EXPRESS, INC.
Form 4
October 01, 2013

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Kornberg David G

(Last) (First) (Middle)

C/O EXPRESS, INC., 1 EXPRESS DRIVE

(Street)

COLUMBUS, OH 43230

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EXPRESS, INC. [EXPR]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01	10/01/2013		S (1)		6,000	D	$ 23.68 (2)	184,883	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kornberg David G C/O EXPRESS, INC., 1 EXPRESS DRIVE COLUMBUS, OH 43230			President	

Signatures

Lacey J. Bundy, Attorney-in-Fact	10/01/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sales in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on April 18, 2013.

(2) Price represents a weighted average of the sale price. Shares were sold at prices ranging from $23.60 to $23.82. Upon the request by the SEC staff, the Issuer, or a security holder of the Issuer, the reporting person will provide the full information about the number of shares sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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the face amount thereof), up to an aggregate principal amount of $1,825.0 million outstanding at any one time; *provided, however*, that the aggregate amount of Indebtedness incurred by Restricted Subsidiaries (other than Issuers or Guarantors) pursuant to this clause (1) may not exceed $300 million outstanding at any one time;

(2) the incurrence by Parent, the Issuers and any Guarantor of Indebtedness represented by the Notes (including any Guarantee) (other than any Additional Notes);

(3) Existing Indebtedness (other than Indebtedness described in clauses (1) and (2));

(4) Indebtedness (including Capitalized Lease Obligations), Disqualified Stock and preferred stock incurred by Parent or any of its Restricted Subsidiaries, to finance the purchase, lease or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, in an aggregate principal amount which, when aggregated with the principal amount of all other Indebtedness, Disqualified Stock and preferred stock then outstanding and incurred pursuant to this clause (4) and including all Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness, Disqualified Stock and preferred stock incurred pursuant to this clause (4), does not exceed the greater of (i) $200 million and (ii) 7.5% of Total Assets;

(5) Indebtedness incurred by Parent or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business, including letters of credit in respect of workers' compensation claims, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; *provided, however*, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

(6) Indebtedness arising from agreements of Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided, however*, that

(A) such Indebtedness is not reflected on the balance sheet of Parent or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (6)(A)) and

(B) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by Parent and the Restricted Subsidiaries in connection with such disposition;

(7) Indebtedness of Parent to a Restricted Subsidiary; *provided* that any such Indebtedness owing to a Restricted Subsidiary that is not an Issuer or a Guarantor is subordinated in right of payment to the Notes; *provided further* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to Parent or another Restricted Subsidiary) shall be deemed, in each case to be an incurrence of such Indebtedness;

(8) Indebtedness of a Restricted Subsidiary to Parent or another Restricted Subsidiary; *provided* that:

(A) any such Indebtedness is made pursuant to an intercompany note and

(B) if a Guarantor incurs such Indebtedness to a Restricted Subsidiary that is not an Issuer or a Guarantor, such Indebtedness is subordinated in right of payment to the Guarantee of such Guarantor;

provided further that any subsequent transfer of any such Indebtedness (except to Parent or another Restricted Subsidiary) shall be deemed, in each case to be an incurrence of such Indebtedness;

(9) shares of preferred stock of a Restricted Subsidiary issued to Parent or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of preferred stock (except to Parent or another Restricted Subsidiary) shall be deemed in each case to be an issuance of such shares of preferred stock;

(10) Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes) for the purpose of limiting interest rate risk, exchange rate risk with respect to any Indebtedness permitted to be incurred pursuant to " Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" or commodity pricing risk;

(11) obligations in respect of performance, bid, appeal and surety bonds and completion guarantees provided by Parent or any Restricted Subsidiary in the ordinary course of business;

(12) Indebtedness, Disqualified Stock and preferred stock of Parent or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or liquidation preference, which when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and preferred stock then outstanding and incurred pursuant to this clause (12), does not at any one time outstanding exceed the sum of (a) $175.0 million and (b) 100.0% of the net cash proceeds received by Parent since immediately after the Bridge Closing Date from the issue or sale of Equity Interests of Parent or cash contributed to the capital of Parent (in each case, other than proceeds of Disqualified Stock or sales of Equity Interests to Parent or any of its Subsidiaries) as determined in accordance with clauses (c)(ii) and (c)(iii) of the first paragraph of " Limitation on Restricted Payments" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments or to make other investments, payments or exchanges pursuant to the second paragraph of " Limitation on Restricted Payments" or to make Permitted Investments (other than Permitted Investments specified in clauses (1) and (3) of the definition thereof) (it being understood that any Indebtedness, Disqualified Stock or preferred stock incurred pursuant to this clause (12) shall cease to be deemed incurred or outstanding for purposes of this clause (12) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which Parent or such Restricted Subsidiary could have incurred such Indebtedness, Disqualified Stock or preferred stock under the first paragraph of this covenant without reliance on this clause (12));

(13) the incurrence by Parent or any Restricted Subsidiary of Indebtedness, Disqualified Stock or preferred stock which serves to refund or refinance any Indebtedness, Disqualified Stock or preferred stock incurred as permitted under the first paragraph of this covenant and clauses (2) and (3) above, this clause (12) and clause (14) below or any Indebtedness, Disqualified Stock or preferred stock issued to so refund or refinance such Indebtedness, Disqualified Stock or preferred stock including additional Indebtedness, Disqualified Stock or preferred stock incurred to pay

premiums (including reasonable tender premiums), defeasance costs and fees in connection therewith (the "*Refinancing Indebtedness*") prior to its respective maturity; *provided, however*, that such Refinancing Indebtedness

(A) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or preferred stock being refunded or refinanced,

(B) to the extent such Refinancing Indebtedness refinances (i) Indebtedness subordinated or *pari passu* to the Notes or any Guarantee thereof of the Note, such Refinancing Indebtedness is subordinated or *pari passu* to the Notes or such Guarantee at least to the same extent as the Indebtedness being refinanced or refunded or (ii) Disqualified Stock or preferred stock, such Refinancing Indebtedness must be Disqualified Stock or preferred stock, respectively and

(C) shall not include

(i) Indebtedness, Disqualified Stock or preferred stock of a Subsidiary that refinances Indebtedness, Disqualified Stock or preferred stock of Parent,

(ii) Indebtedness, Disqualified Stock or preferred stock of a Subsidiary that is not a Guarantor that refinances Indebtedness, Disqualified Stock or preferred stock of a Guarantor or

(iii) Indebtedness, Disqualified Stock or preferred stock of Parent or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or preferred stock of an Unrestricted Subsidiary;

and *provided further* that subclause (a) of this clause (13) will not apply to any refunding or refinancing of any Indebtedness outstanding under the Senior Credit Facilities;

(14) Indebtedness, Disqualified Stock or preferred stock of Persons that are acquired by Parent or any Restricted Subsidiary or merged into Parent or a Restricted Subsidiary in accordance with the terms of the Indentures; *provided* that such Indebtedness, Disqualified Stock or preferred stock is not incurred in contemplation of such acquisition or merger; *provided further* that after giving effect to such acquisition or merger, either

(A) Parent would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of this covenant or

(B) the Fixed Charge Coverage Ratio of Parent and the Restricted Subsidiaries is greater than immediately prior to such acquisition or merger;

(15) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within two Business Days of its incurrence;

(16) Indebtedness of Parent or any Restricted Subsidiary supported by a letter of credit issued pursuant to the Senior Credit Facilities, in a principal amount not in excess of the stated amount of such letter of credit; and

(17) (A) any guarantee by Parent, an Issuer or a Guarantor of Indebtedness or other obligations of any Restricted Subsidiary so long as the incurrence of such Indebtedness incurred by such Restricted Subsidiary is permitted under the terms of the Indentures, or

(B) any guarantee by a Restricted Subsidiary of Indebtedness of Parent, *provided* that such guarantee is incurred in accordance with the covenant described below under "Limitation on Guarantees of Indebtedness by Restricted Subsidiaries."

For purposes of determining compliance with this covenant:

(1) in the event that an item of Indebtedness, Disqualified Stock or preferred stock meets the criteria of more than one of the categories of permitted Indebtedness, Disqualified Stock or preferred stock described in clauses (1) through (17) above or is entitled to be incurred pursuant to the first paragraph of this covenant, Parent, in its sole discretion, will classify or reclassify such item of Indebtedness, Disqualified Stock or preferred stock (or any portion thereof) and will only be required to include the amount and type of such Indebtedness, Disqualified Stock or preferred stock in one of the above clauses; *provided* that all Indebtedness outstanding under the Credit Facilities after the application of the net proceeds from the sale of the Notes will be treated as incurred on the Bridge Closing Date under clause (1) of the preceding paragraph; and

(2) at the time of incurrence, Parent will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness, Disqualified Stock or preferred stock will not be deemed to be an incurrence of Indebtedness, Disqualified Stock or preferred stock for purposes of this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Liens

Parent will not, and will not permit any Issuer or Guarantor to, directly or indirectly, create, incur, assume or suffer to exist any Lien (except Permitted Liens) that secures obligations under any Indebtedness ranking *pari passu* with or subordinated to the applicable Notes or, if applicable, any related Guarantee on any asset or property of Parent or such Issuer or Guarantor, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless

(1) in the case of Liens securing Indebtedness subordinated to the applicable Notes or any related Guarantee, the applicable Notes and any applicable Guarantees are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

(2) in all other cases, the Notes or the applicable Guarantees are equally and ratably secured, except that the foregoing will not apply to:

(A) (i) Liens securing the Notes and the related Guarantees, if any, and (ii) Liens securing Senior Debt of Parent, either Issuer or any Guarantor and any related guarantees of such Senior Debt; and

(B) Permitted Liens.

Merger, Consolidation or Sale of All or Substantially All Assets

Neither Parent nor either Issuer may consolidate, merge or amalgamate with or into or wind up into (whether or not Parent or such Issuer is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless

(1) Parent or such Issuer is the surviving corporation or the Person formed by or surviving any such consolidation, merger or amalgamation (if other than Parent or such Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the jurisdiction of organization of Parent or such Issuer or the laws of the United States, any state thereof, the District of Columbia, or any territory thereof, or the laws of Canada, any province thereof or any territory thereof (such Person, as the case may be, being herein called the "*Successor Company*");

(2) the Successor Company, if other than the Parent or such Issuer, expressly assumes all the obligations of the Parent or such Issuer under such series of Notes pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) immediately after giving *pro forma* effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period,

(a) the Successor Company would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of the covenant described under " Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" or

(b) the Fixed Charge Coverage Ratio for the Successor Company and the Restricted Subsidiaries (or, for a transaction not involving Parent, for Parent and the Restricted Subsidiaries) would be greater than such Ratio for Parent and the Restricted Subsidiaries immediately prior to such transaction;

(5) each Issuer (as to its Guarantee of the other Issuer) and each Guarantor, unless it is the other party to the transactions described above, in which case clause (b) of the second succeeding paragraph shall apply, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under the Indentures and the Notes; and

(6) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indentures.

The Successor Company will succeed to, and be substituted for the Issuer or Parent, as the case may be, under the Indentures, the Guarantees and the Notes, as applicable. Notwithstanding the foregoing clauses (3) and (4),

(1) any Restricted Subsidiary (other than an Issuer) may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer and

(2) Parent or an Issuer may merge with an Affiliate of Parent or an Issuer, as the case may be, solely for the purpose of reincorporating the Issuer in another State of the United States so long as the amount of Indebtedness of the Issuer and the Restricted Subsidiaries is not increased thereby.

Subject to certain limitations described in the Indentures governing release of a Guarantee upon the sale, disposition or transfer of a guarantor, no Guarantor will, and the Parent and the Issuers will not permit any Guarantor to, consolidate or merge with or into or wind up into (whether or not such Issuer or Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless

(1) (A) such Guarantor is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof, or the laws of Canada, any province thereof or any territory thereof (such Guarantor or such Person, as the case may be, being herein called the "*Successor Person*");

(B) the Successor Person, if other than such Guarantor, expressly assumes all the obligations of such Guarantor under the Indentures and such Guarantor's Guarantee pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

(C) immediately after such transaction, no Default or Event of Default exists; and

(D) Parent shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indentures; or

(2) the transaction is made in compliance with the covenant described under "Offer to Purchase Asset Sales."

Subject to certain limitations described in the Indentures, the Successor Person will succeed to, and be substituted for, such Guarantor under the Indentures such Guarantor's Guarantee. Notwithstanding the foregoing, any Guarantor may merge into or transfer all or part of its properties and assets to another Guarantor, either Issuer or Parent.

Transactions with Affiliates

Parent will not, and will not permit any Restricted Subsidiary to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of Parent (each of the foregoing, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of $5.0 million, unless:

(1) such Affiliate Transaction is on terms that are not materially less favorable to Parent or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Parent or such Restricted Subsidiary with an unrelated Person; and

(2) Parent delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of $10.0 million, a resolution adopted by the majority of the board of directors of the Issuer approving such Affiliate Transaction and set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (1) above.

The foregoing provisions will not apply to the following:

(1) Transactions between or among Parent or any of the Restricted Subsidiaries;

(2) Restricted Payments permitted by the provisions of the Indentures described above under the covenant " Limitation on Restricted Payments" and the definition of "Permitted Investments;"

(3) the payment of management, consulting, monitoring and advisory fees and related expenses to the Investors;

(4) the payment of reasonable and customary fees paid to, and indemnities provided on behalf of, officers, directors, employees or consultants of Parent, any of its direct or indirect parent companies or any Restricted Subsidiary;

(5) transactions in which Parent or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to Parent or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;

(6) any agreement as in effect as of the Bridge Closing Date, or any amendment thereto (so long as any such amendment is not disadvantageous to the holders in any material respect as compared to the applicable agreement as in effect on the Bridge Closing Date);

(7) the existence of, or the performance by Parent or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Bridge Closing Date and any similar agreements which it may enter into thereafter; *provided, however*, that the existence of, or the performance by Parent or any Restricted Subsidiary of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Bridge Closing Date shall only be permitted by this clause (7) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the Holders in any material respect;

(8) the Transaction and the payment of all fees and expenses related to the Transaction, in each case as disclosed in this prospectus;

(9) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indentures which are fair to Parent and the Restricted Subsidiaries, in the reasonable determination of the board of directors of Parent or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(10) the issuance of Equity Interests (other than Disqualified Stock) of Parent to any Permitted Holder or to any director, officer, employee or consultant;

(11) sales of accounts receivable, or participations therein, in connection with any Receivables Facility;

(12) payments by Parent or any Restricted Subsidiary to any of the Investors made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures which payments are approved by a majority of the board of directors of Parent in good faith;

(13) payments or loans (or cancellation of loans) to employees or consultants of Parent, any of its direct or indirect parent companies or any Restricted Subsidiary and employment agreements, stock option plans and other similar arrangements with such employees or consultants which, in each case, are approved by a majority of the board of directors of Parent in good faith; and

(14) investments by KKR Financial Corp. in securities of Parent or any Restricted Subsidiary so long as (i) the investment is being offered generally to other investors on the same or more favorable terms and (ii) the investment constitutes less than 5% of the proposed or outstanding issue amount of such class of securities.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

Parent will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

(1) (a) pay dividends or make any other distributions to Parent or any Restricted Subsidiary on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits or

(b) pay any Indebtedness owed to Parent or any Restricted Subsidiary;

(2) make loans or advances to Parent or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to Parent or any Restricted Subsidiary,

except (in each case) for such encumbrances or restrictions existing under or by reason of:

(a) contractual encumbrances or restrictions in effect on the Issue Date, including pursuant to the Senior Credit Facilities and the related documentation;

(b) the Indentures and the Notes;

(c) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature discussed in clause (3) above on the property so acquired;

(d) applicable law or any applicable rule, regulation or order;

(e) any agreement or other instrument of a Person acquired by Parent or any Restricted Subsidiary in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) contracts for the sale of assets, including customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary;

(g) secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" and "Liens" that limit the right of the debtor to dispose of the assets securing such Indebtedness;

(h) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(i) other Indebtedness, Disqualified Stock or preferred stock of Restricted Subsidiaries permitted to be incurred subsequent to the Bridge Closing Date pursuant to the provisions of the covenant described under " Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock;"

(j) customary provisions in joint venture agreements and other similar agreements;

(k) customary provisions contained in leases and other agreements entered into in the ordinary course of business;

(l) any encumbrances or restrictions of the type referred to in clauses (1), (2) and (3) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (l) above, *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of Parent's board of directors, no more restrictive with respect to such encumbrance and other restrictions than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and

(m) restrictions created in connection with any Receivables Facility that, in the good faith determination of the board of directors of Parent, are necessary or advisable to effect such Receivables Facility.

Limitation on Guarantees of Indebtedness by Restricted Subsidiaries

Parent will not permit any Restricted Subsidiary, other than the Issuers, a Guarantor or a special-purpose Restricted Subsidiary formed in connection with Receivables Facilities, to guarantee the payment of any Indebtedness of Parent, the Issuers or any other Guarantor unless:

(1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indentures providing for a Guarantee by such Restricted Subsidiary, except that with respect to a guarantee of Indebtedness of Parent, the Issuers or any Guarantor

(a) if any series of Notes or such Guarantor's Guarantee of such Notes are subordinated in right of payment to such Indebtedness, the Guarantee under the supplemental indenture shall be subordinated to such Restricted Subsidiary's guarantee with respect to such Indebtedness substantially to the same extent as such Notes are subordinated to such Indebtedness under the Indentures and

(b) if such Indebtedness is by its express terms subordinated in right of payment to any series of Notes or such Guarantor's Guarantee of such Notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to such Restricted Subsidiary's Guarantee with respect to such Notes substantially to the same extent as such Indebtedness is subordinated to such Notes;

(2) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against Parent or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee; and

(3) such Restricted Subsidiary shall deliver to the Trustee an Opinion of Counsel to the effect that

(A) such Guarantee has been duly executed and authorized and

(B) such Guarantee constitutes a valid, binding and enforceable obligation of such Restricted Subsidiary, except insofar as enforcement thereof may be limited by any Bankruptcy Law (including, without limitation, all laws relating to fraudulent transfers) and except insofar as enforcement thereof is subject to general principles of equity;

provided that this covenant shall not be applicable to any guarantee of any Restricted Subsidiary:

(1) that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; or

(2) that guarantees the payment of Obligations of Parent, either Issuer or any Restricted Subsidiary under the Senior Credit Facilities or any other Senior Indebtedness and any refunding, refinancing or replacement there of, in whole or in part, *provided* that such refunding, refinancing or replacement thereof constitutes Senior Indebtedness and *provided further* that any such Senior Indebtedness and any refunding, refinancing or replacement thereof is not incurred pursuant to a registered offering of securities under the Securities Act or a private placement of securities (including under Rule 144A) pursuant to an exemption from the registration requirements of the Securities Act, which private placement provides for registration rights under the Securities Act.

Limitation on Layering

The Parent will not, and will not permit any Issuer or Guarantor to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) that is subordinate in right of payment to any Senior Indebtedness of Parent, such Issuer or such Guarantor, as the case may be, unless such Indebtedness is either

(A) equal in right of payment with the Notes or Parent's, such Issuer's or such Guarantor's Guarantee, as the case may be, or

(B) expressly subordinated in right of payment to the Notes or Parent's, such Issuer's or such Guarantor's Guarantee Notes, as the case may be.

The Indentures do not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) Senior Indebtedness as subordinated or junior to any other Senior Indebtedness merely because it has a junior priority with respect to the same collateral.

Reports and Other Information

Notwithstanding that Parent may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the SEC, the Indentures will require Parent to file with the SEC (and make available to the Trustee and Holders of the Notes (without exhibits), without cost to each Holder, within 15 days after it files them with the SEC),

(1) within 120 days (or any other time period then in effect under the rules and regulations of the Exchange Act with respect to the filing of a Form 20-F) after the end of each fiscal year, annual reports on Form 20-F, or any successor or comparable form, containing the information required to be contained therein, or required in such successor or comparable form;

(2) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, reports on Form 6-K containing all quarterly information that would be required to be contained in Form 10-Q, or any successor or comparable form, except that unaudited financial information contained therein shall be permitted to be prepared on a basis consistent with the audited financial information presented in Form 20-F;

(3) promptly from time to time after the occurrence of an event required to be therein reported, such other reports on Form 6-K, or any successor or comparable form; and

(4) any other information, documents and other reports which Parent would be required to file with the SEC if it were subject to Section 13 or 15(d) of the Exchange Act;

provided that Parent shall not be so obligated to file such reports with the SEC if the SEC does not permit such filing, in which event Parent will make available such information to prospective purchasers of Notes, in addition to providing such information to the Trustee and the Holders of the Notes, in each case within 15 days after the time Parent would be required to file such information with the SEC, if it were subject to Sections 13 or 15(d) of the Exchange Act.

In the event that any direct or indirect parent company of Parent becomes a guarantor of the Notes, the Indentures will permit Parent to satisfy its obligations in this covenant with respect to financial information relating to Parent by furnishing financial information relating to such parent; *provided* that the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such parent, on the one hand, and the information relating to Parent and the Restricted Subsidiaries on a standalone basis, on the other hand.

Notwithstanding the foregoing, such requirements shall be deemed satisfied prior to the commencement of the exchange offer or the effectiveness of the shelf registration statement by the filing with the SEC of the Exchange Offer Registration Statement or Shelf Registration Statement within the time periods specified in the Registration Rights Agreement, and any amendments thereto, with such financial information that satisfies Regulation S-X of the Securities Act.

