery to the MAAX Group of a release of all of the MAAX Group's obligations under the Senior Secured Facility and the Interim Financing, and by the assumption of the Assumed Liabilities;
- each of the MAAX Group and BBLF have provided limited representations and warranties, which do not survive the Closing (as defined in the Purchase Agreement), including, in the case of the MAAX Group, in respect of: (a) corporate existence; (b) residence; (c) absence of conflicts; (d) authorization and enforceability; (e) approvals and consents; and (f) taxes;
- in connection with the closing of the transaction, BBLF agrees to forever release and discharge the present direct and indirect equity holders, directors, officers and advisors of the MAAX Group from any and all claims arising from, or relating to, the MAAX Business, the Spa Business and the Purchased Assets, save and except for claims arising out of fraud, bad faith or illegal acts (unless such party believed in good faith that its conduct was legal);
- the closing date (the "**Closing Date**") is to be August 15, 2008, or the third (3rd) business day following the receipt of all governmental approvals required in connection with the contemplated sale, unless otherwise waived. Notwithstanding the foregoing, the Closing Date shall be no later than December 31, 2008;

- the Purchase Agreement may be terminated prior to closing by mutual written consent or by either party if: (a) the closing has not occurred prior to the Closing Date; or (b) there is a material violation or breach of an opposite party's covenant, representation or warranty that is not cured within five (5) days' written notice. BBLF may also terminate the Purchase Agreement if, *inter alia*, the Closing Date does not occur on or before September 30, 2008, or if there is a default under the Senior Secured Facility or the Interim Financing;
 - except as required by the Purchase Agreement, the terms of the Interim Financing, any applicable law or any court proceedings, or as contemplated by the budget in accordance with the Interim Financing, the MAAX Group agrees that it shall, prior to the Closing Date: (a) operate its business only in the ordinary course of business in all material respects consistent with past practice; (b) use commercially reasonable efforts to preserve its business organization, including the services of its officers and employees, and its business relationships and goodwill with customers, suppliers and others having business dealings with it; (c) pay and discharge the debts authorized by the court under the insolvency proceedings; (d) use commercially reasonable efforts to maintain in full force and effect all material insurance policies and binders relating to the MAAX Business or the Spa Business; and (e) seek to collect the receivables of the MAAX Business and the Spa Business in the ordinary course of business and in the same manner as previously collected. The MAAX Group also agrees, prior to the Closing Date, not to take certain actions;
 - prior to but conditional on closing of the Transaction, and with effect as of the Closing Date, BBLF shall: (a) offer continuing employment to all of the MIP Employees (as defined in the Purchase Agreement), such offers of employment to be on terms no less favourable to such employees than those in effect immediately prior to closing, except that any stock option programs, share compensation plans or similar plans in effect prior to closing will not be offered to MIP Employees; (b) offer continuing employment to all or substantially all of the non-unionized employees primarily engaged in the MAAX Business or Spa Business above other than the MIP Employees, such offers of employment to be on terms substantially comparable in the aggregate to those in effect immediately prior to closing, except that any stock option programs, share compensation plans or similar plans in effect prior to closing will not be offered to such employees; (c) offer continuing employment to all or substantially all of the U.S. unionized employees on terms and conditions of employment in accordance with the collective agreement applicable to such employees; and (d) become a successor employer of unionized employees of the Canadian Sellers (as defined in the Purchase Agreement). The MAAX Group shall be responsible for all liabilities and obligations with respect to any non-unionized employees up to and including the Closing Date and all liabilities and obligations with respect to any non-unionized employees who do not accept offers of employment from BBLF;
45. The closing of the Transaction is conditional upon, *inter alia*: (i) the receipt of any approvals as may be required under the *Competition Act* or the *Hart-Scott-Rodino Antitrust Improvement Act of 1976*, and any other consents of any governmental authorities whose consents are required for the consummation of the Transaction; (ii) the issuance of an order by this Honourable Court vesting all of the Petitioners' right, title and interest in and to the Purchased Assets absolutely free and clear of all claims and encumbrances other than Permitted Encumbrances; (iii) the U.S. Assets shall be assigned and transferred to the Buyer free and clear of all Encumbrances, other than Permitted Encumbrances, pursuant to a legal,

