

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

FOURTH REPORT OF THE MONITOR – SEPTEMBER 29, 2008

INTRODUCTION

1. On June 12, 2008, this Court issued an order (the "**Initial Order**") at the request of MAAX Corporation ("**MAAX Corp.**") and certain of its direct and indirect subsidiaries (collectively, the "**Initial Petitioners**"), declaring that the Initial Petitioners are debtor companies to which the CCAA applies, granting certain relief to the Initial Petitioners while they consider any opportunities to advance a viable plan of arrangement pursuant to the CCAA, appointing Alvarez & Marsal Canada ULC as monitor ("**A&M**" or the "**Monitor**") and extending the benefit of the Court-ordered stay of proceedings to the Affiliates of the Petitioners (the "**Canadian Proceedings**").
2. On July 10, 2008, this Court issued an order (the "**Extension Order**") to add the affiliates of the Initial Petitioners that are incorporated in the United States of America (the "**Additional Petitioners**"), together with the Initial Petitioners, the "**Petitioners**" or the "**Companies**") to the Canadian Proceedings and to fully extend the protections and benefits of the Initial Order to the Additional Petitioners.
3. This Fourth Report of the Monitor ("**Report**") is provided to the Court:
 - to advise the Court and the Petitioners' stakeholders of the closing of the Purchase Agreement on September 18, 2008;
 - to report on the actual cash flow results of the Petitioners relative to forecast from the date of the Initial Order to the closing of the Purchase Agreement; and
 - in support of the Petitioners' request to *inter alia*:

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

- terminate the Petitioners' proceedings under the CCAA with effect as of 11:59 p.m. September 30, 2008;
 - discharge and release A&M as Monitor of the Petitioners;
 - lift the stay of proceedings imposed pursuant to paragraphs 7 through 13 of the Initial Order, as amended;
 - grant a mutual and reciprocal release and discharge to the parties to the Support Agreement; and
 - authorize and direct the Monitor to apply to the U.S. Bankruptcy Court for an Order recognizing and giving effect to the Termination Order (defined below) in the United States, and to take all such steps as may be necessary to terminate the Chapter 15 Proceedings.
4. The content of this Report is presented in the following categories:
- Terms of Reference;
 - CCAA Proceedings;
 - Chapter 15 Cases;
 - Closing of the Purchase Agreement;
 - Actual Cash Flow Results Relative to Forecast;
 - Other Matters;
 - Request to Terminate the CCAA Proceedings, Discharge and Release the Monitor and Lift the Stay; and
 - Monitor's Conclusions and Recommendations.

TERMS OF REFERENCE

5. 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 this matter, this information is subject to change as the matter progresses.

6. All references to dollars in this Report are in Canadian currency unless otherwise noted.
7. Capitalized terms not defined in this Report are as defined in the Initial Order or in previous reports of the Monitor.
8. The descriptions of proceedings, Orders or contracts herein are for ease of reference only. Readers of this Report should read and refer to the Court-filed documents posted to the Monitor's website at www.alvarezandmarsal.com/maax.

CCAA PROCEEDINGS

9. This Court has granted the following Orders in connection with the CCAA proceedings of the Petitioners:

June 12, 2008	Initial Order
June 26, 2008	Extending Stay Period Order
July 10, 2008	Order (Extending CCAA Protection to Additional Petitioners)
July 10, 2008	Sale and Vesting Order

The above Orders were described in previous reports of the Monitor.

10. On September 5, 2008, this Court granted the Order (Extending the Stay Period) which extended the Stay Period and Stay Termination Date to September 30, 2008.

CHAPTER 15 CASES

11. The U.S. Bankruptcy Court for the District of Delaware (the "**U.S. Court**"), at the request of the Monitor, as authorized foreign representative of the Petitioners in the Canadian Proceedings, has issued the following Orders:

July 14, 2008	Order Granting Provisional Relief
July 14, 2008	Order Directing Joint Administration of Chapter 15 Cases Pursuant to Fed. B. Bankr. P. 1015(b);

July 14, 2008 Order Specifying Form and Manner of Service of Notice
 August 5, 2008 Order Granting Recognition and Relief

The above Orders were described in previous reports of the Monitor.

12. The Monitor has made available various materials relating to the Canadian Proceedings and the Chapter 15 Cases (collectively, the “**Proceedings**”) on its website at www.alvarezandmarsal.com. The Monitor will continue to promptly post Canadian and U.S. Court orders, motion, petition and supporting materials, and Monitor’s reports on the website throughout those proceedings. The Monitor has received several requests from creditors seeking copies of various Court-filed documents. The Monitor has promptly provided such documentation and responded to any related questions and will continue to do so as these matters move forward.