Events of Default and Remedies

The Indentures provide that each of the following is an Event of Default:

(1) default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of, or premium, if any, on the Notes issued under the applicable Indenture (whether or not prohibited by the subordination provisions Notes or of Guarantees);

(2) default for 30 days or more in the payment when due of interest or Additional Amounts on or with respect to the Notes issued under the applicable Indenture, whether or not prohibited by the subordination provisions of the Notes or of Guarantees);

(3) failure by Parent or any Issuer, as applicable, to comply for 30 days after notice by the Trustee or the holders of not less than 30% in principal amount of the Notes then outstanding of such series with any of its obligations in the covenants described above under "Offer to Purchase Change of Control" (other than a failure to purchase Notes of that series) or "Offer to Purchase Asset Sales" (other than a failure to purchase Notes of that series) or under "Certain Covenants" under " Limitation on Restricted Payments", " Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock", " Liens", " Limitation on Guarantees of Indebtedness by Restricted Subsidiaries", " Transactions with Affiliates", " Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries", " Limitation on Layering" or " Reports and Other Information;"

(4) failure by Parent or any Guarantor for 60 days after receipt of written notice given by the Trustee or the Holders of not less 30% in principal amount of the then outstanding Notes and issued under the applicable Indenture to comply with any of its other agreements contained in the applicable Indenture or such Notes;

(5) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by Parent or any Restricted Subsidiary or the payment of which is guaranteed by Parent or any Restricted

Subsidiary, other than Indebtedness owed to Parent or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the issuance of the Notes, if both

(A) such default either results from the failure to pay any such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its stated maturity and

(B) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate $50.0 million or more at any one time outstanding;

(6) failure by Parent, any Issuer or any Significant Subsidiary to pay final judgments aggregating in excess of $50.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

(7) certain events of bankruptcy or insolvency with respect to Parent, any Issuer or any Significant Subsidiary;

(8) the Guarantee of any Significant Subsidiary shall for any reason cease to be in full force and effect or be declared null and void or any responsible officer of any Guarantor that is a Significant Subsidiary, as the case may be, denies that it has any further liability under its Guarantee or gives notice to such effect, other than by reason of the termination of the related Indentures or the release of any such Guarantee in accordance with the Indentures; or

(9) an Event of Default under any of the other Indentures governing the Notes.

If any Event of Default (other than of a type specified in clause (8) above) occurs and is continuing under an Indenture, the Trustee or the Holders of at least 30% in principal amount of the then total outstanding Notes may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding Notes issued under the applicable Indenture to be due and payable immediately; *provided, however*, that, so long as any Indebtedness permitted to be incurred under the Indentures as part of the Senior Credit Facilities shall be outstanding, no such acceleration shall be effective until the earlier of

(1) acceleration of any such Indebtedness under the Senior Credit Facilities, or

(2) five Business Days after the giving of written notice of such acceleration to any Issuer and the administrative agent under the Senior Credit Facilities.

Upon the effectiveness of such declaration, such principal and interest will be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (8) of the first paragraph of this section, all outstanding Notes will become due and payable without further action or notice. The Indentures provide that the Trustee may withhold from Holders notice of any continuing Default or Event of Default, except a Default or Event of Default relating to the payment of principal, premium, if any, or interest, if it determines that withholding notice is in their interest. In addition, the Trustee shall have no obligation to accelerate the Notes if in the best judgment of the Trustee acceleration is not in the best interest of the Holders of such Notes.

Each Indenture provides that the Holders of a majority in aggregate principal amount of the then outstanding Notes thereunder by notice to the Trustee may on behalf of the Holders of all of such Notes waive any existing Default or Event of Default and its consequences under such Indenture except a continuing Default or Event of Default in the payment of interest on, premium, if any, or the principal of any such Note held by a non-consenting Holder.

(1) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, or

(2) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default, or

(3) if the default that is the basis for such Event of Default has been cured.

Subject to the provisions of the Indentures relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under any Indenture at the request or direction of any of the Holders of the Notes of such series unless such Holders have offered to the Trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder of a Note may pursue any remedy with respect to any Indenture or the Notes of such series unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the total outstanding Notes of such series have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security or indemnity reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) Holders of a majority in principal amount of the total outstanding Notes of such series have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, under any Indenture the Holders of a majority in principal amount of the total outstanding Notes of such series are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indentures or that the Trustee determines is unduly prejudicial to the rights of any other Holder of a Note or that would involve the Trustee in personal liability.

The Indentures provide that Parent is required to deliver to the Trustee annually a statement regarding compliance with the Indentures, and Parent is required, within five Business Days, upon becoming aware of any Default or Event of Default or any default under any document, instrument or agreement representing Indebtedness of Parent, an Issuer or any Guarantor, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of Parent, Issuer or any Guarantor or any of their parent companies shall have any liability for any obligations of Parent, the Issuers or the Guarantors under the Notes, the Guarantees, the Indentures, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting the Notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The obligations of Parent, the Issuers and the related Guarantors under the Indentures will terminate (other than certain obligations) and will be released upon payment in full of all of the Notes issued under the Indentures. The Issuers may, at their option and at any time, elect to have all of their obligations discharged with respect to the Notes issued under the Indentures and have Parent's, the non-issuing Issuer's and each Guarantor's obligation discharged with respect to its Guarantee ("*Legal Defeasance*") and cure all then existing Events of Default except for

(1) the rights of Holders of Notes issued under the Indentures to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due solely out of the trust created pursuant to the Indentures,

(2) such Issuer's obligations with respect to Notes issued under the Indentures concerning issuing temporary Notes, registration of such Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust,

(3) the rights, powers, trusts, duties and immunities of the Trustee, and such Issuer's obligations in connection therewith and

(4) the Legal Defeasance provisions of the Indentures.

In addition, an Issuer may, at its option and at any time, elect to have its obligations and those of each Guarantor released with respect to certain covenants that are described in the Indentures ("*Covenant Defeasance*") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including bankruptcy, receivership, rehabilitation and insolvency events pertaining to such Issuer) described under "Description of Certain Indebtedness Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the Notes issued under the Indentures:

(1) such Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest due on the Notes issued under the Indentures on the stated maturity date or on the redemption date, as the case may be, of such principal, premium, if any, or interest on the Notes;

(2) in the case of Legal Defeasance, such Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States or Canada, as applicable, reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions,

(A) such Issuer has received from, or there has been published by, the United States Internal Revenue Service or the relevant Canadian authority, as applicable, a ruling or

(B) since the issuance of the Notes, there has been a change in the applicable U.S. federal income or Canadian tax law, as applicable,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, subject to customary assumptions and exclusions, the Holders will not recognize income, gain or loss for U.S. federal income or Canadian tax purposes, as applicable, as a result of such Legal Defeasance and will be subject to U.S. federal income or Canadian tax, as applicable, on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, such Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States or Canada, as applicable, each reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the Holders will not recognize income, gain or loss for U.S. federal income or Canadian tax purposes, as applicable, as a result of such Covenant Defeasance and will be subject to such tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default (other than that resulting from borrowing funds to be applied to make such deposit) shall have occurred and be continuing on the date of such deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Senior Credit Facilities or any other material agreement or instrument (other than the Indentures) to which, such Issuer or any Guarantor is a party or by which such Issuer or any Guarantor is bound;

(6) such Issuer shall have delivered to the Trustee an Opinion of Counsel to the effect that, as of the date of such opinion and subject to customary assumptions and exclusions following the deposit, the trust funds will not be subject to the effect of Section 547 of Title II of the United States Code;

(7) such Issuer shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by such Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of such Issuer or any Guarantor or others; and

(8) such Issuer shall have delivered to the Trustee an Officers' Certificate and Opinions of Counsel in the United States or Canada, as applicable, (which Opinions of Counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

Each Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when either

(1) all applicable Notes theretofore authenticated and delivered, except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust, have been delivered to the Trustee for cancellation; or

(2) (a) all applicable Notes not theretofore delivered to such Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers and the Issuers or any Guarantor have irrevocably deposited or caused to be deposited with such Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default (other than that resulting from borrowing funds to be applied to make such deposit) with respect to the Indentures or the Notes issued thereunder shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under the Credit Facilities or any other material agreement or instrument (other than the Indentures) to which the Issuers or any Guarantor is a party or by which the Issuers or any Guarantor is bound;

(c) the Issuers have paid or caused to be paid all sums payable by it under the Indentures; and

(d) the Issuers have delivered irrevocable instructions to the Trustee under the Indentures to apply the deposited money toward the payment of such Notes at maturity or the redemption date, as the case may be.

In addition, the Issuers must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, each Indenture, any related guarantee and the Notes issued thereunder may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes of such series then outstanding and issued under such Indenture, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes, and any existing Default or Event of Default or compliance with any provision of such Indenture or the Notes issued thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under such Indenture, other than Notes beneficially owned by Parent or its Affiliates (including consents obtained in connection with a purchase of or tender offer or exchange offer for the Notes).

Each Indenture provides that, without the consent of each Holder affected, an amendment or waiver may not, with respect to any Notes issued under such Indenture and held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(2) reduce the principal of or change the fixed maturity of any such Note or alter or waive the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described under the caption),

(3) reduce the rate of or change the time for payment of interest on any Note,

(4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes issued under such Indenture, except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes of such series and a waiver of the payment default that resulted from such acceleration, or in respect of a covenant or provision contained in such Indenture or any guarantee which cannot be amended or modified without the consent of all Holders,

(5) make any Note payable in money other than that stated in the Notes,

(6) make any change in the provisions of such Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of or premium, if any, or interest on the Notes,

(7) make any change in these amendment and waiver provisions,

(8) impair the right of any Holder to receive payment of principal of, or interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes, or

(9) make any change in the subordination provisions of the Indentures that would adversely affect the Holders.

Notwithstanding the foregoing, without the consent of any Holder, Parent, the Issuers, any Guarantor (with respect to a Guarantee or the Indentures to which it is a party) and the Trustee may amend or supplement the Indentures relating to a series of Notes, any Guarantee or the Notes:

(1) to cure any ambiguity, omission, mistake, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to comply with the covenant relating to mergers, consolidations or sales of all or substantially all assets;

(4) to provide the assumption of Parent's, the Issuers' or any Guarantor's obligations to Holders;

(5) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Indentures of any such Holder;

(6) to add covenants for the benefit of the Holders or to surrender any right or power conferred upon Parent, the Issuers or any Guarantor;

(7) to comply with requirements of the SEC in order to effect or maintain the qualification of the Indentures under the Trust Indenture Act;

(8) to evidence and provide for the acceptance and appointment under the Indentures of a successor Trustee pursuant to the requirements thereof;

(9) to provide for the issuance of exchange notes or private exchange notes, which are identical to exchange notes except that they are not freely transferable;

(10) to add a Guarantor under the Indentures;

(11) to conform the text of the Indentures, Guarantees or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indentures, the Guarantees or the Notes; or

(12) making any amendment to the provisions of the Indentures relating to the transfer and legending of Notes of the series issued under that Indenture as permitted by such Indenture, including, without limitation to facilitate the issuance and administration of the Notes; *provided*, *however*, that (i) compliance with the Indentures as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of Holders to transfer Notes.

The consent of the Holders is not necessary under the Indentures to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Notices

Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing.

Concerning the Trustee

The Indentures contain certain limitations on the rights of the Trustee, should it become a creditor of Parent, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

Each Indenture provides that the Holders of a majority in principal amount of the outstanding Notes issued thereunder will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indentures provide that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indentures at the request of any Holder of the Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Governing Law

Each Indenture, each series of Notes and any Guarantee will be governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms used in the Indentures. For purposes of the Indentures, unless otherwise specifically indicated, the term "consolidated" with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries, and excludes from such consolidation any Unrestricted Subsidiary as if such Unrestricted Subsidiary were not an Affiliate of such Person.

"*Acquired Indebtedness*" means, with respect to any specified Person,

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Additional Interest*" means all additional interest then owing pursuant to the Registration Rights Agreement.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Applicable Premium*" means, with respect to any Note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of the Note; and

(2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of the Note at April 6, 2010, (such redemption price being set forth in the table appearing above under the caption "Optional Redemption"), plus (ii) all required interest payments due on the Note through April 6, 2010 (excluding accrued but unpaid interest to) the Redemption Date, computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the principal amount of the Note.

"*Asset Sale*" means:

(1) the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets (including by way of a Sale and Lease-Back Transaction) of Parent or any Restricted Subsidiary (each referred to in this definition as a "disposition") or

(2) the issuance or sale of Equity Interests of any Restricted Subsidiary, whether in a single transaction or a series of related transactions, in each case, other than:

(a) any disposition of Cash Equivalents or Investment Grade Securities or obsolete or worn out equipment in the ordinary course of business or any disposition of inventory or goods held for sale in the ordinary course of business;

(b) the disposition of all or substantially all of the assets of Parent in a manner permitted pursuant to the provisions described above under "Certain Covenants Merger, Consolidation or Sale of All or Substantially All Assets" or any disposition that constitutes a Change of Control pursuant to the Indentures;

(c) the making of any Restricted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described above under "Certain Covenants Limitation on Restricted Payments";

(d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of transactions with an aggregate fair market value of less than $25.0 million;

(e) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to Parent or by Parent or a Restricted Subsidiary to a Restricted Subsidiary;

(f) to the extent allowable under Section 1031 of the Internal Revenue Code of 1986, any exchange of like property (excluding any boot thereon) for use in a Similar Business;

(g) the lease, assignment or sub-lease of any real or personal property in the ordinary course of business;

(h) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary (with the exception of Investments in Unrestricted Subsidiaries acquired pursuant to clause (h) of the definition of Permitted Investments);

(i) foreclosures on assets;

(j) sales of accounts receivable, or participations therein, in connection with any Receivables Facility; and

(k) any financing transaction with respect to property built or acquired by Parent or any Restricted Subsidiary after the Bridge Closing Date, including Sale and Lease-Back Transactions and asset securitizations permitted by the Indentures.

"*Board Resolution*" means with respect to Parent or an Issuer, a duly adopted resolution of the Board of Directors of Parent or an Issuer, as the case may be, or any committee thereof.

"*Bridge Closing Date*" means April 6, 2005.

"*Business Day*" means each day which is not a Legal Holiday.

"*Capital Stock*" means

(1) in the case of a corporation, corporate stock,

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock,

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited), and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Capitalized Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP.

"*Cash Equivalents*" means

(1) United States dollars,

(2) Canadian dollars,

(3) (a) euro, or any national currency of any participating member state in the European Union, or

(b) in the case of any Foreign Subsidiary that is a Restricted Subsidiary, such local currencies held by them from time to time in the ordinary course of business,

(4) securities issued or directly and fully and unconditionally guaranteed or insured by the Canadian or U.S. government or any agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition,

(5) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus of not less than $250.0 million in the case of U.S. banks and $100.0 million (or the U.S. dollar equivalent as of the date of determination) in the case of non-U.S. banks,

(6) repurchase obligations for underlying securities of the types described in clauses (4) and (5) entered into with any financial institution meeting the qualifications specified in clause (5) above,

(7) commercial paper rated at least P-1 by Moody's or at least A-1 by S&P and in each case maturing within 12 months after the date of creation thereof,

(8) marketable short-term money market and similar securities having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case maturing within 12 months after the date of creation thereof,

(9) investment funds investing 95% of their assets in securities of the types described in clauses (1) through (8) above,

(10) readily marketable direct obligations issued by any state of the United States or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P with maturities of 24 months or less from the date of acquisition and

(11) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 12 months or less from the date of acquisition.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (1) through (3) above, *provided* that such amounts are converted into any currency listed in clauses (1) through (3) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"*Change of Control*" means the occurrence of any of the following:

(1) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of Parent and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder; or

(2) Parent or any Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of 50% or more of the total voting power of the Voting Stock of Parent or any of its direct or indirect parent companies holding directly or indirectly 100% of the total voting power of the Voting Stock of the Parent.

"*Consolidated Depreciation and Amortization Expense*" means with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of deferred financing fees of such Person and its Restricted Subsidiaries for such period on a consolidated basis and otherwise determined in accordance with GAAP.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount resulting from the issuance of Indebtedness at less than par, non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments

pursuant to GAAP), the interest component of Capitalized Lease Obligations and net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and any expensing of bridge, commitment and other financing fees), and

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued less

(3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income, of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided, however*, that, without duplication,

(1) any after-tax effect of extraordinary, non-recurring or unusual gains or losses (less all fees and expenses relating thereto) or expenses (including relating to severance, relocation costs, curtailments or modifications to pension and postretirement employee benefit plans, inventory provisions and write-downs, new product introductions, one-time compensation charges and the Transaction) shall be excluded,

(2) the Net Income for such period shall not include the cumulative effect of a change in accounting principles during such period,

(3) any after-tax effect of income (loss) from disposed or discontinued operations and any net after-tax gains or losses on disposal of disposed, abandoned or discontinued operations shall be excluded,

(4) any after-tax effect of gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions other than in the ordinary course of business, as determined in good faith by the Board of Directors of Parent, shall be excluded,

(5) the Net Income for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be excluded; *provided* that Consolidated Net Income of Parent shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof in respect of such period,

(6) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(1) of the first paragraph of "Certain Covenants Limitation on Restricted Payments", the Net Income for such period of any Restricted Subsidiary (other than any Guarantor) shall be excluded if the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination wholly permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived, *provided* that Consolidated Net Income of Parent will be increased by the amount of dividends or other distributions or other payments actually paid in cash (or to the extent converted into cash) to

Parent or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein,

(7) effects of adjustments (including the effects of such adjustments pushed down to Parent, the Issuers and their subsidiaries) in any line item in such Person's consolidated financial statements pursuant to GAAP resulting from the application of purchase accounting in relation to the Transaction or any acquisition that is consummated after the Bridge Closing Date, net of taxes, shall be excluded,

(8) any after-tax effect of income (loss) from the early extinguishment of Indebtedness or Hedging Obligations or other derivative instruments shall be excluded,

(9) any impairment charge or asset write-off pursuant to GAAP and the amortization of intangibles arising pursuant to GAAP shall be excluded, and

(10) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights shall be excluded.

Notwithstanding the foregoing, for the purpose of the covenant described under "Certain Covenants Limitation on Restricted Payments" only (other than clause (c)(iv) thereof), there shall be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by Parent and the Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments from Parent and the Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by Parent or any Restricted Subsidiary, any sale of the stock of an Unrestricted Subsidiary or any distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (c)(iv) thereof.

"*Consolidated Secured Debt Ratio*" as of any date of determination means, the ratio of (1) Consolidated Total Indebtedness of Parent and its Restricted Subsidiaries that is secured by Liens as of the end of the most recent fiscal period for which financial reports have been filed with the Commission or provided to the Trustee, to (2) the aggregate amount of EBITDA for the then most recent four fiscal quarters for which reports have been filed with the Commission or provided to the Trustee, in each case with such pro forma adjustments to Consolidated Total Indebtedness and EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of Fixed Charge Coverage Ratio.

"*Consolidated Total Indebtedness*" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of Parent and its Restricted Subsidiaries on a consolidated basis and (2) the aggregate amount of all outstanding Disqualified Stock of Parent and all preferred stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and preferred stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with GAAP.

For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock or preferred stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indentures, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock or preferred stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of Parent.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent,

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor,

(2) to advance or supply funds

(a) for the purchase or payment of any such primary obligation or

(b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facilities*" means, with respect to Parent or any of its Restricted Subsidiaries, one or more debt facilities, including the Senior Credit Facilities, or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, receivables financing, including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against receivables, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (*provided* that such increase in borrowings is permitted under "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock") or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Noncash Consideration*" means the fair market value of noncash consideration received by Parent or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Noncash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation, executed by a senior vice president and the principal financial officer of Parent, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Noncash Consideration.

"*Designated Preferred Stock*" means preferred stock of Parent or any parent corporation thereof (in each case other than Disqualified Stock) that is issued for cash (other than to a Restricted Subsidiary) and is so designated as Designated Preferred Stock, pursuant to an Officers' Certificate executed by a senior vice president and the principal financial officer of Parent or the applicable parent corporation thereof, as the case may be, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (c) of the first paragraph of the "Certain Covenants Limitation on Restricted Payments" covenant.