equitable, statutory or court-based proceeding, action or process that in form and substance is acceptable to the Buyer in its sole discretion to effect such assignment and transfer to the Buyer, including the closing date for such assignment and transfer; and ultimately (iv) the filing by the Monitor of a Monitor's Certificate stating that the Petitioners and BBLF have each confirmed to the Monitor in writing that all matters to be completed prior to the consummation of the transactions contemplated by the Purchase Agreement have been satisfied or waived and that the Closing (as defined in the Purchase Agreement) has taken place.

SECURITY OPINIONS

46. The Monitor's legal counsel in this matter, Davies Ward Phillips & Vineberg LLP ("**Davies**"), has prepared and/or coordinated obtaining opinions regarding the security granted by certain of the MAAX Group entities, in both Canada and the United States, in favour of BBLF, as follows:

- Province of Quebec: opinion prepared by Davies, including each of the Petitioners, but excluding MAAX Cabinets Inc., plus Beauceland Corporation;
- Province of Ontario: opinion prepared by Davies for the same entities as shown above for Quebec;
- Province of Nova Scotia: opinion prepared by Stewart McKelvey LLP, including MAAX Corporation and Beauceland Corporation;
- Province of Alberta: opinion prepared by Davis LLP ("**Davis**"), including each of the Petitioners, plus Beauceland Corporation;
- Province of British Columbia: opinion prepared by Davis for the same entities as shown above for Alberta;
- United States, Real Property: Allen & Overy LLP ("**Allen & Overy**") coordinated obtaining opinions from local counsel in each of the six (6) states where entities included in the MAAX Group collectively own seven (7) real properties; and
- United States, Uniform Commercial Code: opinion prepared by Allen & Overy, including MAAX Corporation, MAAX Canada Inc., MAAX Spas (Ontario) Inc., MAAX Holding Co., a Delaware corporation, MAAX Spas (Arizona) Inc., a California corporation, MAAX Midwest, Inc., an Indiana corporation, MAAX-KSD Corporation, a Pennsylvania corporation, Pearl Baths, Inc., a Minnesota corporation, Aker Plastics Company Inc., an Indiana corporation and MAAX-Hydro Swirl Manufacturing Corp., a Washington corporation.

Subject to certain standard assumptions, qualifications and comments, pertaining to each jurisdiction, as set out in each of the opinions identified above, BBLF holds a validly perfected security interest in the collateral charged under the applicable security agreements, subject to the terms of the Credit Agreement dated as of January 9, 2007, other than immovable properties located in the Province of Quebec which may have been acquired by any of the Petitioners or Beauceland Corporation after January 5, 2007, provided that the

Monitor has not received any opinion as to whether any such security agreements to which MAAX Cabinets Inc. ("**MAAX Cabinets**") is a party complies with the provisions of the Companies Act (Quebec) restricting the ability of MAAX Cabinets to provide financial assistance. Some of the written opinions in relation to the US real estate have yet to be received by the Monitor and this report shall be updated accordingly.

In addition, according to Quebec law, the hypothec granted by MAAX Canada Inc. charges, subject to the terms of the Credit Agreement dated as of January 9, 2007, the shares issued to it by MAAX Hungary Services LLC and MAAX Europe Holding B.V., provided that, in the event such shares are represented by titles in bearer form or certificates held by a creditor of MAAX Canada Inc. outside the Province of Quebec, such hypothec may not charge such shares.

REQUEST FOR APPROVAL OF THE PURCHASE AGREEMENT

47. In the Sale Approval Motion the Petitioners are requesting that this Honourable Court, *inter alia*:

- order and declare that the Purchase Agreement and the Transaction contemplated therein be approved and ratified, and that same are commercially reasonable and in the best interests of the Petitioners and their stakeholders; and
- order that the Petitioners are authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to BBLF.