CLOSING OF THE PURCHASE AGREEMENT

13. In the Third Report of the Monitor dated September 3, 2008 (the “**Third Report**”), the Monitor indicated that it was anticipated that the Purchase Agreement would close on or about mid-September 2008.
14. In accordance with the Sale and Vesting Order issued by this Court on July 10, 2008, the Petitioners and the Buyer (as defined in the Purchase Agreement) 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) took place on September 18, 2008. As such, on September 18, 2008, the Monitor provided an executed Certificate of the Monitor to the Petitioners and the Buyer, a copy of which was filed with this Court on September 19, 2008.
15. As described in the Second Report of the Monitor dated July 9, 2008, the Support Agreement provided for payment to the Indenture Trustee for the \$US150 million unsecured senior subordinated notes issued by MAAX Corp., for a distribution to Noteholders of US\$5 million, plus the Indenture Trustees’s reasonable out-of-pocket fees and expenses in connection with the Proceedings and the Support Agreement up to \$150,000, upon Closing of the Purchase Agreement (the “**Noteholder Settlement Payment**”). Management has informed the Monitor that the Noteholder Settlement Payment was made to the Indenture Trustee on September 18, 2008. Further, management has informed the Monitor that the members of the Board of Directors (the “**Board**”) of each of the Petitioners resigned from the Boards effective September 18, 2008.

ACTUAL CASH FLOW RESULTS RELATIVE TO FORECAST

16. The MAAX Group’s (defined as MAAX Corp. and all of its direct and indirect subsidiaries) cash receipts and disbursements for the fifteen-week period from the week of the Initial Order to the week of closing of the Purchase Agreement are summarized below, and are compared to the cash flow forecasts previously filed with this Court (the “**CCAA Cash Flow Forecasts**”) (presented in both \$Cdn and \$US, assuming \$1Cdn=\$1US).

<i>(Unaudited, in dollars)</i>	For the Fifteen-Week Period to September 17, 2008		
	Actual	Forecast	Variance
Canada (in \$Cdn)			
Receipts	55,940,981	45,638,880	10,302,101
Disbursements			
Payments – materials, supplies, and operating expenses	(45,270,218)	(39,366,582)	(5,903,636)
Salaries, wages, commissions, and benefits	(14,115,740)	(15,134,733)	1,018,993
Capital expenditures	-	(1,232,000)	1,232,000
Total Disbursements	(59,385,958)	(55,733,315)	(3,652,643)
Net Cash Flow (Canada)	(3,444,977)	(10,094,435)	6,649,458
US (in \$US)			
Receipts	59,636,585	47,258,701	12,377,883
Disbursements			
Payments – materials, supplies, and operating expenses	(33,692,859)	(40,592,692)	6,899,833
Salaries, wages, commissions, and benefits	(11,436,287)	(13,567,282)	2,130,995
Capital expenditures	-	(1,232,000)	1,232,000
Total Disbursements	(45,129,146)	(55,391,974)	10,262,828
Net Cash Flow (US)	14,507,439	(8,133,273)	22,640,712
Professional fees	(4,142,661)	(6,200,000)	2,057,339
Funding to Saninova	(481,680)	-	(481,680)
Interest and forbearance extension fees	(10,858,335)	(9,311,500)	(1,546,835)
Total Net Cash Flow	(4,420,214)	(33,739,208)	29,318,994

17. Overall, through September 17, 2008, the MAAX Group experienced a positive net cash flow variance of approximately \$29.3 million, in aggregate, relative to the CCAA Cash Flow Forecasts.
18. Receipts were approximately \$22.7 million ahead of the CCAA Cash Flow Forecasts for the fifteen-week period through September 17, 2008 (\$10,302,101 in Canada and \$US 12,377,883 in the U.S.). Management attributes these variances primarily to: (i) certain assumptions made in the development of the CCAA Cash Flow Forecasts to allow for the potential adverse impact that the Proceedings may have had on projected sales, which has not materialized; and (ii) a general acceleration in the timing of collections relative to forecast.
19. Disbursements were approximately \$6.6 million less than the CCAA Cash Flow Forecasts (\$US 10,262,828 in the U.S., partially offset by an overage of \$3,652,643 in Canada) for the fifteen-week period through September 17, 2008. Management attributes these variances primarily to: (i) certain assumptions made in the development of the CCAA Cash Flow Forecasts to account for uncertainties regarding the reaction of suppliers to the Proceedings; (ii) significant timing differences in the days immediately preceding the closing of the Purchase Agreement as disbursements activity was minimized; and (iii) timing differences between actual and forecast payment of professional fees. Further, as indicated in the Third Report, with the prior approval of BBLF, \$481,680 was advanced to Saninova B.V., an indirect subsidiary of MAAX Canada Inc. (a Petitioner) based in the Netherlands, during the week ended July 11, 2008, in order to provide funding for general operating purposes.

20. In general, management's efforts to minimize the impact of the Proceedings on the day-to-day operations of the business resulted in little disruption to the Companies' operations and corresponding cash flows.