"*Designated Senior Indebtedness*" means

(1) any Indebtedness outstanding under the Senior Credit Facilities; and

(2) any other Senior Indebtedness permitted under the Indentures, the principal amount of which is $25.0 million or more and that has been designated by Parent as "Designated Senior Indebtedness."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person which, by its terms, or by the terms of any security into which it is convertible or for which it is putable or exchangeable, or upon the happening of any event, matures or is mandatorily redeemable, other than as a result of a change of control or asset sale, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, other than as a result of a change of control or asset sale, in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the Notes or the date the Notes are no longer outstanding; *provided, however*, that if such Capital Stock is issued to any plan for the benefit of employees of Parent or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by Parent or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

"*EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period

(1) increased (without duplication) by:

(a) provision for taxes based on income or profits, plus franchise or similar taxes, foreign withholding taxes and provincial capital taxes of such Person for such period deducted in computing Consolidated Net Income, *plus*

(b) Consolidated Interest Expense of such Person for such period (together with charges in connection with the sale of receivables for such Person for such period to the extent not included in Consolidated Interest Expense) to the extent the same was deducted in calculating such Consolidated Net Income, *plus*

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted in computing Consolidated Net Income, *plus*

(d) any expenses or charges (other than depreciation or amortization expense) related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by the Indentures (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the offering of the Notes and the Credit Facilities and (ii) any amendment or other modification of the Notes, and, in each case, deducted in computing Consolidated Net Income, *plus*

(e) the amount of any restructuring charge deducted in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions after the Bridge Closing Date and costs related to the closure and/or consolidation of facilities, *plus*

(f) any other non-cash charges, including any write off or write downs, reducing Consolidated Net Income for such period, (*provided* that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall be subtracted from EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period), *plus*

(g) the amount of any minority interest expense deducted in such period in calculating Consolidated Net Income (less the amount of any cash dividends paid to the holders of such minority interests), *plus*

(h) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Investors or any of their respective Affiliates, *plus*

(i) costs of surety bonds incurred in such period in connection with financing activities;

(2) decreased by (without duplication) non-cash items increasing Consolidated Net Income of such Person for such period, excluding any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period; and

(3) increased or decreased by (without duplication):

(a) any net gain or loss resulting in such period from Hedging Obligations, *plus* or *minus*, as applicable,

(b) any net gain or loss resulting in such period from currency transaction gains or losses related to currency remeasurements (including any net loss or gain resulting from hedge agreements for currency exchange risk), *plus* or *minus*, as applicable,

(c) without duplication, the Historical Adjustments incurred in such period.

"*EMU*" means economic and monetary union as contemplated in the Treaty on European Union.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"*Equity Offering*" means any public or private sale of common stock or preferred stock of Parent or any of its direct or indirect parent companies (excluding Disqualified Stock), other than

(1) public offerings with respect to Parent's or any direct or indirect parent company's common stock registered on Form S-8;

(2) issuances to any Subsidiary of Parent; and

(3) any such public or private sale that constitutes an Excluded Contribution.

"*euro*" means the single currency of participating member states of the EMU.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contribution*" means net cash proceeds, marketable securities or Qualified Proceeds received by Parent from

(1) contributions to its common equity capital, and

(2) the sale (other than to a Subsidiary of Parent or to any management equity plan or stock option plan or any other management or employee benefit plan or agreement of Parent) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of Parent,

in each case designated as Excluded Contributions pursuant to an officers' certificate executed by a senior vice president and the principal financial officer of Parent on the date such capital contributions are made or the date such Equity Interests are sold, as the case may be, which are excluded from the calculation set forth in clause (c) of the first paragraph under "Certain Covenants Limitation on Restricted Payments."

"*Existing Indebtedness*" means Indebtedness of Parent or the Restricted Subsidiaries in existence on the Bridge Closing Date, plus interest accruing thereon.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that Parent or any Restricted Subsidiary incurs, assumes, guarantees, redeems, retires or

extinguishes any Indebtedness or issues or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, redemption, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or preferred stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, consolidations and disposed operations (as determined in accordance with GAAP) that have been made by Parent or any Restricted Subsidiary during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed operations (and the change in any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into Parent or any Restricted Subsidiary since the beginning of such period) shall have made any Investment, acquisition, disposition, merger, consolidation or disposed operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of Parent. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of Parent to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as Parent may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of

(1) Consolidated Interest Expense of such Person for such period,

(2) all cash dividend payments (excluding items eliminated in consolidation) on any series of preferred stock (including any Designated Preferred Stock) or any Refunding Capital Stock of such Person made during such period, and

(3) all cash dividend payments (excluding items eliminated in consolidation) on any series of Disqualified Stock made during such period.

"*Foreign Subsidiary*" means, with respect to any Person, any Restricted Subsidiary of such Person that is not organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof.

"*GAAP*" means generally accepted accounting principles in Canada which are in effect on the Bridge Closing Date.

"*Government Securities*" means securities that are

(1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

"*guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means the guarantee by Parent, the non-issuing Issuer or any Guarantor of an Issuer's Obligations under the Indentures.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate or currency risks either generally or under specific contingencies.

"*Historical Adjustments*" means with respect to any Person, without duplication, the following items to the extent incurred prior to the Bridge Closing Date (or, with respect to item (9) below, prior to December 31, 2005) and, in each case, during the applicable period:

(1) extraordinary losses and unusual or non-recurring charges, including severance, relocation costs, curtailments or modifications to pension and postretirement employee benefit plans, costs related to labor disruptions or strikes, direct costs of extreme weather conditions such as hurricanes (it being agreed that the aggregate amount of such costs related to labor disruptions or strikes and direct costs of extreme weather conditions shall be $1,800,000 for the third fiscal quarter of fiscal year 2004), inventory provisions and write-downs and one-time compensation charges;

(2) gains (losses) from the early extinguishment of Indebtedness;

(3) the cumulative effect of a change in accounting principles;

(4) gains (losses), net of tax, from disposed or discontinued operations;

(5) non-cash adjustments to LIFO reserves;

(6) gains (losses) attributable to the disposition of fixed assets;

(7) other costs consisting of (a) one-time restructuring charges, (b) one-time severance costs in connection with former employees, (c) debt financing costs, (d) fees and expenses related to acquisitions, (e) consulting services in connection with acquisitions and (f) non-cash charges related to stock-based awards expense (including charges related to effect of the increase in the value of

the stock of Masonite International Corporation on restricted stock units and deferred stock units prior to the occurrence of the Transaction);

(8) with respect to any entity acquired by or consolidated with Parent during the twelve months ended December 31, 2004, the amount of EBITDA for such entity for the period from January 1, 2004 through the date of such acquisition or consolidation, all as determined on a consolidated basis for such entity in accordance with GAAP; and

(9) the estimated cost savings that would have been achieved had (a) the supply contract, dated March 28, 2002, between Masonite International Corporation and a supplier been terminated at the beginning of such period and (b) certain door components purchased by an acquired door plant from this supplier instead been manufactured by Masonite during such period (it being agreed that such cost savings relating to the contracts in (a) and (b), in the aggregate, for each of the fiscal quarters in fiscal year 2004 would have been $2,550,000 and for the first fiscal quarter in fiscal year 2005 would have been $1,250,000).

"*Holder*" means the Person in whose name a Note is registered on the Registrar's books.

"*Indebtedness*" means, with respect to any Person, without duplication,

(1) any indebtedness (including principal and premium) of such Person, whether or not contingent

(a) in respect of borrowed money,

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without double counting, reimbursement agreements in respect thereof),

(c) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations), except any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business, or

(d) representing any Hedging Obligations,

if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP,

(2) to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the obligations of the type referred to in clause (1) of another Person (whether or not such items would appear upon the balance sheet of the such obligor or guarantor), other than by endorsement of negotiable instruments for collection in the ordinary course of business, and

(3) to the extent not otherwise included, the obligations of the type referred to in clause (1) of another Person secured by a Lien on any asset owned by such Person, whether or not such Indebtedness is assumed by such Person;

provided, however, that notwithstanding the foregoing, Indebtedness shall be deemed not to include (a) Contingent Obligations incurred in the ordinary course of business or (b) obligations under or in respect of Receivables Facilities.

"*Independent Financial Advisor*" means an accounting, appraisal, investment banking firm or consultant to Persons engaged in Similar Businesses of nationally recognized standing that is, in the good faith judgment of Parent, qualified to perform the task for which it has been engaged.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"*Investment Grade Securities*" means

(1) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents),

(2) debt securities or debt instruments with a rating of BBB- or higher by S&P or Baa3 or higher by Moody's or the equivalent of such rating by such rating organization, or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any other nationally recognized securities rating agency, but excluding any debt securities or instruments constituting loans or advances among Parent and its Subsidiaries,

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) which fund may also hold immaterial amounts of cash pending investment or distribution, and

(4) corresponding instruments in countries other than the United States customarily utilized for high quality investments.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of Parent in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "Certain Covenants Limitation on Restricted Payments,"

(1) "Investments" shall include the portion (proportionate to Parent's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of Parent at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Parent shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to

(a) Parent's "Investment" in such Subsidiary at the time of such redesignation less

(b) the portion (proportionate to Parent's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of Parent.

"*Investors*" means Kohlberg Kravis Roberts & Co. L.P. and its Affiliates.

"*Issue Date*" means with respect to a Note, the date on which such Note was issued pursuant to the terms of the applicable Indenture.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends.

"*Net Proceeds*" means the aggregate cash proceeds received by Parent or any Restricted Subsidiary in respect of any Asset Sale, including any cash received upon the sale or other disposition of any Designated Noncash Consideration received in any Asset Sale, net of the direct costs relating to such Asset Sale and the sale or disposition of such Designated Noncash Consideration, including legal, accounting and investment banking fees, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of principal, premium, if any, and interest on Senior Indebtedness or Senior Subordinated Indebtedness required (other than required by clause (1) of the second paragraph of "Offer to Purchase Asset Sales") to be paid as a result of such transaction and any deduction of appropriate amounts to be provided by Parent, Issuer or any Restricted Subsidiary as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by Parent after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"*Obligations*" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary.

"*Officers' Certificate*" means a certificate signed on behalf of Parent by two Officers of Parent, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of Parent, that meets the requirements set forth in the Indentures.

"*Opinion of Counsel*" means a written opinion from legal counsel. The counsel may be an employee of or counsel to Parent or an Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between Parent or any of its Restricted Subsidiaries and another Person; *provided*, that any cash or Cash Equivalents received must be applied in accordance with the "Asset Sales" covenant.

"*Permitted Holders*" means each of the Investors and their respective Affiliates and members of management of Parent (or its direct parent) who are shareholders of Parent (or its direct parent) on the Bridge Closing Date and any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members; *provided,* that, in the case of such group and without giving effect to the existence of such group or any other group, such Investors, Affiliates and members of management, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of Parent or any of its direct or indirect parent companies.

"*Permitted Investments*" means

(1) any Investment in Parent or any Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents or Investment Grade Securities;

(3) any Investment by Parent or any Restricted Subsidiary of Parent in a Person that is engaged in a Similar Business if as a result of such Investment

(a) such Person becomes a Restricted Subsidiary or

(b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Parent or a Restricted Subsidiary;

(4) any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of "Offer to Purchase Asset Sales" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on the Bridge Closing Date;

(6) any Investment acquired by Parent or any Restricted Subsidiary

(a) in exchange for any other Investment or accounts receivable held by Parent or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of Parent of such other Investment or accounts receivable or

(b) as a result of a foreclosure by Parent or any Restricted Subsidiary with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(7) Hedging Obligations permitted under clause (10) of the covenant described in "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" covenant;

(8) any Investment in a Similar Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (8) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities), not to exceed the greater of (a) $300.0 million and (b) 10% of Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(9) Investments the payment for which consists of Equity Interests of Parent, or any of its direct or indirect parent companies (exclusive of Disqualified Stock); *provided, however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (c) of the first paragraph under the covenant described in "Certain Covenants Limitations on Restricted Payments";

(10) guarantees of Indebtedness permitted under the covenant described in "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock;"

(11) any transaction to the extent it constitutes an investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "Certain Covenants Transactions with Affiliates" (except transactions described in clauses (2), (5) and (9) of such paragraph);

(12) Investments consisting of purchases and acquisitions of inventory, supplies, material or equipment;

(13) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (13) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities), not to exceed the greater of (a) $100.0 million and (b) 4.0% of Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(14) Investments relating to any special purpose Wholly-Owned Subsidiary of Parent organized in connection with a Receivables Facility that, in the good faith determination of the Board of Directors of Parent, are necessary or advisable to effect such Receivables Facility;

(15) advances to employees not in excess of $15.0 million outstanding at any one time, in the aggregate; and

(16) loans and advances to officers, directors and employees for business-related travel expenses, moving expenses and other similar expenses, in each case incurred in the ordinary course of business.

"*Permitted Junior Securities*" means:

(1) Equity Interests in Parent, any Issuer, any Guarantor or any direct or indirect parent of Parent; or

(2) unsecured debt securities that are subordinated to all Senior Indebtedness (and any debt securities issued in exchange for Senior Indebtedness) to substantially the same extent as, or to a greater extent than, the Notes and the related Guarantees are subordinated to Senior Indebtedness under the Indentures;

provided that the term "Permitted Junior Securities" shall not include any securities distributed pursuant to a plan of reorganization if the Indebtedness under the Senior Credit Facilities is treated as part of the same class as the Notes for purposes of such plan of reorganization.

"*Permitted Liens*" means, with respect to any Person:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

(3) Liens for taxes, assessments or other governmental charges not yet due or payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of performance and surety bonds or bid bonds or with respect to other regulatory requirements or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens securing Indebtedness permitted to be incurred pursuant to clause (4) or (12) of the second paragraph under "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock";

(7) Liens existing on the Bridge Closing Date;

(8) Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided, however*, such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a subsidiary; *provided, further, however*, that such Liens may not extend to any other property owned by Parent or any Restricted Subsidiary;

(9) Liens on property at the time Parent or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into Parent or any Restricted Subsidiary; *provided, however*, that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition; *provided, further, however*, that the Liens may not extend to any other property owned by Parent or any Restricted Subsidiary;

(10) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to Parent or another Restricted Subsidiary permitted to be incurred in accordance with the covenant described under "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock";

(11) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indentures, secured by a Lien on the same property securing such Hedging Obligations;

(12) Liens on specific items of inventory of other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of Parent or any of the Restricted Subsidiaries;

(14) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by Parent and its Restricted Subsidiaries in the ordinary course of business;

(15) Liens in favor of Parent, any Issuer or any Guarantor;

(16) Liens on equipment of Parent or any Restricted Subsidiary granted in the ordinary course of business to Parent's client at which such equipment is located;

(17) Liens on accounts receivable and related assets incurred in connection with a Receivables Facility;

(18) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancing, refunding, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), (10), (11) and (15); *provided, however*, that (a) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property), and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), (10), (11) and (15) at the time the original Lien became a Permitted Lien under the Indentures, and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(19) deposits made in the ordinary course of business to secure liability to insurance carriers; and

(20) other Liens securing obligations incurred in the ordinary course of business which obligations do to exceed $25.0 million at any one time outstanding.

For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness.

"*Person*" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*preferred stock*" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"*Qualified Proceeds*" means assets that are used or useful in, or Capital Stock of any Person engaged in, a Similar Business; *provided* that the fair market value of any such assets or Capital Stock shall be determined by the Board of Directors in good faith.

"*Rating Agencies*" means Moody's and S&P or if Moody's or S&P or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by Parent (as certified by a Board Resolution) which shall be substituted for Moody's or S&P or both, as the case may be.

"*Receivables Facility*" means one or more receivables financing facilities, as amended from time to time, the Indebtedness of which is non-recourse (except for standard representations, warranties, covenants and indemnities made in connection with such facilities) to Parent and the Restricted Subsidiaries pursuant to which Parent or any of its Restricted Subsidiaries sells its accounts receivable to a Person that is not a Restricted Subsidiary.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Facility.

"*Registration Rights Agreement*" means the Registration Rights Agreement dated as of October 6, 2006, among Parent, the Issuers, the Guarantors and the Trustee.

"*Related Business Assets*" means assets (other than cash or Cash Equivalents) used or useful in a Similar Business, *provided* that any assets received by Parent or a Restricted Subsidiary in exchange for assets transferred by Parent or a Restricted Subsidiary shall not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness of Parent or the Issuers.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, any direct or indirect Subsidiary of Parent or the Issuers, as the case may be, (including any Foreign Subsidiary) that is not then an Unrestricted Subsidiary; *provided, however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary".

"*S&P*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Sale and Lease-Back Transaction*" means any arrangement with any Person providing for the leasing by Parent or any Restricted Subsidiary of any real or tangible personal property, which property has been or is to be sold or transferred by Parent or such Restricted Subsidiary to such Person in contemplation of such leasing.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means any indebtedness of Parent secured by a Lien.

"*Securities Act*" means the Securities Act of 1933 and the rules and regulations of the SEC promulgated thereunder.

"*Senior Credit Facilities*" means the Credit Agreement entered into as of April 6, 2005 by and among Parent, the Issuers, the lenders party thereto in their capacities as lenders thereunder, The Bank of Nova Scotia, as Administrative Agent, and The Bank of Nova Scotia, as Canadian Administrative Agent, including any guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements, refundings or refinancings thereof and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders or investors that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof (*provided* that such increase in borrowings is permitted under "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" above).

"*Senior Indebtedness*" means

(1) all Indebtedness of Parent, any Issuer or any Guarantor outstanding under the Senior Credit Facilities and related Guarantees (including interest accruing on or after the filing of any petition in bankruptcy or similar proceeding or for reorganization of Parent, any Issuer or any Guarantor (at the rate provided for in the documentation with respect thereto, regardless of whether or not a claim for post-filing interest is allowed in such proceedings)), and any and all other fees, expense reimbursement obligations, indemnification amounts, penalties, and other amounts (whether existing on the Bridge Closing Date or thereafter created or incurred) and all obligations of Parent, the Issuers or any Guarantor to reimburse any bank or other Person in respect of amounts paid under letters of credit, acceptances or other similar instruments;

(2) all Hedging Obligations (and guarantees thereof) owing to a Lender (as defined in the Senior Credit Facilities) or any Affiliate of such Lender (or any Person that was a Lender or an Affiliate of such Lender at the time the applicable agreement giving rise to such Hedging Obligation was entered into), *provided* that such Hedging Obligations are permitted to be incurred under the terms of the Indentures;

(3) any other Indebtedness of Parent, any Issuer or any Guarantor permitted to be incurred under the terms of the Indentures, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes or any related Guarantee;

(4) all Obligations with respect to the items listed in the preceding clauses (1), (2) and (3);

provided, however, that Senior Indebtedness shall not include:

(1) any obligation of such Person to Parent or any Subsidiary;

(2) any liability for federal, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business;

(4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or

(5) that portion of any Indebtedness which at the time of incurrence is incurred in violation of the Indentures *provided*, *however*, that such Indebtedness shall be deemed not to have been incurred in violation of the Indenture for purposes of this clause if such Indebtedness consists of Designated Senior Indebtedness, and the holder(s) of such Indebtedness of their agent or representative (a) had no actual knowledge at the time of incurrence that the incurrence of such Indebtedness violated the Indenture and (b) shall have received a certificate from an officer of the Issuers to the effect that the incurrence of such Indebtedness does not violate the provisions of the Indentures.

"*Senior Subordinated Indebtedness*" means

(1) with respect to an Issuer, Indebtedness which ranks equal in right of payment to the Notes issued by such Issuer, and

(2) with respect to Parent, an Issuer (with respect to its Guarantee) or any Guarantor, Indebtedness which ranks equal in right of payment to the Guarantee of such entity of Notes.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Bridge Closing Date.

"*Similar Business*" means any business conducted or proposed to be conducted by Parent and its Restricted Subsidiaries on the Bridge Closing Date or any business that is similar, reasonably related, incidental or ancillary thereto.

"*Subordinated Indebtedness*" means

(1) any Indebtedness of an Issuer which is by its terms subordinated in right of payment to such series of Notes, and

(2) any Indebtedness of Parent, the non-issuing Issuer or any Guarantor which is by its terms subordinated in right of payment to the guarantee of such entity of such series of Notes.

"*Subsidiary*" means, with respect to any Person,

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries

of that Person or a combination thereof or is consolidated under GAAP with such Person at such time and

(2) any partnership, joint venture, limited liability company or similar entity of which

(x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise, and

(y) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Total Assets*" means the total assets of Parent and the Restricted Subsidiaries on a consolidated basis, as shown on the most recent balance sheet of Parent.

"*Transaction*" means the transactions contemplated by the Transaction Agreement, the Notes and the Senior Credit Facilities as in effect on the Bridge Closing Date.

"*Transaction Agreement*" means the Second Amended and Restated Combination Agreement dated as of February 17, 2005 between Stile Acquisition Corp. and Masonite International Corporation.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to April 6, 2010, *provided, however*, that if the period from the redemption date to April 6, 2010, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Trust Indenture Act" means the Trust Indenture Act of 1939 (15 U.S.C §§ 77aaa 777bbbb) as in effect on October 6, 2006.

"*Unrestricted Subsidiary*" means

(1) any Subsidiary of Parent, except the Issuers, which at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Parent, as provided below) and

(2) any Subsidiary of an Unrestricted Subsidiary.

The board of directors of Parent may designate any Subsidiary of Parent (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, Parent or any Subsidiary of Parent (other than any Subsidiary of the Subsidiary to be so designated), *provided* that

(1) any Unrestricted Subsidiary must be an entity of which shares of the capital stock or other equity interests (including partnership interests) entitled to cast at least a majority of the votes that may be cast by all shares or equity interests having ordinary voting power for the election of directors or other governing body are owned, directly or indirectly, by Parent,

(2) such designation complies with the covenants described under "Certain Covenants Limitation on Restricted Payments" and

(3) each of

(a) the Subsidiary to be so designated and

(b) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of Parent or any Restricted Subsidiary.

The board of directors of Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that, immediately after giving effect to such designation no Default or Event of Default shall have occurred and be continuing and either

(1) Parent could incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described in the first paragraph under "Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock" or

(2) the Fixed Charge Coverage Ratio for Parent and its Restricted Subsidiaries would be greater than such ratio for Parent and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation.