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

48. Pursuant to the Initial Order, the Stay Period expires on June 27, 2008. The Petitioners are seeking an extension of the Stay Period until and including September 5, 2008.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

Sale Process

49. The Monitor is of the view that:

- as a result of the Forbearance Agreement, First Extension and Second Extension, and the press releases related thereto, interested market participants were aware for some time that MAAX Corp. was in default of its obligations to its Lenders;
- as a result of the press release issued on April 1, 2008, announcing the Sales Process, and the subsequent press coverage related thereto, the Sale Process was well-publicized;
- a comprehensive canvassing of the market place was conducted in the context of the Sale Process. The list of specifically targeted potential purchasers developed by A&M Securities and the MAAX Group, and the general publicity surrounding the Sale Process,

resulted in A&M Securities being in contact with one hundred and forty-eight (148) potential purchasers (one hundred and twelve (112) financial buyers and thirty-six (36) strategic buyers);

- the Sale Process was extensive, broad and generated a strong level of interest as evidenced by the fact that sixty-two (62) prospective purchasers executed a Confidentiality Agreement and sixteen (16) prospective purchasers submitted indications of interest;
- the MAXX Group conducted the Sale Process before the commencement of these proceedings in an effort to realize the maximum value for the assets without the negative impact that such proceedings could potentially have on value;
- the MAAX Group cannot reasonably expect an acquisition proposal that is superior to the Purchase Agreement at this time or in the foreseeable future;
- the Sale Process was fair and commercially reasonable.

Purchase Agreement

50. The Monitor is of the view that:

- after taking into consideration:
 - the results of the MAAX Group's efforts to solicit preliminary proposals to refinance the Senior Secured Facility, where all of the expressions of interest submitted were significantly below the amounts required to refinance the Lenders;
 - the results of the MAAX Group's ongoing efforts to recapitalize the business through a consensual arrangement between its major stakeholders, BBLF and the Significant Opco Noteholder, which were unsuccessful;
 - the outcome of the Sale Process, which generated a significant amount of interest in the market but resulted in all of the indications of interest submitted being significantly below the amounts owing to the Lenders under the Senior Secured Facility;
 - BBLF's position that it would not support the MAAX Group pursuing a transaction that would not result in the Lenders being repaid in full under the Senior Secured Facility;
 - that the Purchase Agreement provides for the transfer of the MAAX Business and the Spa Business to the Lenders in satisfaction of all amounts owing to the Lenders and assumption of significant trade debts and employee and customer-related obligations;
 - that the MAAX Group will be in default under the terms of the Amended Credit Agreement in the event that the Purchase Agreement is not approved by this Honourable Court within 21 days after the date of the Initial Order;

- the extensive amount of time and effort focused by the MAAX Group in exploring and pursuing its strategic recapitalization and restructuring alternatives over several months, and the significant ongoing cost of continuing to operate the business under the MAAX Group's existing capital structure while doing so;
- the uncertainty surrounding the MAAX Group in the marketplace over the past several months and the need to achieve a permanent solution as quickly as possible to avoid potentially exposing the MAAX businesses to further deterioration; and
- alternatives to the Purchase Agreement, including liquidation;

that the Company has taken all appropriate steps to explore its feasible recapitalization, refinancing and sale alternatives and, that in the circumstances, the Purchase Agreement provides the best option available to the MAAX Group and its stakeholders;

- the consummation of the Transaction would best preserve the MAAX businesses and would:
 - allow the MAAX businesses to continue as a going concern;
 - provide for the employment of substantially all of the Companies' employees;
 - minimize disruption to the Companies' customers and suppliers, by the assumption by the Buyer of substantially all of the Companies' trade and customer-related obligations; and
 - provide for the assumption of substantially all employee-related liabilities;
- in the circumstances, the Transaction contemplated by the Purchase Agreement is the only viable alternative to the MAAX Group; and
- the Purchase Agreement is commercially reasonable.