OTHER MATTERS

21. As indicated in the Third Report:

- the Petitioners and the Monitor, together with their respective legal counsel, have been working to identify other potential assets;
- the Petitioners and the Monitor are of the view that following the closing of the Purchase Agreement there are no material assets remaining with the Petitioners; and
- the Petitioners and the Monitor are of the view that following the closing of the Purchase Agreement there are no remaining tax attributes of the Petitioners of value.

22. In order to conduct a limited review for material transactions that could potentially be voidable in bankruptcy proceedings of one or more of the Petitioners, the Monitor:

- reviewed the audited consolidated financial statements of MAAX Holdings Inc. for the fiscal years ended February 28/29, 2005 to 2008 to identify any transactions involving the MAAX Group that could warrant further inquiry and investigation; and
- discussed the foregoing with the CFO.

23. In conducting its limited review, the Monitor also considered a number of factors that would otherwise mitigate the prospect of such a transaction having taken place, including the following:

- trade suppliers and other vendors were paid throughout the Proceedings for both pre and post-insolvency filing debts;
- the Purchase Agreement provides for the assumption of substantially all trade debt of the Petitioners. As such, the likelihood that a preference occurred is remote;
- the indenture that governs MAAX Corp.'s Notes contains covenants imposing restrictions on Beauceland Corporation ("Beauceland") and its subsidiaries, including restrictions on the ability of Beauceland to make payments to MAAX Holdings (Beauceland is a wholly-owned subsidiary of MAAX Holdings; MAAX Corp. is a wholly-owned subsidiary of Beauceland). Management has informed the Monitor that Beauceland and its subsidiaries were in compliance with the above covenants up to and including the date of issuance of the Initial Order; and
- no creditor or other stakeholder of the Petitioners has contacted the Monitor to assert that such a transaction has been made by any of the Petitioners or requested that the Monitor review any specific transactions.

24. During the course of the foregoing and in the course of carrying out its role, the Monitor did not identify any such transactions.

REQUEST TO TERMINATE THE CCAA PROCEEDINGS, DISCHARGE AND RELEASE THE MONITOR, AND LIFT THE STAY

25. The Petitioners are seeking an Order from this Court (the “**Termination Order**”) to *inter alia*:
- terminate the Petitioners’ proceedings under the CCAA with effect as of 11:59 p.m. September 30, 2008;
 - discharge and release A&M as Monitor of the Petitioners;
 - lift the stay of proceedings imposed pursuant to paragraphs 7 through 13 of the Initial Order, as amended;
 - grant a mutual and reciprocal release and discharge to the parties to the Support Agreement; and
 - authorize and direct the Monitor to apply to the U.S. Bankruptcy Court for an Order recognizing and giving effect to the Termination Order in the United States, and to take all such steps as may be necessary to terminate the Chapter 15 Proceedings.

MONITOR’S CONCLUSIONS AND RECOMMENDATIONS

26. Closing of the Purchase Agreement occurred on September 18, 2008. As such, the Petitioners no longer have business operations, assets of material value or access to funding, and it is appropriate to conclude these CCAA proceedings.
27. The Petitioners have acted and are acting in good faith and with due diligence to conclude these proceedings.
28. The Monitor recommends that this Court grant the proposed Termination Order.
29. The Monitor and the Petitioners will be seeking an Order of the U.S. Bankruptcy Court to terminate the Chapter 15 proceedings shortly after the termination of these CCAA proceedings.

All of which is respectfully submitted this 29th day of September, 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”

**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***

SUBSIDIARIES AND AFFILIATES

MAAX Canada Inc.

MAAX Spas (Ontario) Inc.

4200217 Canada Inc.

MAAX Cabinets Inc.

MAAX KSD LLC

Aker Plastics Company Inc.

MAAX Spas (Arizona), Inc.

MAAX-Hydro Swirl Manufacturing Corp.

MAAX Midwest, Inc.

Pearl Baths LLC

No. 500-11-033561-081

S U P E R I O R C O U R T
(Commercial Division)
District of Montréal

**IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF:**

**MAAX CORPORATION,
MAAX CANADA INC.,
MAAX SPAS (ONTARIO) INC.,
4200217 CANADA INC.,
MAAX CABINETS INC.**

Petitioners

and

ALVAREZ & MARSAL CANADA ULC

Monitor

FOURTH REPORT OF THE MONITOR

– September 29, 2008

ORIGINAL

Attorneys for the Monitor
Per: Me Denis Ferland

Me Christian Lachance
Dir 514 841 6423
O/F 224413



DAVIES

DAVIES WARD PHILLIPS & VINEBERG SENCRL s.r.l.

1501, avenue McGill College
26^e étage
Montréal Canada H3A 3N9

Tél. 514 841 6400
Télex. 514 841 6499
BP-0181