Any such designation by the board of directors of Parent shall be notified by Parent to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness, Disqualified Stock or preferred stock, as the case may be, at any date, the quotient obtained by dividing

(1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or preferred stock multiplied by the amount of such payment, by

(2) the sum of all such payments.

"*Wholly-Owned Subsidiary*" of any Person means a Subsidiary of such Person, 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

U.S. FEDERAL INCOME TAX CONSEQUENCES

Exchange of Notes

The exchange of outstanding notes for exchange notes in the exchange offer will not constitute a taxable event to holders. Consequently, no gain or loss will be recognized by a holder upon receipt of an exchange note, the holding period of the exchange note will include the holding period of the outstanding note exchanged therefor and the basis of the exchange note will be the same as the basis of the outstanding note immediately before the exchange.

In any event, persons considering the exchange of outstanding notes for exchange notes should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations generally applicable to a holder who acquires exchange notes with a maturity date of April 6, 2015 issued by Masonite Canada (the "Masonite Canada Exchange Notes") in exchange for outstanding notes issued by Masonite Canada with a maturity date of April 6, 2015 (the "Masonite Canada Outstanding Notes") pursuant to the Exchange Offer and who, at all relevant times, for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), and any applicable income tax convention, is not, and is not deemed to be, a resident of Canada, deals with Masonite Canada at arm's length, and does not use or hold the Masonite Canada notes in a business carried on in Canada (a "Non-Canadian Holder"). Special rules, which are not discussed in this summary, may apply to a holder that is an insurer that carries on an insurance business in Canada and elsewhere. Holders to whom this summary is not applicable should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), and Masonite Canada's understanding of the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not take into account or anticipate any changes in law or administrative or assessing practice whether by legislative, regulatory, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may be different from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Non-Canadian Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, Non-Canadian Holders of Notes should consult their own tax advisors having regard to their own particular circumstances.

The exchange of Masonite Canada Outstanding Notes for Masonite Canada Exchange Notes pursuant to the Exchange Offer will not constitute a taxable event for purposes of the Tax Act.

Provided that under the laws of the State of New York, the senior subordinated term loan of Masonite Canada, the Masonite Canada Outstanding Notes and Masonite Canada Exchange Notes represent the same underlying indebtedness of Masonite Canada, and do not represent the same underlying indebtedness as the initial senior subordinated loan of Masonite Canada, no Canadian withholding tax will apply to interest, principal or premium paid or credited to a Non-Canadian Holder by Masonite Canada in respect of a Masonite Canada Exchange Note, or to the proceeds received by a Non-Canadian Holder on the disposition of a Masonite Canada Exchange Note, including a redemption, payment on maturity or repurchase.

Provided that under the laws of the State of New York, the senior subordinated term loan of Masonite Canada, the Masonite Canada Outstanding Notes and Masonite Canada Exchange Notes represent the same underlying indebtedness of Masonite Canada, and do not represent the same underlying indebtedness as the initial senior subordinated loan of Masonite Canada, no other tax on income or gains will be payable by a Non-Canadian Holder on interest, principal or premium paid or credited by Masonite Canada in respect of a Masonite Canada Exchange Note or on the proceeds received by a Non-Canadian Holder on the disposition of a Masonite Canada Exchange Note, including a redemption, payment on maturity or repurchase.

Masonite Canada is of the view, based on input from its counsel, that under the laws of the State of New York, the senior subordinated term loan of Masonite Canada, the Masonite Canada Outstanding Notes and Masonite Canada Exchange Notes represent the same underlying indebtedness of Masonite Canada, and do not represent the same underlying indebtedness as the initial senior subordinated loan of Masonite Canada.

ERISA CONSIDERATIONS

The outstanding notes or the exchange notes may be purchased and held by an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or by an individual retirement account or other plan subject to Section 4975 of the Code. A fiduciary of an employee benefit plan subject to ERISA must, however, determine that the purchase and holding of a note is consistent with its fiduciary duties under ERISA. The fiduciary of an ERISA plan, as well as any other prospective investor subject to Section 4975 of the Code or any similar law, must also determine that the purchase and holding of notes does not result in a non-exempt prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code or any similar law. Each purchaser and transferee of a note who is subject to Section 406 of ERISA and/or Section 4975 of the Code or any similar law ("Plan Investor") will be deemed to have represented to us, by its acquisition and holding of the note, that its acquisition and holding of the notes does not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law. The sale of any notes to any Plan Investor is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plan Investors generally or any particular Plan Investor, or that such an investment is appropriate for Plan Investors generally or any particular Plan Investor.

BOOK-ENTRY, SETTLEMENT AND CLEARANCE

The global notes

The exchange notes issued in exchange for outstanding notes will be represented by global notes in definitive, fully registered form, without interest coupons (collectively, the "global notes").

Upon issuance, the global notes will be deposited with the Trustee as custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC ("DTC participants") or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

- upon deposit of each global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants; and

- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Book-entry procedures for the global notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. We are not responsible for those operations or procedures.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York;

- a "banking organization" within the meaning of the New York State Banking Law;

- a member of the Federal Reserve System;

- a "clearing corporation" within the meaning of the Uniform Commercial Code; and

- a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global note, that nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

will not be entitled to have notes represented by the global note registered in their names;

will not receive or be entitled to receive physical, certificated notes; and

will not be considered the owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium (if any) and interest with respect to the notes represented by a global note will be made by the Trustee to DTC's nominee as the registered holder of the global note. Neither we nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a global note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated notes

Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related notes only if:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;
- we, at our option, notify the Trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indentures should occur.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired as a result of market-making activities or other trading activities. To the extent any such broker-dealer participates in the exchange offer, we have agreed that for a period of up to 180 days, we will commercially efforts to make this prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale, at market prices prevailing at the time of resale, at prices related to the prevailing market prices or negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any resale of exchange notes and any commissions or concessions received by these persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offer and will indemnify the holders of outstanding notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Davies Ward Phillips & Vineberg LLP, Toronto, Canada, as to matters of Canadian law (other than Canadian tax matters), by Morales, Noguera, Valdivieso & Besa, as to matters of the laws of Chile, by Mason Hayes+Curran, as to matters of the laws of Ireland, by González Calvillo, S.C., as to matters of the laws of Mexico and by Pinsent Masons, as to matters of the laws of the United Kingdom, and by Simpson Thacher & Bartlett LLP, New York, New York, as to matters of U.S. federal and New York law. In rendering its opinion, Simpson Thacher & Bartlett LLP will rely upon the opinion of Holland & Knight LLP as to matters governed by the laws of the State of California, Florida and Texas, the opinion of Smith, Strege & Fredericksen, Ltd., as to matters governed by the laws of North Dakota. An investment vehicle comprised of selected partners of Simpson Thacher & Bartlett LLP, members of their families, related persons and others owns an interest representing less than 1% of the capital commitments of the funds controlled by KKR.

EXPERTS

The consolidated balance sheet of Masonite International Inc. at December 31, 2005 and the consolidated statements of operations, changes in shareholder's equity and cash flows for the period from February 2, 2005 (Date of Incorporation) to December 31, 2005 and the consolidated statements of operations, changes in shareholders' equity and cash flows of Masonite International Corporation for the period from January 1, 2005 to April 6, 2005 and for the year ended December 31, 2004, appearing in this prospectus and registration statement have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Masonite International Inc. as of and for the year ended December 31, 2006 included in this prospectus have been audited by Deloitte & Touche LLP, independent registered chartered accountants, as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph relating to their consideration of internal control over financial reporting) and has been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form F-4 under the Securities Act with respect to the exchange notes being offered in this prospectus. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement. For further information with respect to us and the exchange notes, reference is made to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and, where such contract or other document is an exhibit to the registration statement, each such statement is qualified by the provisions in such exhibit to which reference is hereby made. We are not currently subject to the informational requirements of the Exchange Act. As a result of the offering of the exchange notes, we will become subject to the informational requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the SEC. The registration statement and other information can be inspected and copied at the Public Reference Room of the SEC located at Room 1580, 100 F Street, N.E., Washington D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's home page on the Internet (http://www.sec.gov).

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Report of Independent Registered Chartered Accountants

To the Board of Directors of
Masonite International Inc.

We have audited the consolidated balance sheet of Masonite International Inc. as at December 31, 2006 and the consolidated statements of operations, changes in shareholder's equity and cash flows for the year ended December 31, 2006. Our audit also includes the financial statement schedule IIa "Valuation and Qualifying Accounts and Reserves". These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Masonite International Inc. as at December 31, 2006 and the results of its operations and its cash flows for the year ended December 31, 2006 in accordance with Canadian generally accepted accounting principles. Also, in our opinion, the financial schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

/s/ Deloitte & Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants

Mississauga, Ontario
March 8, 2007 (except for Note 26, which is as at April 16, 2007)

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF MASONITE INTERNATIONAL INC.

We have audited the accompanying consolidated balance sheet of Masonite International Inc. (the "Company") as at December 31, 2005 and the consolidated statements of operations, changes in shareholder's equity and cash flows for the period from February 2, 2005 (Date of Incorporation) to December 31, 2005, and the consolidated statements of operations, changes in shareholders' equity and cash flows of Masonite International Corporation for the period from January 1, 2005 to April 6, 2005 and for the year ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonite International Inc. as at December 31, 2005 and the results of its operations and its cash flows for the period ended from February 2, 2005 (Date of Incorporation) to December 31, 2005, and the results of operations and cash flows of Masonite International Corporation for the period from January 1, 2005 to April 6, 2005 and for the year ended December 31, 2004 in conformity with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Information relating to the nature and effect of such differences is presented in note 25 to the consolidated financial statements.

Our previous report dated March 13, 2006 has been withdrawn and the consolidated financial statements have been restated as explained in note 2.

/s/ KPMG LLP

Chartered Accountants
Toronto, Canada
March 13, 2006, except as
to notes 2, 5, 18, 22, 25 and 27 which
are as of January 2, 2007

Masonite International Inc.

Consolidated Statements of Operations

For the Year Ended December 31, 2006; the Period from February 2, 2005 (Date of Incorporation) to December 31, 2005; the Predecessor Period from January 1, 2005 to April 6, 2005; and the Predecessor Year Ended December 31, 2004 (in thousands of U.S. dollars)

	Masonite January 1, 2006- December 31, 2006	Masonite February 2, 2005- December 31, 2005 (Restated-note 2)	Predecessor January 1, 2005- April 6, 2005 (Restated-note 2)	Predecessor January 1, 2004- December 31, 2004 (Restated-note 2)
Sales	$ 2,464,471	$ 1,828,383	$ 600,115	$ 2,199,865
Cost of sales	1,950,247	1,497,934	486,746	1,722,711
	514,224	330,449	113,369	477,154
Selling, general and administration expenses (note 23)	211,789	161,319	54,424	189,889
Depreciation	88,992	60,338	17,919	58,520
Amortization of intangible assets	35,650	29,915	1,093	4,067
Interest	182,616	137,081	11,201	39,532
Other expense, net (note 17)	38,989	22,600	66,383	7,703
(Loss) income before income taxes and non-controlling interest	(43,812)	(80,804)	(37,651)	177,443
Income taxes (note 18)	(15,656)	(16,285)	(8,316)	42,653
Non-controlling interest	6,178	5,281	1,330	6,839
Net (loss) income	$ (34,334)	$ (69,800)	$ (30,665)	$ 127,951

Basis of presentation (note 1)

See accompanying notes to consolidated financial statements.

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Masonite International Inc.

Consolidated Balance Sheets

As at December 31, 2006 and December 31, 2005
(in thousands of U.S. dollars)

	December 31, 2006	December 31, 2005 (Restated note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 47,423	$ 47,459
Accounts receivable (note 4)	247,670	246,280
Inventories (note 5)	351,538	400,095
Prepaid expenses	19,131	21,094
Current future income taxes (note 18)	38,885	36,385
	704,647	751,313
Property, plant and equipment (note 6)	873,576	940,753
Goodwill (note 3)	969,480	968,767
Intangible assets (note 7)	508,968	544,618
Other assets (note 8)	89,334	73,310
Long-term future income taxes (note 18)	18,507	18,544
	$ 3,164,512	$ 3,297,305
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness (note 9)	$ 60,393	$ 128,767
Accounts payable and accrued expenses (note 11)	343,682	355,403
Income taxes payable	26,909	19,163
Current future income taxes (note 18)	1,629	2,437
Current portion of long-term debt (note 10)	32,221	34,329
	464,834	540,099
Long-term debt (note 10)	1,923,558	1,942,133
Long-term future income taxes (note 18)	214,185	243,570
Other long-term liabilities (note 13)	41,081	48,486
	2,643,658	2,774,288
Non-controlling interest (note 12)	36,841	30,668
Shareholder's equity:		
Share capital (note 14)	567,177	567,177
Common shares, unlimited shares authorized, 113,435,362 shares issued and outstanding at December 31, 2006 and December 31, 2005		
Contributed surplus	4,987	2,956
Deficit	(104,134)	(69,800)
Cumulative translation adjustment	15,983	(7,984)
	484,013	492,349

		December 31, 2006		December 31, 2005 (Restated note 2)
	$	3,164,512	$	3,297,305

Commitments and Contingencies (note 16)
Related party transactions (notes 8 and 23)
Subsequent events (note 26)
Basis of presentation (note 1)

See accompanying notes to consolidated financial statements.

Masonite International Inc.

Consolidated Statements of Changes in Shareholder's Equity

For the Year Ended December 31, 2006; the Period from February 2, 2005 (Date of Incorporation) to December 31, 2005; the Predecessor Period from January 1, 2005 to April 6, 2005; and the Predecessor Year Ended December 31, 2004 (in thousands of U.S. dollars)

	Masonite January 1, 2006-December 31, 2006	Masonite February 2, 2005-December 31, 2005 (Restated note 2)	Predecessor January 1, 2005-April 6, 2005	Predecessor January 1, 2004-December 31, 2004
Share Capital:				
Balance at beginning of period	$ 567,177	$	$ 271,126	$ 266,870
Issued		567,177	469	4,750
Purchased for cancellation				(494)
Balance at end of period	$ 567,177	$ 567,177	$ 271,595	$ 271,126
Contributed Surplus:				
Balance at beginning of period	$ 2,956	$	$ 587	$ 191
Share based awards (note 14(a))	2,031	2,956	229	396
Cancellation of Predecessor share based awards (note 14(a))			(816)	
Balance at end of period	$ 4,987	$ 2,956	$	$ 587
(Deficit) Retained Earnings:				
Balance at beginning of period	$ (69,800)	$	$ 529,611	$ 403,525
Net (loss) income	(34,334)	(69,800)	(30,665)	127,951
Premium paid on common shares purchased for cancellation				(1,865)
Balance at end of period	$ (104,134)	$ (69,800)	$ 498,946	$ 529,611
Cumulative Translation Adjustments:				
Balance at beginning of period	$ (7,984)	$	$ 115,624	$ 62,054
Unrealized gain (loss) on translation of net investments in self-sustaining foreign operations	23,967	(7,984)	(20,471)	53,570
Balance at end of period	$ 15,983	$ (7,984)	$ 95,153	$ 115,624

Basis of presentation (note 1)

See accompanying notes to consolidated financial statements.

Masonite International Inc.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2006; the Period from February 2, 2005 (Date of Incorporation) to December 31, 2005; the Predecessor Period from January 1, 2005 to April 6, 2005; and the Predecessor Year Ended December 31, 2004
(in thousands of U.S. dollars)

	Masonite January 1, 2006- December 31, 2006	Masonite February 2, 2005- December 31, 2005 (Restated note 2)	Predecessor January 1, 2005- April 6, 2005	Predecessor January 1, 2004- December 31, 2004
Cash provided by (used in):				
Operating activities:				
Net (loss) income	$ (34,334)	$ (69,800)	$ (30,665)	$ 127,951
Items not involving cash:				
Depreciation	88,992	60,338	17,919	58,520
Amortization of intangible assets	35,650	29,915	1,093	4,067
Amortization of financing fees	8,558	16,485	387	1,327
Impairment of property, plant and equipment	16,853			2,919
Loss (income) on sale of property, plant and equipment	6,792	2,414	118	(5,145)
Loss (income) from equity investments		19	(292)	(101)
Share based awards	2,031	2,956	229	396
Future income taxes	(28,484)	(29,146)	(13,849)	29,498
Pension and post-retirement expense (income) and funding, net	626	903	190	(2,527)
Unrealized foreign exchange on long-term liabilities	1,200			
Non-controlling interest	6,178	5,281	1,330	6,839
Change in non-cash operating working capital:				
Accounts receivable	(1,158)	3,349	17,978	29,253
Inventories	48,557	50,544	(87)	(75,258)
Income taxes payable	9,547	11,591	137	(11,967)
Prepaid expenses	613	816	(10,295)	1,165
Accounts payable and accrued expenses	(15,385)	(56,105)	84,822	(20,042)
Equity compensation settlement liability		(57,742)	57,742	
	146,236	(28,182)	126,757	146,895
Financing activities				
Change in bank indebtedness	(65,413)	102,045	18	12,474
Proceeds from issuance of common shares		567,177	469	4,750
Repurchase of common shares				(2,359)
Proceeds from issuance of long-term debt	12,170	1,952,500		200,000
Repayment of long-term debt	(37,031)	(449,066)	(145,454)	(103,751)
Change in other long-term liabilities	(3,868)			
Deferred financing fees	(18,325)	(78,000)		(3,227)
	(112,467)	2,094,656	(144,967)	107,887
Investing activities				
Proceeds from sale of property, plant and equipment	20,541	9,197	403	10,381

	Masonite January 1, 2006- December 31, 2006	Masonite February 2, 2005- December 31, 2005 (Restated note 2)	Predecessor January 1, 2005- April 6, 2005	Predecessor January 1, 2004- December 31, 2004
Additions to property, plant and equipment	(49,569)	(69,808)	(12,401)	(70,248)
Acquisitions (note 3)		(1,931,877)		(254,779)
Distributions to minority shareholders	(4,096)	(22,275)		
Other investing activities	(6,398)	(5,095)	(1,617)	(3,164)
	(39,522)	(2,019,858)	(13,615)	(317,810)
Net foreign currency translation adjustment	5,717	843	(6,648)	19,840
(Decrease) increase in cash and cash equivalents	(36)	47,459	(38,473)	(43,188)
Cash and cash equivalents, beginning of period	47,459		86,488	129,676
Cash and cash equivalents, end of period	$ 47,423	$ 47,459	$ 48,015	$ 86,488

Basis of presentation (note 1)

Supplemental cash flow information (note 19)

See accompanying notes to consolidated financial statements.

Masonite International Inc.

Notes to Consolidated Financial Statements

For the year ended December 31, 2006; the Period from February 2, 2005 (date of Incorporation) to December 31, 2005; the Predecessor Period from January 1, 2005 to April 6, 2005; and the Predecessor Year Ended December 31, 2004 (in thousands of U.S. dollars, except share and option information)

1. Significant accounting policies

Basis of Presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These consolidated financial statements include the accounts of Masonite International Inc., formerly Stile Consolidated Corp., ("Masonite", "Successor" or the "Company") for the year ended December 31, 2006 ("2006"), and the period from February 2, 2005 (date of Incorporation) to December 31, 2005 (the "2005 Successor Period"). The consolidated statements of operations and cash flows show the results of the Masonite International Corporation (the "Predecessor") for the period from January 1, 2005 to April 6, 2005 (the "2005 Predecessor Period"), as well as the Predecessor year ended December 31, 2004 (the "2004 Predecessor Year-End") for information purposes. These comparative periods are included as Masonite was formed for the sole purpose of the acquisition of the Predecessor (see note 3).

The financial statements include the operations of Masonite (a company incorporated under the Canada Business Corporations Act) for the year ended December 31, 2006 and for the period from the date of incorporation of February 2, 2005 to December 31, 2005. Stile Consolidated Corp. changed its name to Masonite International Inc. in the 2005 Successor Period. The only operations of Masonite for the period from February 2, 2005 to April 6, 2005 consisted of a realized exchange loss of $5,314 to hedge the Canadian dollars required to complete the acquisition of the Predecessor as described in note 3. This realized loss, as well as the post acquisition operations from acquiring the Predecessor, are reflected in the consolidated statement of operations in the 2005 Successor Period.

The Company's fiscal year is the 52 or 53-week period ending on the Sunday closest to December 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The year ended December 31, 2006 consists of 52 weeks, while the year-ended December 31, 2004 consisted of 53 weeks. For presentation purposes, the financial statements and notes refer to December 31 as the Company's year-end.

The significant accounting principles adopted by Masonite are described below. These accounting policies are consistent with those followed by the Predecessor during the relevant periods presented unless otherwise stated. The consolidated financial statements presented for the 2005 Predecessor Period and the 2004 Predecessor Year-End are not comparable in all respects to the consolidated financial statements of 2006 or the 2005 Successor Period as a result of the transaction described in note 3.

(a)

Principles of consolidation:

These consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of assets, liabilities, revenues and expenses of joint ventures. Intercompany accounts and transactions have been eliminated on consolidation. Effective July 1, 2004, the Company adopted Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"). As a result of adopting this guideline, the Company began to consolidate two variable interest entities ("VIE's") for which it was determined to be the primary beneficiary.

The results of subsidiaries acquired during the period are consolidated from their respective dates of acquisition using the purchase method. Joint ventures are proportionately consolidated from the date of formation.