51. The Monitor recommends that this Honourable Court approve the Purchase Agreement.

52. An extension of the Stay Period is necessary for the Petitioners to work toward closing the Purchase Agreement, including taking appropriate steps in the United States to convey the assets of certain affiliates. In addition, it will allow the Petitioners and the Monitor to consider any opportunity to advance a viable plan of arrangement.

53. The Companies are working diligently and in good faith in pursuit of the Transaction and, with the assistance of the Monitor, will review and assess the alternatives available for filing with this Court one or more plans of compromise or arrangement under the CCAA.

54. The Monitor recommends that this Court grant the Companies an extension of the Stay Period to September 5, 2008.

All of which is respectfully submitted this 25th day of June, 2008.

ALVAREZ & MARSAL CANADA ULC
In its capacity as the Monitor appointed by
the Court in the matter of the proposed arrangement
of MAAX Corporation, *et al.*

A handwritten signature in black ink, appearing to read 'D. R. McIntosh', written in a cursive style.

Per: Douglas R. McIntosh
Managing Director

SCHEDULE « A »

SCHEDULE "A"

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAAX CORPORATION, *ET AL***

CANADIAN SUBSIDIARIES AND AFFILIATES SUBJECT TO THE INITIAL APPLICATION

MAAX Canada Inc.

MAAX Spas (Ontario) Inc.

4200217 Canada Inc.

MAAX Cabinets Inc.

SCHEDULE « B »



Royal Bank Plaza, South Tower
200 Bay Street, Suite 2000, P.O. Box 22
Toronto, ON M5J 2J1
Phone: (416) 847-5200 Fax: (416) 847-5201
www.alvarezandmarsal.com

June 18, 2008

To the Creditors of MAAX Corporation, *et al*

Re: Proceedings under the *Companies' Creditors Arrangement Act*

MAAX Corporation ("MAAX Corp.") and certain of its Canadian subsidiaries and affiliates as listed on the attached schedule (collectively, the "CDN MAAX Companies", or the "Petitioners") filed a motion for an initial order before the Quebec Superior Court (the "Quebec Court") pursuant to the *Companies' Creditors Arrangement Act* ("CCAA").

On June 12, 2008, the Quebec Court issued an order (the "Initial Order") granting the CDN MAAX Companies protection from their creditors. The CDN MAAX Companies also filed a motion to approve the transaction contemplated by an Asset Purchase Agreement (the "Purchase Agreement") entered into with Brookfield Bridge Lending Fund Inc. ("BBLF") for the sale of substantially all of the assets of MAAX Corp. and its affiliates (the "Sale Transaction"). A hearing before the Quebec Court for approval of the Purchase Agreement and a vesting order is scheduled to take place on June 26, 2008 at 9:15 a.m. in Courtroom 16.12, 1 East, Notre-Dame Street, Montreal, Quebec. The press release issued on June 12, 2008 by MAAX Corp. outlines the key elements of the Sale Transaction, including the assumption by BBLF of substantially all of the trade obligations of MAAX Corp. and its affiliates.

The Initial Order appointed Alvarez & Marsal Canada ULC (the "Monitor") as Monitor of the property, business and financial affairs of the Petitioners in the CCAA proceedings.

A copy of the Initial Order and other documentation and information concerning these proceedings, including with respect to the June 26, 2008 sale approval hearing, is available on the Monitor's website at www.alvarezandmarsal.com/maax. If you are unable to access the Initial Order from the website, please contact our offices at (416) 847-5158 or by email at mmackenzie@alvarezandmarsal.com to arrange for delivery of a copy of the Initial Order.

Yours very truly,

ALVAREZ & MARSAL CANADA ULC
in its capacity as Court appointed Monitor of
MAAX Corporation, *et al*

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAAX CORPORATION, *ET AL***

CANADIAN SUBSIDIARIES AND AFFILIATES SUBJECT TO THE INITIAL APPLICATION

MAAX Canada Inc.

MAAX Spas (Ontario) Inc.

4200217 Canada Inc.

MAAX Cabinets Inc.