(b)

Generally accepted accounting principles:

The Company has adopted Handbook sections 1100, "Generally Accepted Accounting Principles", and 1400, "General Standards of Financial Statement Presentation" issued by the Canadian Institute of Chartered Accountants ("CICA"). These sections establish standards for financial reporting and fair presentation in accordance with Canadian GAAP and provide guidance on sources to consult when a matter is not dealt with explicitly in the primary sources of Canadian GAAP. In addition, the Emerging Issues Committee issued Abstract No. 147, "Implementation of Accounting Changes Resulting from the Application of CICA 1100" which specifically outlines how to account for any changes in an accounting policy made as a result of adopting CICA 1100.

(c)

Translation of consolidated financial statements into United States dollars:

These consolidated financial statements are expressed in United States ("U.S.") dollars. The U.S. dollar is the functional currency of the Company. The accounts of certain self-sustaining foreign operations of the Company are maintained in functional currencies other than the U.S. dollar. Assets and liabilities have been translated into U.S. dollars at the exchange rates prevailing at the end of the period and results of operations at the average exchange rates for the period. Unrealized exchange gains and losses arising on the translation of the financial statements of the Company's non-U.S. dollar functional currency operations are accumulated in the cumulative translation adjustments account in shareholder's equity.

(d)

Cash and cash equivalents:

Cash includes cash equivalents which are short-term highly liquid investments with original maturities of three months or less.

(e)

Accounts receivable:

Transfers of receivables are accounted for as sales when the Company is considered to have surrendered control over the transferred accounts receivables and receives proceeds, other than a beneficial interest, in the assets sold. This is considered to have occurred when the transferred receivables have been put presumptively beyond the reach of the Company and its creditors after the sale, there are no constraints put on the transferee of taking advantage of its right to pledge or exchange the assets received, and the Company no longer maintains effective control over the transferred receivables. In recording a sale, the receivables are removed from the consolidated balance sheet and charges incurred on the sale are recognized immediately in selling, general and administration expense on the consolidated statement of operations based on the carrying amount of the receivables transferred.

Under the sale of the receivables facilities, as described in note 4, the Company acts as the servicer of the receivables for one of the programs, and is permitted to sell, on an ongoing basis, additional eligible accounts receivable on an agreed upon timetable. Although the Company remains responsible for servicing the accounts receivable under one of the programs, it does not receive additional compensation for servicing them. The Company's servicing obligations are not significant.

The Company does not have a retained interest in the receivables sold, and records the sale of the receivables at the face value less the charge incurred. The Company does not record any gain or loss on the sale of receivables under these facilities. The balances sold represent the entire balance of accounts receivable from two selected customers.

(f) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost (comprised of materials and conversion costs) and net realizable value. Cost is determined on a first-in, first-out basis. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience.

(g) Investments:

Long-term investments over which the Company has significant influence are recorded on the equity basis. The investments include the Company's share of undistributed earnings and losses since acquisition and are reduced by the Company's share of dividends paid. Investments are written down when there is evidence that a decline in value is other than temporary. Equity loss (income) is included in other expense, net on the consolidated statement of operations in the amount of $nil in 2006, a loss of $19 in the 2005 Successor Period, and income of $292 and $101 in the 2005 Predecessor Period and 2004 Predecessor Year-End, respectively.

(h) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is provided on the carrying values of buildings and machinery and equipment by the straight-line method based on the estimated useful lives as follows:

Buildings	20 40 years
Machinery and equipment	
Tooling	12 years
Machinery and equipment	5 12 years
Molds and dies	20 25 years
Fixtures and fittings	10 12 years
Distribution and delivery equipment	5 years
Office and data processing equipment	3 10 years

Improvements and extraordinary repairs that extend the life of an asset are capitalized; other repairs and maintenance are expensed. When assets are retired or otherwise disposed of, their carrying values and accumulated depreciation are removed from the accounts.

Property, plant and equipment is tested for impairment when events or changes in circumstances indicate that the carrying value of property, plant and equipment exceed the sum of the undiscounted cash flows expected from their use and disposal. An impairment loss is recognized when the carrying amount of an asset being tested for recoverability exceeds the sum of the undiscounted cash flows expected from its use and disposal. Impairments are measured as the amount by which the carrying amount of the asset exceeds its fair value, as determined using a discounted cash flow approach. For the year ended December 31, 2006, the Company recorded impairment losses of $16,853 (2005 Successor Period $nil; 2005 Predecessor Period $nil; 2004 Predecessor Year-End $2,919).

(i) Goodwill:

The Company uses the purchase method of accounting for all business combinations. The Company evaluates all business combinations for intangible assets that should be recognized and reported apart from goodwill.

Goodwill is not amortized but instead is tested for impairment annually on December 31, or more frequently if events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. Fair values of reporting units are estimated using an income approach. If the carrying amount exceeds fair value, there is impairment in goodwill. Any impairment in goodwill is measured by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and comparing the notional goodwill from the fair value allocation to the carrying value of goodwill. The Company has completed its annual impairment test for its reporting units, and determined that there was no impairment.

(j) Intangible assets:

Intangible assets with finite lives include customer relationships, non-compete agreements, order backlogs and patents. Intangible assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Customer relationships	Over expected relationship period, not exceeding 15 years
Non-compete agreements	Over life of non-compete agreement
Order backlogs	Over expected completion period
Patents	Over expected useful life, not exceeding 17 years

Amortizable intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may be greater than the fair value. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying amount. Measurement of the impairment loss is based on the fair value of the asset. Fair value is measured using discounted cash flows when quoted market prices are not available.

Indefinite life tangibles are tested for impairment annually on December 31, or more frequently if events or circumstances indicate the carrying value exceeds the fair value.

(k)

Other assets:

Other assets includes deferred financing costs, long-term receivables and a receivable from the Company's parent. Deferred financing costs are amortized over the term of the related long-term debt using the effective interest method.

(l)

Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded to reduce future tax assets to an amount that is anticipated to be realized on a more likely than not basis.

(m)

Employee future benefits:

The Company maintains defined benefit pension plans and other postretirement benefits covering certain employees. Earnings are charged with the cost of benefits earned by employees as services are rendered. The cost reflects management's best estimates of the pension plans' expected investment yields, wage and salary escalation, expected health care costs, mortality of members, terminations and the ages at which members will retire. Changes in these assumptions could impact future pension expense. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service lives of the members. The average remaining service life of the members is 13 years (December 31, 2005 14 years) for the U.S. defined benefit pension plan, 5 years (December 31, 2005 6 years) for medical benefits and 12 years (December 31, 2005 13 years) for life insurance benefits under the other U.S. employee postretirement benefits plan. For the United Kingdom defined benefit plan, the average remaining service life of the members is 15 years (December 31, 2005 15 years).

Assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. Curtailment gains are offset against unrecognized losses and any excess gains and all curtailment losses are recorded in the period in which the curtailment occurs.

The Company is responsible for continuing to provide health care and life insurance benefits for certain retired employees. The amount of the accumulated postretirement benefits obligation has been actuarially determined and benefit costs are charged against the obligation as incurred.

(n)

Restructuring and severance benefits:

All salary related contractual severance benefits are accrued and expensed when the benefit is probable and reasonably estimable, which is generally when the decision to terminate the employee is made by management of sufficient authority. A liability and expense is charged for contractual termination benefits based on their fair value when it is probable that employees will be entitled to the benefits, and the amount can be reasonably estimated. This occurs when management approves and commits the Company to the obligation, management's termination plan specifically identifies all significant actions to be taken, actions required to fulfill management's plan are expected to begin as soon as possible, and significant changes to the plan are not likely.

All salary related non-contractual benefits are accrued and expensed at fair value at the communication date that the employees being severed are given formal notice of termination.

In addition to salary related costs, the Company incurs other restructuring costs when facilities are closed or capacity is realigned within the organization. A liability and expense is charged for contractual exit activities when the Company terminates the contract within the provisions of the agreement, generally by way of written notice to the counterparty. For non-contractual exit activities, a liability and expense are measured at fair value in the period in which the liability is incurred.

(o)

Asset retirement obligations:

Asset Retirement Obligations ("ARO") are measured initially at fair value in the period in which it is incurred. Upon initial recognition of a liability for an ARO, a corresponding asset retirement cost is added to the carrying amount of the related asset. Following the initial recognition of an ARO, the carrying amount of the obligation is increased for the passage of time and adjusted for revisions to the amount or timing of the underlying cash flows needed to settle the obligation. The cost is amortized into income subsequently on the same basis as the related asset.

(p)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the collectibility of accounts receivable, the net realizable value of inventories, the determination of obligations under employee future benefit plans, the determination of stock based awards, the valuation of acquired assets and liabilities, the determination of fair value of financial instruments, the fair value of goodwill, the useful lives of long-lived assets, as well as the determination of impairment thereon and the recoverability of future income tax assets. Actual results could differ from those estimates.

(q) Financial instruments:

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. These estimates, although based on the relevant market information about the financial instrument, are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(i) Fair values:

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued expenses and other long-term liabilities approximate fair values because of the near-term nature of these instruments.

The carrying values of long-term debt are determined based on the principal balance outstanding. The fair value of the instruments is determined based on the quoted market prices for these instruments.

Other financial instruments held or issued by the Company include long-term receivables. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the ordinary course of business. No quoted market prices exist for these instruments because they are not traded in an active and liquid market. The fair value of interest rate swaps is based on valuation models prepared by financial institutions and represents the estimated amounts the Company would pay or receive to terminate the contracts. The carrying value of interest rate swaps represents the accrued interest payable or receivable under these agreements.

The fair value of the forward foreign currency contracts are estimated using period end market rates, and reflect the amount that the Company would receive or pay if the contracts were closed out at these dates.

The carrying values and fair values of financial instruments, where there are differences, are disclosed in note 24.

(ii) Credit risk:

Credit risk arises from the potential default of a customer in meeting its financial obligations to the Company. The Company has credit evaluation, approval and monitoring processes, including credit insurance, intended to mitigate potential credit risk.

The Company evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. A specific allowance is recorded against customer receivables that are considered to be impaired based on the Company's knowledge of the financial condition of its customers and the availability of credit insurance.

In determining the amount of the allowance, factors including, but not limited to, the following are considered: the aging of the receivables, customer and industry concentrations, current business environment, credit insurance available and historical experience.

Credit risk exists in the Company's interest rate swap agreement in the event of non-performance by the counterparty. However, this risk is minimized as each contract is with a major financial institution and represents an exchange between the same parties, allowing for an offset in the event of non-performance.

(iii) Financial instruments:

The Company utilizes certain financial instruments, principally interest rate swap contracts and forward currency exchange contracts to manage the risk associated with fluctuations in interest rates and currency exchange rates. The Company's policy is not to utilize financial instruments for trading or speculative purposes. Interest rate swap contracts are used to reduce the impact of fluctuating interest rates on the Company's long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's purchases of materials and sale of goods in foreign currencies.

The Company formally documents all significant relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Company assesses all hedging relationships to determine whether the criteria for hedge accounting are met. To qualify for hedge accounting, the hedging relationship must be appropriately documented at inception of the hedge and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high degree of correlation of changes in fair values or cash flows between the hedged item and the hedging instrument. Effectiveness is assessed on an ongoing basis through the term of the hedge in order to determine if hedge accounting remains appropriate.

Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt. The forward premium or discount on forward currency exchange contracts is amortized over the term of the forward contract. Gains and losses on forward foreign exchange contracts are recognized in revenues and expenses in the same period as the foreign currency revenues and expenses to which they relate. At period end, the unrealized gain or loss associated with these financial instruments has not been reflected in the consolidated financial statements. In the event that a hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized in income. In the event that a hedging item is sold or cancelled, any unrealized gain or loss on the hedging item is deferred and amortized over the original contractual life of the hedging item. Gains or losses on hedged forecasted transactions are recognized in earnings immediately when the hedge is no longer effective or the forecasted transaction is no longer expected.

The Company's forward exchange contracts do not subject the Company to risk from exchange rate movements because gains and losses on such contracts offset losses and gains on transactions being hedged. The Company does not require collateral or other security to support financial instruments with credit risk. Note 16 outlines the outstanding foreign exchange forward contracts at period end.

(r)

Stock-based awards:

The Company has a stock-based awards plan, which is described in further detail in note 14, and recognizes compensation expense for options awarded to employees using the fair value method of accounting. The Predecessor also had a stock-based awards plan, as described in note 14. Effective January 1, 2003, the Predecessor adopted the revised guidance for stock-based awards, which required that a fair value method of accounting be applied to all stock-based awards payments to both employees and non-employees, and that the expense determined under the fair value method be included in the determination of net income (loss). As a result of adopting this guidance, the fair value method was applied to all stock-based awards granted after January 1, 2003. As a result of the Transaction (note 3), the Predecessor's stock-option plan was settled and the program was cancelled.

For stock-based awards granted to employees in 2006 and the 2005 Successor Period, the Company applied the fair value method of accounting using the Black-Scholes option pricing model to determine the compensation expense to be included in the determination of net income (loss). The Predecessor adopted the fair value method of accounting prospectively to awards of the Predecessor granted under the plan beginning on January 1, 2003.

(s)

Revenue recognition:

Revenue from the sale of products is recognized when supported by an agreement with the customer in the form of a sales order, when collectibility is reasonably assured, and when the risks and benefits of ownership have been transferred to the customer. Revenue recognition occurs when title of ownership transfers to the customer.

Volume rebates to customers are considered as a reduction of the sales price of the Company's products. Accordingly, revenue is reported net of such rebates.

(t)

Vendor rebates:

The Company accounts for cash consideration received from a vendor as a reduction of cost of sales and inventory, on the statement of operations and balance sheet respectively. The cash consideration received represents agreed upon vendor rebates that are earned in the normal course of operations.

(u)

Non-Monetary Transactions:

Effective January 1, 2006, the Company measures all non-monetary transactions at fair value unless the transaction lacks commercial substance; is an exchange of product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business; neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or the transaction is a non-monetary non-reciprocal transfer to owners. A transaction is considered to have commercial substance if it causes an identifiable and measurable change in the economic circumstances of an entity. There was no impact from the adoption of this standard.

(v)

Recently issued accounting standards:

(i) Financial Instruments:

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook sections 3855, "Financial Instruments Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". The new standards will be effective for interim and annual financial statements commencing in 2007. Earlier adoption is permitted. Most significantly for the Company, the new standards will require presentation of a separate statement of comprehensive income. Foreign exchange gains and losses on the translation of the financial statements of self-sustaining subsidiaries previously recorded in a separate section of shareholder's equity will be presented in comprehensive income. Derivative financial instruments will be recorded on the balance sheet at fair value and the changes in fair value of derivatives designated as cash flow hedges will be reported in comprehensive income. The existing principles of AcG-13 will be maintained. When these standards become effective on January 1, 2007, it will result in the Company recording the fair value asset or liability of financial instruments such as the interest rate swaps (note 24) and forward contracts (note 16) on the balance sheet, with the offsetting change in the fair value recorded as other comprehensive income or loss. It will also change the presentation of the consolidated statement of operations, as disclosures surrounding comprehensive income (loss) and accumulated other comprehensive income (loss) will be required, and accumulated other comprehensive income will be included as a component of shareholder's equity on the consolidated balance sheet. In addition to the above, long-term debt will be reflected net of the related deferred financing charges.

2. Restatements

Subsequent to the issuance of the December 31, 2005 consolidated financial statements, the Company determined that its accounting for certain income tax valuation allowances and other carryforward attributes required revision. As a result and as more fully described in the following two paragraphs, the Company reduced its net future income tax liability by an aggregate amount of $33,790, reduced its net loss and accumulated deficit by $20,890 and recharacterized $12,900 of goodwill as future income tax assets.

The Company determined that it had incorrectly recorded a full valuation allowance against certain non-capital loss carryforwards as at December 31, 2005 when there were existing future reversals of taxable temporary differences related to unrealized foreign exchange gains and certain intangible assets. In order to correct this error, the Company reduced the long-term future income tax liability and future income tax expense as at December 31, 2005 and for the period from February 2, 2005 to December 31, 2005 by $20,890.

The Company also determined that it had incorrectly recorded a valuation allowance at the date of acquisition of the Predecessor in respect of Investment Tax Allowances related to its Malaysian subsidiary. As the valuation allowance was in place at the acquisition date, the adjustment to eliminate the valuation allowance was recorded as a reduction to goodwill of $12,900, and the long-term future income tax liability of $2,159 and an increase in long-term future income tax asset of $10,741 at December 31, 2005.

The Company also determined that there was an overstatement of the carrying value of inventory by a subsidiary located in Turkey at December 31, 2005. In order to correct this error, the carrying value of inventory was reduced and cost of sales was increased by $2,219 as of December 31, 2005 and for the period from February 2, 2005 through December 31, 2005.

The Company also reclassified the charges incurred in the period from February 2, 2005 through December 31, 2005 of $5,296 (2005 Predecessor Period $1,218; 2004 Predecessor Year-End $1,763) relating to the sale of trade receivables from interest expense to selling, general and administration expenses.

As a result of these restatements, the following balances changed:

Successor	As Previously Reported	Restatement	As Restated
Consolidated Statement of Operations (Period from February 2, 2005 (date of Incorporation) to December 31, 2005			
Cost of sales	$ 1,495,715	$ 2,219	$ 1,497,934
Selling, general and administrative expense	156,023	5,296	161,319
Interest	142,377	(5,296)	137,081
Income taxes	4,605	(20,890)	(16,285)
Net (loss) income	(88,471)	18,671	(69,800)
Consolidated Balance Sheet (December 31, 2005)			
Inventories	402,314	(2,219)	400,095
Goodwill	981,667	(12,900)	968,767
Long-term future income tax asset	7,803	10,741	18,544
Long-term future income tax liability	266,619	(23,049)	243,570
Deficit	(88,471)	18,671	(69,800)
Total shareholder's equity	473,678	18,671	492,349
Consolidated Statement of Cash Flows (Period from February 2, 2005 (date of Incorporation) to December 31, 2005)			
Net loss	(88,471)	18,671	(69,800)
Future income taxes	(8,256)	(20,890)	(29,146)
Inventories	48,325	2,219	50,544

Predecessor Period from January 1, 2005 to April 6, 2005	As Previously Reported	Restatement	As Restated
Consolidated Statement of Operations			
Selling, general and administrative expense	$ 53,206	$ 1,218	$ 54,424
Interest	12,419	(1,218)	11,201

Predecessor For the year ended December 31, 2004	As Previously Reported	Restatement	As Restated
Consolidated Statement of Operations			
Selling, general and administrative expense	$ 188,126	$ 1,763	$ 189,889
Interest	41,295	(1,763)	39,532

3. Acquisitions

There were no acquisitions completed during the period from January 1, 2006 to December 31, 2006.

On April 6, 2005, pursuant to a combination agreement (the "Transaction"), Stile Acquisition Corp. ("Stile"), a wholly owned subsidiary of the Successor and an affiliate of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), acquired all of the outstanding common shares of the Predecessor. Immediately thereafter, Stile U.S. Acquisition Corp. ("Stile U.S."), a wholly-owned subsidiary of Successor, purchased the shares of Masonite Holdings Inc., the holding company of the U.S. operations of the Predecessor, from Stile for its fair value of $1,100,000.

Subsequent to these transactions, Stile U.S. amalgamated with Masonite Holdings Inc. ("Masonite Holdings") and changed its name to Masonite Corporation (formerly known as Masonite U.S. Corporation), and Stile amalgamated with the Predecessor and changed its name to Masonite International Corporation. Finally, the Successor changed its name from Stile Consolidated Inc. to Masonite International Inc.

The Company accounted for the acquisition as a business combination using the purchase method. All consideration was paid in cash. The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition, as well as the assets acquired and liabilities assumed of all other acquisitions in the Successor Period (the table does not include acquisitions of minority positions in subsidiaries that were already consolidated):

December 31, 2005	Acquisition of Predecessor	Acquisitions Since April 6, 2005	Total
Current assets, excluding cash acquired of $49,445	$ 725,637	$ 25,898	$ 751,535
Property, plant and equipment	934,590	17,521	952,111
Goodwill	949,892	9,400	959,292
Customer relationships	300,000	6,134	306,134
Order backlogs	4,000		4,000
Patents	85,000	1,232	86,232
Trademarks	165,000		165,000
Other assets	18,368	71	18,439
Long-term future income taxes	26,220		26,220
Current liabilities assumed	(486,783)	(20,756)	(507,539)
Debt assumed	(491,470)	(9,555)	(501,025)
Other long-term liabilities	(27,799)	(757)	(28,556)
Long-term future income taxes	(264,265)		(264,265)
	1,938,390	29,188	1,967,578
Non-controlling interest	(68,922)	(761)	(69,683)
Cost of original equity investment		(3,507)	(3,507)
	$ 1,869,498	$ 24,920	$ 1,894,388
Consideration:			
Cash	$ 1,869,468	$ 21,420	$ 1,890,888
Note payable		3,500	3,500
	$ 1,869,468	$ 24,920	$ 1,894,388

In the 2005 Successor Period, the Company paid cash of $21,420 (net of $1,430 in cash acquired) for the acquisition of businesses, excluding acquisitions of minority positions in subsidiaries that were already consolidated. In May 2005, the Company purchased the remaining ownership of less than wholly owned investments located in Israel and Turkey for cash consideration of $8,409. In July 2005, the Company entered into a joint venture in Malaysia with a cash contribution of $2,827. Also, in October 2005, the Company acquired an 80% interest in a manufacturing enterprise located in Hungary for total consideration of $8,514. The Company paid cash consideration of $5,014 in 2005, and the balance of the consideration is subject to certain post-closing adjustments and will be paid in 2007. In December 2005, the Company completed the acquisition of a manufacturing facility in the United States for cash consideration of $6,600.

The Company also acquired the remaining ownership of less than wholly owned subsidiaries in the Successor Period for total consideration of $45,315. These acquisitions included purchasing the remaining interest in a manufacturing facility with operations in Canada and the United States for cash consideration of $36,369 in May 2005, and the purchase of the remaining ownership of a manufacturing enterprise with operations in Canada for total consideration of $8,946 in October 2005. The total consideration included cash of $4,620 and a note payable of $4,326 payable over a three year period from the closing date. Total goodwill recorded in connection with these transactions was $8,328.

The final purchase price for the acquisitions in the 2004 Predecessor Year-End was allocated as follows:

Predecessor December 31, 2004	**Entry Door**	**All Others**	**Total**
Current assets, excluding cash acquired of $6,098	$ 17,806	$ 25,810	$ 43,616
Property, plant and equipment	29,281	76,097	105,378
Goodwill	115,722	33,599	149,321
Customer relationships	27,000	6,684	33,684
Patents	2,000		2,000
Other assets	1,500	455	1,955
Current liabilities assumed	(28,147)	(11,127)	(39,274)
Long-term debt assumed	(1,453)	(12,042)	(13,495)
Long-term future income taxes		(7,121)	(7,121)
	163,709	112,355	276,064
Non-controlling interest		(31,232)	(31,232)
	$ 163,709	$ 81,123	$ 244,832
Consideration:			
Cash	$ 163,709	$ 81,123	$ 244,832

In the 2004 Predecessor Year-End, the Predecessor purchased the residential entry door business of The Stanley Works ("Entry Door") for cash consideration of $163,709. The Predecessor also acquired 75% of the shares of a manufacturer in Eastern Europe for cash consideration of $23,631. In addition, the Predecessor acquired a 50% interest in a manufacturing facility in Malaysia for cash consideration of $25,514; and completed the purchase of a manufacturer in the United States for cash consideration of $31,978.

In the 2004 Predecessor Year-End, the Predecessor also increased its ownership percentage in a less than wholly owned subsidiary for cash consideration of $234. In addition, the Predecessor acquired a 45% interest in a manufacturing facility in the U.S. for cash consideration of $9,713 (net of cash acquired of $758).

Information regarding goodwill acquired in the 2005 Successor Period is as follows:

December 31, 2005	Acquisition of Predecessor	Acquisitions Since April 6, 2005	Total
Goodwill attributable to North America	$ 908,520	$ 11,590	$ 920,110
Goodwill attributable to Europe and other	41,372	6,138	47,510
Total goodwill from acquisitions	$ 949,892	$ 17,728	$ 967,620
Goodwill deductible for income tax purposes	$	$	$

For the year ended December 31, 2006 and the 2005 Successor Period ended December 31, 2005, the changes in the carrying amount of goodwill were as follows:

December 31, 2006	North America	Europe and Other	Total
Goodwill, December 31, 2005 (Restated see note 2)	$ 920,110	$ 48,657	$ 968,767
Acquisition-related deferred taxes	(4,320)		(4,320)
Translation adjustment		5,033	5,033
Goodwill, December 31, 2006	$ 915,790	$ 53,690	$ 969,480

December 31, 2005	North America	Europe and Other	Total
Goodwill, February 2, 2005	$	$	$
Acquisition of the Predecessor	908,520	41,372	949,892
Goodwill from other acquisitions	11,590	6,138	17,728
Translation adjustment		1,147	1,147
Goodwill, December 31, 2005 (Restated see note 2)	$ 920,110	$ 48,657	$ 968,767

4. Accounts receivable

In 2004, the Predecessor entered into an agreement (the "Facilities Agreement") to sell up to $75,000 of non-interest bearing trade accounts receivable. Prior to the closing of the Transaction (note 3), the amount of trade accounts receivable that can be sold under the agreement was increased to $135,000. The rights to sell under this agreement were assumed by the Company after the Transaction. The charges incurred under the Facilities Agreement are calculated based on the receivables sold and the prevailing LIBOR interest rate plus a spread of 1.25% at December 31, 2006 (December 31, 2005 1.00%). Information regarding balances sold and charges incurred on the Facilities Agreement is included in the table below.

As a result of an acquisition in 2004, the Predecessor entered into an agreement (the "Acquired Facilities Agreement") whereby it would sell receivables of a specific customer. The rights to sell under this agreement were assumed by the Company after the Transaction. The charges incurred under the Acquired Facilities Agreement are calculated based on the receivables sold and the prevailing LIBOR interest rate plus a spread of 1.75% at December 31, 2006 (December 31, 2005 1.75%). Information regarding the balances sold and charges incurred on the Acquired Facilities Agreement is included in the following table:

	December 31, 2006	December 31, 2005
Receivables Sold at period end:		
Facilities Agreement	$ 88,063	$ 111,293
Acquired Facilities Agreement	24,841	30,228
	$ 112,904	$ 141,521

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Charges Incurred in the period				
Facilities Agreement	$ 6,104	$ 4,058	$ 945	$ 1,088
Acquired Facilities Agreement	1,828	1,238	273	675
	$ 7,932	$ 5,296	$ 1,218	$ 1,763

5. Inventories

	December 31, 2006	December 31, 2005 Restated (note 2)
Raw materials	$ 222,364	$ 261,601
Finished goods	129,174	138,494
	$ 351,538	$ 400,095

In the second quarter of 2006, the Company recorded a provision of $9,000 to cost of sales in the consolidated statement of operations related to finished goods and raw materials inventory at various facilities within the organization. The Company performed an analysis of expected demand primarily related to discontinued product lines and it was determined that an adjustment was necessary to present these inventories at the lower of cost or market value.

In the 2005 Successor Period, the Company recorded a provision of $7,000 to cost of sales in the consolidated statement of operations relating to inventory at a facility in the United States. The expected demand for this product line was evaluated, and it was determined that a reduction from carrying value to net realizable value was required. The $7,000 was charged to cost of sales in the consolidated statement of operations in the 2005 Successor Period.

As a result of the Transaction (see note 3), the assets and liabilities of the Predecessor were re-measured at fair value on April 6, 2005. The Company determined the fair value of inventory on hand to be $20,518 higher than its carrying value, and accordingly, increased the carrying value.

This fair value increase has been fully realized as a charge to cost of sales in the 2005 Successor Period. As a result of acquisitions in the 2005 Successor Period (see note 3), the assets and liabilities acquired were re-measured at the fair value as of the date of acquisition. The Company determined that the fair value of inventory acquired was $1,235 higher than its carrying value, and accordingly, increased the acquired carrying value. This fair value increase was fully realized as a charge to cost of sales in the 2005 Successor Period.

6. Property, plant and equipment

December 31, 2006	Cost	Accumulated Depreciation	Net Book Value
Land	$ 48,901	$	$ 48,901
Buildings	216,692	17,461	199,231
Machinery and equipment	771,523	146,079	625,444
	$ 1,037,116	$ 163,540	$ 873,576

December 31, 2005	Cost	Accumulated Depreciation	Net Book Value
Land	$ 59,335	$	$ 59,335
Buildings	210,457	6,525	203,932
Machinery and equipment	729,063	51,577	677,486
	$ 998,855	$ 58,102	$ 940,753

Total depreciation expense charged to the consolidated statement of operations related to property, plant and equipment in the year ended December 31, 2006 was $88,992 (2005 Successor Period $59,695; 2005 Predecessor Period $17,919; 2004 Predecessor Year-End $58,520).

In the fourth quarter of 2006, the Company recorded impairment charges of $16,853 (2005 Successor Period $nil; 2005 Predecessor Period $nil; 2004 Predecessor Year-End $2,919) to reduce the carrying value of fixed assets to their net realizable value, as a result of the expected cash flows from these assets being less than their carrying value.

7. Intangible assets

December 31, 2006	Cost	Accumulated Amortization	Net Book Value
Amortizable intangible assets			
Customer relationships	$ 313,354	$ 45,561	$ 267,793
Order backlogs	4,105	4,105	
Patents	92,023	15,848	76,175
	409,482	65,514	343,968
Indefinite life intangible assets			
Trademarks and tradenames	165,000		165,000
	$ 574,482	$ 65,514	$ 508,968

December 31, 2005	Cost	Accumulated Amortization	Net Book Value
Amortizable intangible assets			
Customer relationships	$ 313,354	$ 19,166	$ 294,188
Order backlogs	4,105	4,105	
Patents	92,023	6,593	85,430
	409,482	29,864	379,618
Indefinite life intangible assets			
Trademarks and tradenames	165,000		165,000
	$ 574,482	$ 29,864	$ 544,618

For the year ended December 31, 2006 and the 2005 Successor Period ended December 31, 2005, the changes in the carrying amount of intangible assets were as follows:

December 31, 2006	Customer Relationships	Order Backlogs	Patents	Trademarks	Total
Net book value, December 31, 2005	$ 294,188	$	$ 85,430	$ 165,000	$ 544,618
Amortization	(26,395)		(9,255)		(35,650)
Net book value, December 31, 2006	$ 267,793	$	$ 76,175	$ 165,000	$ 508,968

December 31, 2005	Customer Relationships	Order Backlogs	Patents	Trademarks	Total
Net book value, February 2, 2005	$	$	$	$	$
Acquisition of the Predecessor	300,000	4,000	85,000	165,000	554,000
Other acquisitions	13,354	105	7,023		20,482
Amortization	(19,166)	(4,105)	(6,593)		(29,864)
Net book value, December 31, 2005	$ 294,188	$	$ 85,430	$ 165,000	$ 544,618

The weighted average amortization period at December 31, 2006 for intangible assets was approximately 11 years (December 31, 2005 11 years). The estimated amortization for existing intangible assets over the next five years ending December 31 is as follows:

2007	$ 35,592
2008	35,592
2009	35,592
2010	35,592
2011	35,592
	177,960

Total amortization expense charged to the consolidated statement of operations related to intangible assets in the year ended December 31, 2006 was $35,650 (2005 Successor Period $29,915; 2005 Predecessor Period $1,093; 2004 Predecessor Year-End $4,067).

8. Other assets

	December 31, 2006	December 31, 2005
Deferred charges, less accumulated amortization of $25,043 (December 31, 2005 $16,485)	$ 71,282	$ 61,515
Receivable from parent	13,408	5,175
Long-term receivables and other	4,644	6,620
	$ 89,334	$ 73,310

The deferred charges include costs of $78,000 related to financing fees on the Company's term loan and senior subordinated bridge loan that were incurred as a result of the Transaction. In 2006, additional deferred financing fees of $17,325, plus $1,000 in professional fees, were capitalized as part of the conversion of the senior term loan into senior subordinated notes, in accordance with the terms of the indenture of the senior term loan (see note 10).

Included in long-term receivables and other at December 31, 2006 is $3,894 (December 31, 2005 $5,136) in receivables due over the next six years pursuant to a royalty agreement. The

$13,408 (December 31, 2005 $5,175) due from Masonite Holding Corporation ("Holdings"), the Company's parent, represents share purchase and redemption transactions of the Parent's shares that were funded by a subsidiary of the Company. The amount receivable from Holdings is non-interest bearing, unsecured, and has no set terms of repayment.

9. Bank indebtedness

	December 31, 2006	December 31, 2005
Revolving credit facility	$ 43,000	$ 110,000
Other borrowings and overdrafts	17,393	18,767
	$ 60,393	$ 128,767

On April 6, 2005, Masonite entered into a $350,000 revolving credit facility as part of its banking arrangements. Interest on the revolving credit facility is subject to a pricing grid ranging from LIBOR plus 1.75% to LIBOR plus 2.50%, and is secured by fixed and floating charges over substantially all of Masonite's assets. As of December 31, 2006, the revolving credit facility interest rate was LIBOR plus 2.50% (December 31, 2005 LIBOR plus 2.50%) and $43,000 (December 31, 2005 $110,000) was outstanding on the revolving credit facility. The revolving credit facility is secured by a fixed and floating charge over the assets of the Company and the guarantor subsidiaries as defined in the credit agreement.

The revolving credit facility also provides for payment to the lenders of a commitment fee on the average daily undrawn commitments at a rate ranging from 0.375% to 0.5% per annum, a fronting fee of 0.125%, and a letter of credit fee ranging from 1.75% to 2.5% (less the 0.125% fronting fee).

Interest on the revolving credit facility for the year ending December 31, 2006 was $8,696 (2005 Successor Period $4,981). Interest on the Predecessor's credit facility in the 2005 Predecessor Period and the 2004 Predecessor Year-End was $174 and $154, respectively.

Certain of Masonite's subsidiaries also have bank loans and bank overdraft agreements with local lenders. These facilities are secured by fixed and floating charges over the assets of the respective subsidiaries and are non-recourse to Masonite. The maximum credit available to these subsidiaries was $14,081 (December 31, 2005 -$14,985) and bear interest at rates between of 4.6% to 5.6%.

10. Long-term debt

	December 31, 2006	December 31, 2005
Senior Secured Credit Facilities, bearing interest at LIBOR plus 2.00% due April 6, 2013	$ 1,154,438	**$ 1,166,187**
Senior Subordinated Notes, bearing interest at 11%, due October 6, 2015	747,231	
Senior Subordinated Term Loan, bearing interest at 11%, due October 6, 2015	22,625	
Senior Subordinated Bridge Loan, bearing interest at LIBOR plus 6.00% (to a maximum of 11%)		**770,000**
Bank term loan denominated in Canadian dollars, bearing interest at Banker's Acceptance rates plus 1.25%, due September 1, 2006		**16,254**
Bank term loan bearing interest at LIBOR plus 1.50%, due November 27, 2009	10,700	
Bank term loan bearing interest at LIBOR plus 0.49% (2005 1.40%) due July 16, 2007	7,500	**10,000**
Bank term loan bearing interest at LIBOR plus 0.49% (2005 -0.49%) due January 4, 2007	7,500	**7,500**
Bank term loan denominated in Canadian dollars, bearing interest at Canadian prime plus 1.50%, due July 31, 2008		**2,580**
Other loans, at various interest dates and maturities	5,785	**3,941**
	1,955,779	**1,976,462**
Less current portion	32,221	**34,329**
	$ 1,923,558	**$ 1,942,133**

The aggregate amount of principal repayments in the twelve month periods ending December 31 in each of the next five years and thereafter is as follows:

2007	$ 32,221
2008	16,880
2009	16,285
2010	12,666
2011	11,836
Thereafter	1,865,891
	$ 1,955,779

On April 6, 2005, the Company entered into senior secured credit facilities which included an eight year $1,175,000 term loan that bears interest at LIBOR plus 2.00% and amortizes at 1% per

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year. This facility requires the Company to meet a minimum interest coverage ratio starting at 1.5 times and increasing over time to 2.2 times adjusted earnings before interest, taxes, depreciation and amortization, as defined in the credit agreement ("Adjusted EBITDA"), and a maximum leverage ratio starting at 7.9 times, and decreasing over time to 4.75 times, Adjusted EBITDA.

At December 31, 2006, the Company was required to have met a minimum interest coverage ratio of 1.60 times Adjusted EBITDA, and a maximum leverage ratio of 7.40 times Adjusted EBITDA. In addition, the senior secured credit facilities limit, among other things, the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, prepayments of other indebtedness, liens and other encumbrances, additional payments based on excess cash flows, and other matters customarily restricted in such agreements. This facility also contains certain customary events of default, subject to grace periods, as appropriate. The senior secured credit facilities are secured by a fixed and floating charge over the assets of the Company and the guarantor subsidiaries, as defined in the credit agreement. At December 31, 2006 and 2005, the Company was in compliance with both of these ratios.

Also on April 6, 2005, the Company entered into a senior subordinated bridge loan agreement for a $770,000 senior subordinated loan. The senior subordinated loan initially carried an interest rate of LIBOR plus 6.00% and increased over time to a maximum interest rate of 11% per annum, which was reached during the second quarter of 2006. At the option of the lenders, all or a portion of the senior subordinated loan can be converted on or after October 6, 2006 to senior subordinated notes due 2015, which will bear interest at the rate applicable to the senior subordinated loan immediately prior to conversion and will be subject to registration rights. On October 6, 2006, the $770,000 senior subordinated bridge loan automatically converted into a $770,000 senior subordinated term loan, bearing interest at 11%. Upon notice of conversion by the holders of the senior subordinated term loan, $747,231 of the senior subordinated term loan converted to senior subordinated notes due 2015, which bear interest at 11% and are subject to registration rights. On January 3, 2007, the Company filed a Registration Statement with the Securities and Exchange Commission ("SEC") on form F-4. In connection with the conversion from the senior term loan to senior subordinated notes, the Company paid a conversion fee of $17,325, which was capitalized as deferred financing costs. Pursuant to the Exchange and Registration Rights Agreement relating to the senior subordinated notes due 2015, if the Company does not consummate a registered exchange offer for the notes by April 4, 2007, additional interest will begin to accrue as of April 5, 2007 in an amount equal to $0.05 per week per $1,000 principal amount of outstanding notes for a period of 90 days. The amount of additional interest shall increase by an additional $0.05 per week per $1,000 principal amount of outstanding notes with respect to each 90-day period for which the exchange offer is not consummated, provided that the additional interest in the aggregate shall not exceed $0.20 per week per $1,000 principal amount of outstanding notes. The Company may elect to pay such additional interest through the issuance of additional notes, as provided in the indentures relating to the notes. Additional interest will continue to accrue at $0.20 per week per $1,000 principal amount without a maximum until the exchange offer is consummated. No additional interest has been recorded at December 31, 2006.

The Company's weighted average interest rate at December 31, 2006 was 8.1% (December 31, 2005 7.8%).

Interest on long-term debt for the year ended December 31, 2006 was $163,250 (2005 Successor Period $112,593; 2005 Predecessor Period $10,902; 2004 Predecessor Year-End $34,490).

On April 26, 2005, Masonite entered into interest rate swap agreements to convert $1,150,000 of floating rate debt into fixed rate debt. At December 31, 2006, a total of $1,050,000 of floating rate debt has been converted into fixed rate debt, after $100 million amortized in April 2006, at an interest rate of 4.22% plus a credit spread of 2.00%. These swaps amortize over a five year period and mature in 2010. At December 31, 2006, the fair value of these agreements represented an asset of $18,953. The Predecessor had also entered into interest rate swap agreements to convert floating rate debt into fixed rate debt. The Predecessor's interest rate swaps were settled as part of the closing of the Transaction (see note 3). Pursuant to Accounting Guideline 13, "Hedging Relationships", the Company has established a hedging relationship with formal documentation between the interest rate swap and the long-term debt.

The $7,500 long-term debt due January 4, 2007 was renegotiated on its maturity date to be repaid in full on January 3, 2008 at the same interest rate.

11. Accounts payable and accrued expenses

	December 31, 2006	December 31, 2005
Trade payables	$ 153,045	$ 159,104
Payroll and related remittances	42,487	38,091
Customer incentives	40,516	40,330
Interest	35,887	33,716
Restructuring and severance	7,783	2,762
Other	63,964	81,400
	$ 343,682	$ 355,403

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12. Non-controlling interest

	December 31, 2006	December 31, 2005
Balance, beginning of period	$ 30,668	$
Share of results	6,178	5,281
Impact of:		
Acquisition of the Predecessor		68,922
Acquisitions	86	(24,033)
Distributions to minority shareholders	(144)	(17,775)
Foreign exchange and other	53	(1,727)
Balance, end of period	$ 36,841	$ 30,668

Non-controlling interest decreased in the 2005 Successor Period as a result of the purchase of the remaining interests in less than wholly owned subsidiaries (see note 3). Prior to the acquisition of one of the Company's less than wholly owned subsidiaries in the 2005 Successor Period, a distribution of $17,775 was paid to the minority shareholder.

13. Other long-term liabilities

	December 31, 2006	December 31, 2005
Advances from minority interest shareholders	$ 11,443	$ 15,088
U.S. defined benefit plan (note 15(a))	12,224	11,254
United Kingdom defined benefit plan (note 15(b))	8,670	7,941
Severances payable (a)	3,925	4,396
Notes payable issued in a business combination	1,273	6,452
U.S. post-retirement benefit plan (note 15(c))	2,053	2,021
France retirement indemnity (b)	1,493	1,334
	$ 41,081	$ 48,486

(a)

Severance payable:

This amount represents the portion of severance payable to former executives and employees of the Company in 2008 and thereafter. For additional information on the severances payable, see note 17.

(b)

France retirement indemnity:

The Company's subsidiaries located in France are required to provide for statutory retirement benefits to covered employees.

14. Share capital

Masonite is authorized to issue an unlimited number of common shares.

	December 31, 2006	December 31, 2005
Number of common shares outstanding	113,435,362	113,435,362
Share capital	$ 567,177	$ 567,177

Upon the acquisition of the Predecessor (note 3), the Company issued 112,935,362 common shares for aggregate consideration of $564,677. A value of $5.00 was assigned to the shares upon their initial issuance to complete the Transaction. The fair value of $5.00 was determined based on the arm's length purchase price of the Predecessor and the number of common shares issued. There are no conversion or redemption features included with these common shares.

Masonite is a wholly owned subsidiary of Holdings. As at December 31, 2006, management owns a 5.8% (December 31, 2005 6.9%) interest in Holdings. Holdings provides a stock option plan to allow management and key employees of Masonite to purchase shares of Holdings. The Predecessor also provided a stock option plan that was terminated immediately prior to the closing of the Transaction (see note 3).

On June 30, 2005, certain executive officers and other members of management subscribed for 500,000 common shares of Holdings' pursuant to the execution of Management Stockholder Agreements for aggregate consideration received of $2,500. The 500,000 common shares subscribed for under the Management Stockholder Agreements were in connection with the Transaction, and as a result, were assigned a value of $5.00 per share, which was determined to be the fair value consistent with the value determined in the Transaction which had been recently completed. There are no conversion or redemption features included with these common shares.

In June 2004, the Company filed a Normal Course Issuer Bid ("Share Repurchase") with the Toronto Stock Exchange to repurchase up to 4,700,000 common shares, for cancellation, over the period from June 11, 2004 to June 10, 2005. The shares were to be repurchased at the market price. The number of shares repurchased during any 30 day period was not to exceed 2% of the total outstanding common shares. During the 2004 Predecessor Year-End, the Company purchased for cancellation 100,000 of its common shares for $2,359 pursuant to its Share Repurchase program. Subsequent to December 31, 2004, the Company terminated its Share Repurchase program.

(a)

Masonite's stock option plan:

Information with respect to Masonite's participation in Holdings' stock option plan is included below.

Options to acquire shares of Holdings have a 10 year term and an exercise price of $5.00. The vesting period of the options varies with the type of option granted.

Of the options granted in the year ended December 31, 2006 (the "2006 Options"), 1,275,000 vest equally over a 5 year period with the passage of time, and 1,275,000 options vest based on pre-established performance criteria set for each period in a 5 year period. If the performance criteria for a fiscal period are met, those options will vest accordingly. Also included as part of the performance based options criteria are cumulative targets. If the cumulative targets at the end of a subsequent fiscal period are met, options in that period, as well as previously unvested options in periods where the performance criteria were not met, become vested. In addition to the options granted above, 300,000 additional options vested immediately.

Of the total options granted in the 2005 Successor Period (the "2005 Options"), 11,745,390 vest equally over a 5 year period with the passage of time, and 11,745,389 options vest based on pre-established performance criteria set for each period in a 5 year period. If the performance criteria for a fiscal period are met, those options will vest accordingly. Also included as part of the performance based options criteria are cumulative targets. If the cumulative targets at the end of a subsequent fiscal period are met, options in that period, as well as previously unvested options in periods where the performance criteria were not met, become vested. In addition, 1,015,000 options were granted that will vest only if specific cumulative performance targets are met at the end of a 5 year period.

December 31, 2006	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period	9,114,140	9,114,139	640,000	
Number of options granted	1,275,000	1,275,000		300,000
Number of options exercised				
Number of options cancelled	(3,188,515)	(2,532,514)	(240,000)	
Number of options outstanding, end of period	7,200,625	7,856,625	400,000	300,000

December 31, 2005	Time Based Options	Performance Based Options	Cumulative Performance Options	Immediate Vesting
Number of options outstanding, beginning of period				
Number of options granted	11,745,390	**11,745,389**	**1,015,000**	
Number of options exercised				
Number of options cancelled	(2,631,250)	**(2,631,250)**	**(375,000)**	
Number of options outstanding, end of period	9,114,140	**9,114,139**	**640,000**	

	2006			2005 Successor Period		
	Total Number of Options	Weighted Average Exercise Price		Total Number of Options	Weighted Average Exercise Price	
Options outstanding, beginning of period	18,868,279	$	5.00		$	
Options granted	2,850,000		5.00	24,505,779		5.00
Options exercised						
Options cancelled	(5,961,029)		5.00	(5,637,500)		5.00
Options outstanding, end of period	15,757,250	$	5.00	18,868,279	$	5.00

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The weighted average fair value at the grant date for the time-based, performance based and immediate vesting 2006 Options issued by Holdings was $2.03. The weighted average fair value at the grant date for the 2005 Options was $1.09.

Information regarding the number of options outstanding by type, the average remaining contractual life, and the number of options exercisable is as follows:

	Options Outstanding		Options Exercisable
	Number Outstanding	Average Remaining Contractual Life (years)	Number Exercisable
Time based	7,200,625	8.55	1,685,000
Performance based	7,856,625	8.55	
Cumulative performance	400,000	8.27	
Immediate vesting	300,000	9.86	300,000
	15,757,250		1,985,000

Although 1,685,000 time-based and 300,000 immediate vesting options have vested and are exercisable, the Option Agreement restricts option holders from exercising, selling or transferring their options until December 31, 2009 unless certain conditions occur.

Subsequent to the year ended December 31, 2006, an additional 573,750 time-based and 573,750 performance based options were cancelled.

The Company has determined that the total stock-based awards expense for awards granted to employees, using the minimum value method for the 2005 Options and the Black-Scholes method for the 2006 Options, was $2,031 in the year ended December 31, 2006 (2005 Successor Period $2,956). The determination of total stock-based awards was adjusted for options that have been cancelled and or are not expected to vest. The assumptions used in the determination of the fair value of stock options are as follows:

	2006 Options	2005 Options
Risk-free rate	4.7%	4.1%
Expected dividend yield	0%	0%
Expected volatility of the market price of the Company's shares	32%	0%
Expected option life (in years)	6	6

(b)

Predecessor's stock option plan:

Information with respect to the Predecessor's stock option plan is included below.

The term of each Predecessor option to acquire shares of the Predecessor was 10 years and the vesting period was three years. The exercise price for options was the closing share price of the

Predecessor's shares on the Toronto Stock Exchange on the day prior to the grant date. The options had expiry dates through 2013.

In connection with the Transaction, all options to purchase Predecessor common shares that were outstanding immediately prior to the close of the Transaction were cancelled and extinguished for consideration in an amount equal to the difference between the consideration of Cdn$42.25 per share and the exercise price. This difference resulted in an aggregate cash payment of $47,801 subsequent to April 6, 2005, of which $46,895 was recognized as equity compensation settlement expense and is included in other expense on the Predecessor's statement of operations. As at April 6, 2005, the Predecessor's stock option plan was terminated.

	2005 Predecessor Period		2004 Predecessor Year-End	
	Total Number of Options	**Weighted Average Exercise**	**Total Number of Options**	**Weighted Average Exercise Price**
Options outstanding, beginning of period	2,275,678	$ 13.75	2,743,750	$ 12.20
Options granted				
Options exercised	(23,000)	20.37	(462,732)	10.27
Options cancelled	(2,252,678)	13.57	(5,340)	19.43
Options outstanding, end of period		$	2,275,678	$ 13.75

There were no stock options granted in the 2005 Predecessor Period or the 2004 Predecessor Year-End.

In 2003, the Predecessor adopted, on a prospective basis, the requirements for fair value accounting for options granted to employees. For the options granted in 2003, the Predecessor recognized $229 of compensation expense in the 2005 Predecessor Period (2004 Predecessor Year-End $396). For the Predecessor options granted in 2002, the pro forma disclosure relating to the compensation expense of the Predecessor is as follows:

	2005 Predecessor Period	2004 Predecessor Year-End
Net (loss) income as reported	$ (30,665)	$ 127,951
Add (deduct): Stock-based award costs using fair value method, net of tax	1,116	(512)
Pro forma net (loss) income	$ (29,549)	$ 127,439

(c) Other Predecessor stock option plan:

In 2004, the Predecessor implemented a Full Value Incentive Plan. This plan replaced the one-time grant of Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") that occurred in 2003. Under this plan, certain of the awards were RSUs that were subject to certain performance criteria. The balance of the awards were DSUs which vested in equal annual instalments over a five year period. Total compensation expense recorded in the consolidated statement of operations for the two plans in the 2004 Predecessor Year-End was $5,552.

As a result of the Transaction (see note 3), all vested and unvested RSUs and DSUs were accelerated and settled for cash consideration totaling $16,185, of which $10,757 was recorded as equity compensation settlement expense, and is included in other expense, net, in the Predecessor 2005 Period's consolidated statement of operations, as described in note 17. As at April 6, 2005, the Full Value Incentive Plan was terminated.

15. Employee future benefits

(a) U.S. defined benefit plan:

The Predecessor had a defined benefit plan covering approximately 2,000 employees in the United States, which was assumed by Masonite as part of the Transaction. Benefits under the plan were largely curtailed in 2003, and are a function of compensation levels, benefit formulas and years of service. The Company accrues the expected costs of providing plan benefits during the periods in which the employees render service. The measurement date used for the accounting valuation for the defined benefit plan was December 31, 2006, while the most recent actuarial valuation was updated to January 1, 2006. Information about the defined benefit plan is as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Pension expense				
Current service cost	$ 1,194	$ 810	$ 297	$ 864
Interest cost	4,307	3,103	907	3,225
Expected return on plan assets	(4,531)	(3,387)	(1,158)	(4,518)
Amortization of prior service cost			91	
Net pension expense	$ 970	$ 526	$ 137	$ (429)

Information with respect to the assets and liabilities in the U.S. defined benefit plan is as follows:

	2006	2005 Successor Period
Pension asset:		
Fair value of plan assets, beginning of period	$ 66,007	$ 65,490
Actual return on plan assets	5,478	2,564
Benefits paid	(3,349)	(1,814)
Administrative expenses paid	(457)	(233)
Fair value of plan assets, end of period	$ 67,679	$ 66,007

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	2006	2005 Successor Period
Pension liability:		
Accrued benefit obligation, beginning of period	$ 78,051	$ 76,218
Current service cost	1,194	810
Interest cost	4,307	3,103
Actuarial gain	(1,169)	(33)
Benefits paid	(3,349)	(1,814)
Administrative expenses paid	(457)	(233)
Accrued benefit obligation, end of period	$ 78,577	$ 78,051

A reconciliation of the net accrued benefit obligation is as follows:

	2006	2005 Successor Period
Reconciliation to net accrued benefit obligation:		
Accrued benefit obligation, end of period	$ (78,577)	$ (78,051)
Fair value of plan assets, end of period	67,679	66,007
Unamortized actuarial (gain) loss	(1,326)	790
Net accrued benefit obligation, end of period	$ (12,224)	$ (11,254)

Pension fund assets are invested primarily in equity and debt securities. Asset allocation between equity and debt securities and cash is adjusted based on the expected life of the plan and the expected retirement of the plan participants. Information with respect to the amounts and types of securities that are held in the plans assets are as follows:

	December 31, 2006		December 31, 2005	
Information on Plan Assets	**Amount**	**% of Total Plan**	**Amount**	**% of Total Plan**
Equity securities	$ 33,298	49.2%	$ 27,855	42.2%
Debt securities	34,313	50.7%	38,086	57.7%
Other	68	0.1%	66	0.1%
	$ 67,679	100.0%	$ 66,007	100.0%

Under the Company's investment policy and strategy, plan assets are invested to achieve a fully funded status based on actuarial calculations, maintain a level of liquidity that is sufficient to pay benefit and expense obligations when due, maintain flexibility in determining the future level of contribution and to maximize returns within the limits of risk. The target asset allocation for plan assets in the defined benefit plan is as follows:

Target Asset Allocation

Equity securities	30	40%
Debt securities	60	70%
Other	0	5%

The Company's pension funds are not invested directly in the equity of Masonite, but may have been invested indirectly as a result of inclusion of Masonite in certain market investment funds during the period in which Masonite was a public company.

The weighted average actuarial assumptions for the year ended December 31, 2006, the 2005 Successor Period, the 2005 Predecessor Period and the 2004 Predecessor Year-End adopted in measuring the Company's accrued benefit obligations and costs were as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Discount rate for:				
Accrued benefit obligation	5.75%	5.50%	6.00%	6.00%
Net periodic pension cost	5.50%	5.50%	6.00%	6.00%
Expected long-term rate of return on plan assets	7.00%	7.00%	7.00%	7.00%

The rate of compensation increase for the accrued benefit obligation and net periodic pension cost for the U.S. defined benefit plan is not applicable, as benefits under the plan are not affected by compensation increases.

(b)

United Kingdom defined benefit plan:

The Company also has a defined benefit plan in the United Kingdom ("U.K."), which has been curtailed in prior years. The measurement date used for the accounting valuation for the defined benefit plan was December 31, 2006, while the most recent actuarial valuation was updated to March 31, 2005. Information about the defined benefit plan in the U.K. is as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Pension expense				
Interest cost	$ 1,238	$ 853	$ 260	$ 1,036
Expected return on plan assets	(1,061)	(671)	(258)	(1,056)
Amortization of actuarial losses			24	46
Net pension expense	$ 177	$ 182	$ 26	$ 26

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Information with respect to the assets and liabilities in the United Kingdom defined benefit plan is as follows:

	2006	2005 Successor Period
Pension asset:		
Fair value of plan assets, beginning of period	$ 15,836	$ 13,812
Actual return on plan assets	1,178	2,041
Employer contributions	478	208
Benefits paid	(475)	(225)
Exchange impact	2,173	
Fair value of plan assets, end of period	$ 19,190	$ 15,836

	2006	2005 Successor Period
Pension liability:		
Accrued benefit obligation, beginning of period	$ 22,407	$ 21,779
Interest cost	1,238	853
Benefit payments	(475)	(225)
Actuarial gain	1,128	
Exchange impact	3,089	
Accrued benefit obligation, end of period	$ 27,387	$ 22,407

A reconciliation of the net accrued benefit obligation is as follows:

	2006	2005 Successor Period
Reconciliation to net accrued benefit obligation:		
Accrued benefit obligation, end of period	$ (27,387)	$ (22,407)
Fair value of plan assets, end of period	19,190	15,836
Unamortized actuarial gain	(473)	(1,370)
Net pension accrued benefit obligation, end of period	$ (8,670)	$ (7,941)

The weighted average actuarial assumptions for the year ended December 31, 2006, the 2005 Successor Period, the 2005 Predecessor Period and the 2004 Predecessor Year-End adopted in measuring the Company's accrued benefit obligations and costs were as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Discount rate for:				
Accrued benefit obligation	5.25%	5.25%	6.00%	6.00%
Net period pension cost	5.25%	5.25%	6.00%	6.00%
Rate of compensation increase for:				
Accrued benefit obligation	n/a	n/a	2.60%	2.60%
Net period pension cost	n/a	n/a	2.60%	2.60%
Expected long-term rate of return on plan assets	6.50%	6.50%	7.50%	7.50%

The rate of compensation increase for the accrued benefit obligation and net pension cost for the United Kingdom defined benefit plan is not applicable, as the plan was largely curtailed in 2005, and benefits under the plan are not affected by compensation increases.

The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio is developed considering the effects of active portfolio management and expenses paid from plan assets. Under the Company's investment policy and strategy, plan assets are invested to achieve a fully funded status based on actuarial calculations, maintain a level of liquidity that is sufficient to pay benefit and expense obligations when due, maintain flexibility in determining the future level of contributions and to maximize returns within the limits of risk.

(c) U.S. post-retirement benefit plan:

The Predecessor maintained a contributory retiree medical plan and a limited non-contributory life insurance benefit covering approximately 350 employees in the United States, which was assumed by Masonite as a result of the Transaction. The plan contains features such as co-insurance, co-pays and deductibles. The plan is unfunded with benefits and contributions subject to change. The measurement date used for the accounting valuation for the post-retirement benefit plan was updated to December 31, 2006. Information about the post-retirement benefit plans is as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Post-retirement benefits expense (income)				
Current service cost	$ 101	$ 111	$ 33	**$ 182**
Interest cost	88	84	27	**153**
Amortization of net settlement gain	(27)		(33)	**(116)**
Curtailment gain				**(2,015)**
Benefits paid				**(11)**
Post-retirement benefits expense (income)	$ 162	$ 195	$ 27	**$ (1,807)**

A reconciliation of the post-retirement liability is as follows:

	2006	2005 Successor Period
Reconciliation to post-retirement liability:		
Accrued benefit obligation, beginning of period	$ 2,021	$ 2,058
Current service cost	101	111
Interest cost for the period	88	84
Benefits paid during the period	(221)	(92)
Administrative expenses paid during the period		(140)
Unamortized actuarial gain	64	
Accrued benefit obligation, end of period	$ 2,053	$ 2,021

The accrued benefit obligation is included in other long-term liabilities on the balance sheet.

The impact of a 1% increase and a 1% decrease in health care cost trend rates would be as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
1% increase in health care cost rates:				
Accrued benefit obligation, end of period	$ 1,615	$ 2,219	$ 1,936	$ 1,936
Change in accrued benefit obligation	61	198	159	159
1% decrease in health care cost rates:				
Accrued benefit obligation, end of period	$ 1,503	$ 1,859	$ 1,646	$ 1,646
Change in accrued benefit obligation	(51)	(162)	(131)	(131)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations at year-end are as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Discount rate for:				
Accrued benefit obligation	5.75%	5.50%	6.00%	6.00%
Net periodic post-retirement cost	5.50%	5.50%	6.00%	6.00%
Health care trend rate for:				
Accrued benefit obligation	8.00%	5.50%	5.00%	5.00%
Net periodic post-retirement cost	8.00%	5.00%	5.00%	5.00%
Ultimate year trend rate for:				
Accrued benefit obligation	5.00%	5.00%	5.00%	5.00%
Net periodic post-retirement cost	5.00%	5.00%	5.00%	5.00%

The rate of compensation increase for the accrued benefit obligation and net post-retirement cost for the U.S. post-retirement benefit plan is not applicable, as the plan was largely curtailed in 2003, and benefits under the plan are not affected by compensation increases.

The ultimate health care trend rate of 5.00% was expected to be achieved in 2010.

As at December 31, 2006, the estimated future benefit payments and expected contributions for the years ended December 31 are as follows:

	Defined Benefit Plans	Post-retirement Benefits
Estimated Future Benefit Payments:		
2007	$ 2,538	$ 52
2008	2,851	65
2009	3,242	86
2010	3,427	109
2011	3,825	137
2012 through 2016	24,184	828
Expected Contributions:		
2007	$ 1,782	$ 52

The expected long-term rate of return on plan assets is based on projected rates of return for current and planned asset classes in the plan's investment portfolio. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio is developed considering the effects of active portfolio management and expenses paid from plan assets.

16. Commitments and contingencies

Masonite has entered into forward foreign currency contracts to hedge foreign currency risk. At December 31, 2006, unrealized gains totalled $14 (December 31, 2005 $137) and unrealized losses totalled $56 (December 31, 2005 $26). The Company had the following outstanding foreign exchange forward contracts representing commitments to buy and sell foreign currencies at December 31, 2006:

Year of Maturity	Currency Sold	Amount Sold	Currency Purchased	Weighted Average Rate
2007	USD	4,205	CAD	1.1415
2007	USD	2,839	ZAR	7.1734
2007	ZAR	8,304	EUR	0.103

For lease agreements that provide for escalating rent payments or rent-free occupancy periods, the Company recognizes rent expense on a straight line basis over the non-cancellable lease term and any option renewal period where failure to exercise such option would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date when all conditions precedent to the Company's obligation to pay rent are satisfied. The leases generally contain provisions for 1 to 3 renewal options of 5 years each. Future minimum payments, in the twelve month periods ending

December 31, under non-cancellable operating leases with initial or remaining terms of one year or more consisted of the following:

2007	$ 24,925
2008	18,014
2009	13,681
2010	11,573
2011	9,483
Thereafter	36,828
	$ 114,504

Total rent expense, including non-cancellable operating leases as well as month-to-month leases, incurred in the year ended December 31, 2006 was $36,905 (2005 Successor Period $25,573; 2005 Predecessor Period $7,884; 2004 Predecessor Year-End $29,001).

Masonite has provided standard indemnifications to its landlords under certain property lease agreements for claims by third parties in connection with its use of the premises. The maximum amount of these indemnifications cannot be reasonably estimated due to their nature. Historically, neither the Company nor the Predecessor made any significant payments relating to such indemnifications.

In addition to the above indemnifications, Masonite has also provided routine indemnifications, whose terms range in duration and often are not explicitly defined. These may include indemnifications against adverse effects to changes in tax laws and patent infringements by third parties. The maximum amounts from these indemnifications cannot be reasonably estimated. In some cases, Masonite has recourse against other parties to mitigate its risk of loss from these indemnifications. Historically, the Predecessor did not make significant payments relating to these types of indemnifications.

The Company is involved in various claims and legal actions. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or liquidity.

17. Other expense, net

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Asset impairment (a)	$ 16,853	$	$	$ 2,919
Restructuring and severance (b)	14,444	7,513	1,660	7,530
Loss (income) on disposal of property, plant and equipment (c)	6,792	2,414	118	(5,145)
Equity compensation settlement expense (d)			57,742	
Insurance proceeds (e)	(370)			
Transaction costs (f)		12,083	7,155	2,500
Other (g)	1,270	590	(292)	(101)
	$ 38,989	$ 22,600	$ 66,383	$ 7,703

(a)

Asset impairment:

As a result of the consolidation of certain facilities and the discontinuation of product lines, the Company tested the related property, plant and equipment for impairment. After determining that the undiscounted cash flows were lower than the carrying value for these fixed assets, the Company used a discounted cash flow approach to determine that an impairment charge of $16,853 was required to reduce the carrying value of these fixed assets to their net realizable value. There was no impairment charge in the 2005 Successor or 2005 Predecessor Periods, and a $2,919 charge in the 2004 Predecessor Period.

(b)

Restructuring and severance expenses:

The restructuring and severance expense for the year ended December 31, 2006 relate to the closure of four manufacturing facilities in North America as well as selected headcount reductions that occurred towards the end of September. Two of the closures were announced in the first quarter, while the other two were announced in the second quarter. Also included are severance benefits for certain former senior executives of the Company.

In 2004, the Predecessor closed a non-core North American operation and undertook a program of standardizing its entry door product offering, which resulted in the closure of two manufacturing facilities. The first closure was completed in early 2004, and the second was announced in late 2004 and was completed in the first quarter of 2005. Also included are transfer and severance costs related to employee consolidation in the Company's United States headquarters. The costs incurred in fiscal 2004 are included in other expense, net, on the consolidated statement of operations. In the 2005 Predecessor Period, additional cost of $1,660 were incurred that related to the closure of the second facility.

The following tables detail the activity in the accrued restructuring liability for the year ended December 31, 2006 and the period from February 2, 2005 to December 31, 2005:

	Provision December 31, 2005	Provision During 2006	Payments During 2006	Provision December 31, 2006
Reduction in staff levels	$	$ 8,451	$ 3,552	$ 4,899
Executive and management compensation	7,158	3,337	3,816	6,679
Mobile, Alabama plant closure		999	999	
Woodbridge, Ontario plant closure		1,497	1,367	130
Corning, California plant closure		437	437	
Dickson, Tennessee plant closure		279	279	
	$ 7,158	$ 15,000	$ 10,450	$ 11,708

Included in the provision column in the table above is $556 (2005 Successor Period $142) in charges related to the accretion of previously discounted severance liability. The current portion of the accrued restructuring liability is included in accounts payable and accrued expenses on the balance sheet, with the long-term portion recorded in other long-term liabilities.

	Provision February 2, 2005	Provision During the 2005 Successor Period	Payments During the 2005 Successor Period	Provision December 31, 2005
Executive and management compensation	$	$ 7,513	$ 355	$ 7,158

(c)

Loss (income) on disposal of property, plant and equipment:

For the year ended December 31, 2006, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of $20,541. The disposal of these assets resulted in a net loss of $6,792, which is included in other expense, net.

In the 2005 Successor Period, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of $9,197. The disposal of these assets resulted in a net loss of $2,414, which is included in other expense, net.

In the 2005 Predecessor Period, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of $403. The disposal of these assets resulted in a net loss of $118, which is included in other expense, net.

During the 2004 Predecessor Year-End, the Company disposed of idle property, plant and equipment, as well as other machinery and equipment for cash consideration of $10,381. The disposal of these assets resulted in a net gain of $5,145, which is included in other expense, net.

(d)

Equity compensation settlement expense:

As a result of the affirmative shareholder vote on the Transaction, previously unrecognized compensation costs for vested and unvested stock options, as well as previously unrecognized compensation costs for unvested RSUs and DSUs were settled in cash, resulting in a charge to the statement of operations in the 2005 Predecessor Period in the amount of $57,742.

(e)

Insurance proceeds:

These proceeds were received from the Company's insurance provider, as a result of claims made by the Company on account of the hurricanes that impacted operations at numerous facilities in the southeastern United States in 2005.

(f)

Transaction costs:

As part of the Transaction (see note 3), certain legal, accounting and other costs were incurred that were not eligible to be capitalized as part of the purchase price and were expensed. Also included in transaction costs in the 2005 Successor Period is $5,000 of compensation awarded to management in connection with the Transaction. Of this amount $2,500 was issued in the form of shares of Holdings.

(g)

Other:

These costs are primarily related to the translation gains or losses on long-term debt denominated in currencies other than the United States dollar. Also included in this account in the 2005 Predecessor Period and the 2004 Predecessor Year-End are equity (income) losses on investments.

18. Income taxes

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Current	$ 12,828	$ 12,861	$ 5,533	$ 13,155
Future	(28,484)	(29,146)	(13,849)	29,498
	$ (15,656)	$ (16,285)	$ (8,316)	$ 42,653

The effective rates of income taxes provided in the consolidated statements of operations vary from the combined Canadian federal and provincial statutory income tax rates as follows:

	2006		2005 Successor Period (Restated note 2)	
	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income
Income tax computed at statutory income tax rate	(14,948)	34.1%	$ (27,069)	33.5%
Reduction in rate of tax due to income earned in foreign jurisdictions	(21,948)	50.0%	(13,971)	17.3%
Change in valuation allowance	12,969	(29.6)%	14,434	(17.9%)
Other	8,271	(18.8)%	10,321	(12.8%)
	(15,656)	35.7%	(16,285)	20.1%

	2005 Predecessor Period		2004 Predecessor Year-End	
	Amount	Percent of pre-tax income	Amount	Percent of pre-tax income
Income tax computed at statutory income tax rate	$ (12,613)	33.5%	$ 59,621	33.6%
Reduction in rate of tax due to income earned in foreign jurisdictions	(6,367)	16.9%	(14,728)	(8.3%)
Change in valuation allowance	2,639	(7.0%)	(239)	(0.1%)
Other	8,025	(21.3%)	(2,001)	(1.2%)
	$ (8,316)	22.1%	$ 42,653	24.0%

Future income tax assets arise from available income tax losses and future income tax deductions. The Company's ability to use these income tax losses and future income tax deductions is dependent upon the results of the operations of the Company in the tax jurisdictions in which such losses or deductions arose. The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are as presented below:

	2006	2005 Successor Period (Restated note 2)
Future tax assets:		
Non-capital loss carryforwards	$ 85,363	$ 68,512
Pension and post-retirement liability	8,828	8,126
Amounts currently not deductible for tax purposes	21,281	22,984
Other	16,023	14,575
	131,495	114,197
Valuation allowance	(37,113)	(24,581)
	94,382	89,616
Future tax liabilities:		
Plant and equipment	(112,819)	(135,094)
Intangibles	(127,224)	(134,442)
Unrealized foreign exchange gain	(7,047)	(7,901)
Other	(5,714)	(3,257)
	(252,804)	(280,694)
Net future tax liability	$ (158,422)	$ (191,078)

The Company currently has future tax assets in certain jurisdictions resulting from net operating losses and other deductible temporary differences, which will reduce taxable income in these jurisdictions in future periods. The Company has determined that a valuation allowance of $37,113 is required in respect of its future income tax assets as at December 31, 2006 (December 31, 2005 $24,581). The Company has provided valuation allowances for future tax benefits resulting from net operating loss carry forwards and other carryforward attributes arising in Canada, the U.S., and certain countries in South America, Eastern Europe and Asia. The Company expects to record a valuation allowances on future tax assets arising in these jurisdictions until a sustained level of taxable income is reached.

The Company has not recognized a future tax liability for the undistributed earnings of its foreign subsidiaries in the current and prior years as the Company currently does not expect those undistributed earnings to reverse and to become taxable in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as sale of the investment or through receipt of dividends. Such liability is not reasonably determinable at the present time.

The Canadian and foreign components of (loss) income before taxes and the applicable provision for income taxes are as follows:

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
(Loss) income before taxes				
Canada	$ (72,548)	$ (68,094)	$ (40,304)	$ 24,513
Foreign	28,736	(12,710)	2,653	152,930
	(43,812)	(80,804)	(37,651)	177,443
Current income tax provision				
Canada	1,653	6,284	8,580	2,779
Foreign	11,175	6,577	(3,047)	10,376
	12,828	12,861	5,533	13,155
Future income tax provision				
Canada	(16,025)	(21,849)	(13,906)	5,015
Foreign	(12,459)	(7,297)	57	24,483
	(28,484)	(29,146)	(13,849)	29,498
Total provision	$ (15,656)	$ (16,285)	$ (8,316)	$ 42,653

The losses carried forward for tax purposes available to reduce future income taxes amount to $230,899. The Company can utilize these losses against future taxable income as follows:

	Canada	Foreign	Total
2007	$	$ 5,292	$ 5,292
2008		3,976	3,976
2009		2,274	2,274
2010		4,195	4,195
2011		5,226	5,226
2012			
2013			
Thereafter	111,232	71,047	182,279
Indefinitely		27,657	27,657
	111,232	119,667	230,899
Tax losses for which a tax benefit has been accounted for as a future tax asset	(89,842)	(36,692)	(126,534)
Tax losses for which a valuation allowance has been established	$ 21,390	$ 82,975	$ 104,365

19. Supplemental cash flow information

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Transactions involving cash:				
Interest paid, net of interest received	$ 171,873	$ 86,826	$ 12,729	$ 37,158
Income taxes paid	12,006	7,484	2,422	29,816
Income tax refunds	4,138	10,676	167	8,534
Non-cash transactions:				
Issuance of shares of Holdings as compensation		2,500		
Issuance of notes payable as part of acquisitions		7,826		

20. Variable Interest Entities

Certain of the Predecessor's investments were consolidated beginning in fiscal 2004 as they represented VIE's and the Predecessor was determined to be the primary beneficiary of the investments. As a result, their operating results have been consolidated.

The Company is the primary beneficiary of two VIE's that manufacture semi-finished products for use in the Company's other manufacturing operations. The majority of the semi-finished products produced by the VIE are contractually obligated to be sold to the Company to be used in other manufacturing operations.

The liabilities of the VIE's consolidated by the Company represent claims against the specific assets of the VIE's, and not additional claims on the Company's general assets. There is no recourse available to the creditors of the VIE against the Company.

The impact of consolidating these investments as VIE's on the consolidated balance sheet is as follows:

	December 31, 2006	December 31, 2005
Current assets	$ 12,228	$ 15,801
Property, plant and equipment	77,722	81,895
Goodwill	584	584
Long-term future income taxes	19,715	18,018
Current liabilities	4,231	6,942
Long-term debt	10,700	18,884
Other long-term liabilities	6,990	10,550
Non-controlling interest	30,206	25,076
Net investment by the Company	(58,122)	(54,846)

21. Investments in Joint Ventures

The 50% investment in the door manufacturing facility in Malaysia (as described in note 3) is accounted for under the proportionate consolidation method, as it represents a jointly controlled enterprise. In addition, the 45% investment in the manufacturing facility made in the 2004 Predecessor Year-End is also accounted for under the proportionate consolidation method as it represents a jointly controlled operation. The following table summarizes the Company's proportionate share of investments that are included in these consolidated financial statements. Net sales include intercompany sales from the jointly controlled operations to the Company in the amount of $11,035 in 2006, $8,191 in the 2005 Successor Period, $2,753 in the 2005 Predecessor

Period and $5,009 in the 2004 Predecessor Year-End. All intercompany transactions have been eliminated on consolidation.

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Statement of operations:				
Net sales	$ 16,111	$ 10,963	$ 3,591	$ 6,437
Costs and expenses	14,545	10,286	3,117	5,386
Earnings before income taxes	1,566	677	474	1,051
Statement of cash flows:				
Cash flows from operating activities	3,554	825	998	1,117
Cash flows from investing activities	(438)	(188)	(145)	(377)
Cash flows from financing activities		59	(59)	

	December 31, 2006	December 31, 2005
Balance sheets:		
Current assets	$ 5,298	$ 4,409
Non-current assets	10,734	11,757
Total assets	$ 16,032	$ 16,166
Current liabilities	2,299	1,216
Non-current liabilities		
Equity	$ 13,733	$ 14,950

22. Segmented Information

The Company manages its operations on a geographic basis and determines its operating segments accordingly. In conjunction with the Transaction, a majority of the existing long-term debt was repaid, and the Company entered into new debt facilities. These new debt facilities contain certain covenants which are calculated using an adjusted earnings measure defined as earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") as defined in the credit agreement. Prior to the Transaction and the new debt facilities, the performance of each geographic segment was measured on the basis of operating income. As a result of the new debt facilities, the performance measurement of each of the geographic segments was changed and is now evaluated and monitored on the basis of sales and Adjusted EBITDA. Defined adjustments (as defined in the Senior Secured Credit Facilities Agreement), as shown on the following table, include (but are not limited to) items such as extraordinary gains or losses and unusual or non-recurring charges, non-cash charges related to stock-based awards, gains or losses on asset sales, disposals or abandonments, restructuring charges, management fees paid to KKR, impairment charges on intangible assets, and all taxes upon capital and/or assets that are not in the nature of income taxes.

Intersegment transfers are negotiated as if the transactions were to third parties, at market prices. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Certain information with respect to geographic segments is as follows:

	2006	2005 Successor Period (Restated note 2)
Geographic segment data		
Sales:		
North America	$ 1,899,396	$ 1,445,251
Europe and Other	644,239	458,033
Intersegment	(79,164)	(74,901)
	2,464,471	1,828,383
Adjusted EBITDA:		
North America	236,122	156,765
Europe and Other	96,460	71,995
	332,582	228,760
Defined adjustments:		
Receivables transaction charges	7,932	5,296
Inventory purchase accounting adjustment		21,753
Hurricanes impact	(654)	7,862
United Kingdom fire		1,565
Inventory losses	11,539	8,419
Acquisitions impact (including synergies)		7,314
Stock-based awards	2,031	2,956
Franchise and capital taxes	2,211	2,704
Foreign exchange gains	(1,082)	(2,862)
KKR management fees	2,105	1,503
Facility closures and realignments	1,889	358
Pension and post-retirement expense and funding, net	623	903
Other	3,553	1,859
	30,147	59,630
Depreciation	88,992	60,338
Amortization of intangible assets	35,650	29,915
Interest	182,616	137,081
Other expense, net	38,989	22,600
Income taxes	(15,656)	(16,285)
Non-controlling interest	6,178	5,281
	366,916	298,560
Net loss	$ (34,334)	$ (69,800)

	2005 Predecessor Period	2004 Predecessor Year-End
Geographic segment data		
Sales:		
North America	$ 473,436	$ 1,760,317
Europe and Other	143,986	487,625
Intersegment	(17,307)	(48,077)
	600,115	2,199,865
Adjusted EBITDA:		
North America	44,663	240,102
Europe and Other	24,966	79,276
	69,629	319,378
Defined adjustments:		
Receivables transaction charges	1,218	1,763
United States fire	5,043	
Facility closures and realignments	1,798	
Hurricanes impact		1,800
Acquisitions impact (including synergies)	2,179	13,126
Stock-based awards		5,948
Franchise and capital taxes	344	1,603
Foreign exchange (gains) losses	(1,338)	200
Craftmaster contract termination	1,250	10,200
Pension and post-retirement expense (income) and funding, net	190	(2,527)
	10,684	32,113
Depreciation	17,919	58,520
Amortization of intangible assets	1,093	4,067
Interest	11,201	39,532
Other expense, net	66,383	7,703
Income taxes	(8,316)	42,653
Non-controlling interest	1,330	6,839
	100,294	191,427
Net (loss) income	$ (30,665)	$ 127,951

	December 31, 2006	December 31, 2005
Identifiable assets:		
North America	$ 2,428,236	$ 2,646,860
Europe and Other	571,850	493,778
Corporate assets, including cash	164,426	156,667
	$ 3,164,512	$ 3,297,305

The consolidated financial information of the Predecessor in the 2005 Predecessor Period and the 2004 Predecessor Year-End presented above is not comparable in all respects to those presented in 2006 and the 2005 Successor Period as a result of the application of purchase accounting adjustments as described in note 3.

The Company derives revenue from two major product lines, interior and exterior products as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Sales:				
Interior products	$ 1,625,040	$ 1,149,553	$ 409,418	$ 1,364,683
Exterior products	839,431	678,830	190,697	835,182
	$ 2,464,471	$ 1,828,383	$ 600,115	$ 2,199,865

The Company does not review or analyze its two major product lines below net sales.

Information about geographic areas, exceeding 5% of consolidated net sales, is as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Sales to all external customers from facilities in:				
Canada	$ 369,349	$ 295,192	$ 84,284	$ 361,362
United States	1,462,545	1,136,377	349,559	1,329,070
United Kingdom	194,603	138,613	51,276	201,511
France	152,573	99,402	38,969	123,052

Additional segmented information, exceeding 5% of consolidated property, plant and equipment and goodwill is as follows:

	December 31, 2006	December 31, 2005
Property, plant and equipment:		
Canada	$ 108,045	$ 132,036
United States	387,683	426,603
Other	12,467	10,252
North America	$ 508,195	$ 568,891
Ireland	130,310	130,318
United Kingdom	62,307	63,236
Chile	54,709	57,041
Malaysia	44,736	44,167
France	42,816	44,311
Other	30,503	32,789
Europe and Other	365,381	371,862
	$ 873,576	$ 940,753
Goodwill:		
Canada	185,178	180,240
United States	730,612	739,870
Other		
North America	$ 915,790	$ 920,110
Europe and Other	53,690	48,657
	$ 969,480	$ 968,767

Total sales to one customer within the North American segment for the year ended December 31, 2006 was $610,760 (2005 Successor Period $503,028; 2005 Predecessor Period $148,271; 2004 Predecessor Year-End $593,716).

Included in accounts receivable are balances owing from one customer of $12,576 as of December 31, 2006 (December 31, 2005 $5,375).

Segmented export sales are as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
Sales:				
North America	$ 10,522	$ 12,139	$ 4,558	$ 14,295
Europe and Other	74,288	85,852	14,454	61,305
	$ 84,810	$ 97,991	$ 19,012	$ 75,600

Transfers between geographic regions and product lines are generally accounted for at prices meant to approximate those charged to customers outside the enterprise.

Depreciation and amortization of intangible assets are as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
North America	$ 92,462	$ 66,916	$ 12,964	$ 43,629
Europe and Other	32,180	23,337	6,048	18,958
	$ 124,642	$ 90,253	$ 19,012	$ 62,587

Capital expenditures are as follows:

	2006	2005 Successor Period	2005 Predecessor Period	2004 Predecessor Year-End
North America	$ 37,148	$ 53,800	$ 11,567	$ 54,674
Europe and Other	12,421	16,008	834	15,574
	$ 49,569	$ 69,808	$ 12,401	$ 70,248

23. Related party transactions

In connection with the Transaction (see note 3), Masonite paid KKR a $30,000 fee for services provided in completing the Transaction, plus out of pocket costs of $547, all of which was capitalized as part of the Transaction. The Company has also entered into an agreement to pay KKR annual management fees of $2,000 for services provided, which are payable quarterly in advance and subject to a 5% increase each year. For the 2006 Successor Period, the Company paid KKR fees of $2,105 (2005 Successor Period $1,503; 2005 Predecessor Period $nil; 2004 Predecessor Year-End $nil) in accordance with the management fee agreement.

In addition, the Company incurred costs of $2,856 for the year ended December 31, 2006 (2005 Successor Period $700; 2005 Predecessor Period $nil; 2004 Predecessor Year-End $nil) for fees paid to Capstone Consulting ("Capstone") for services provided during the Successor Periods, and have engaged Capstone on a per-diem basis for management consulting services.

Although neither KKR nor any entity affiliated with KKR owns any of the equity of Capstone, KKR has provided financing to Capstone.

24. Fair value of financial instruments

(i)

Financial instruments

The Company utilizes certain financial instruments, principally interest rate swap contracts and forward currency exchange contracts to manage the risk associated with fluctuations in interest rates and currency exchange rates. Interest rate swap contracts are used to reduce the impact of fluctuating interest rates on the Company's long-term debt, and forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's purchases of materials and sale of goods in foreign currencies.

The carrying value and fair value of these financial instruments, where there are differences, are as follows:

December 31, 2006	Carrying Value Asset (Liability)	Fair Value Asset (Liability)
Long-term debt	$ (1,955,779)	$ (1,870,139)
Interest rate swaps	2,258	18,953
Forward foreign currency contracts		(42)
	$ (1,953,521)	$ (1,851,228)

December 31, 2005	Carrying Value Asset (Liability)	Fair Value Asset (Liability)
Long-term debt	$ (1,976,462)	$ (1,941,700)
Interest rate swaps	(30)	15,874
Forward foreign currency contracts		111
	$ (1,976,492)	$ (1,925,715)

(ii)

Credit risk

Credit risk arises from the potential default of a customer in meeting its financial obligations to the Company. The Company had credit evaluation, approval and monitoring processes, including credit insurance, intended to mitigate potential credit risk. The Company evaluates the collectibility of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management believes will be collected. The allowance for doubtful accounts as at December 31, 2006 was $3,999 (December 31, 2005 $2,132).

25. Reconciliation of Canadian and United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP which differs in certain respects from United States GAAP. The following is a summary of the effect of significant differences between United States and Canadian GAAP on the Company's consolidated financial statements.

If United States GAAP were applied, net (loss) income for 2006, the 2005 Successor Period, the 2005 Predecessor Period and the 2004 Predecessor Year-End would be adjusted as follows:

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Net (loss) income based on Canadian GAAP	$ (34,334)	$ (69,800)	$ (30,665)	$ 127,951
Effect of EITF 88-16 (i)	(4)	304		
Effect of SFAS 133 (ii)			1,373	6,636
Tax effect on US GAAP adjustments	(21)	(150)	(453)	(1,888)
Net (loss) income based on United States GAAP	$ (34,359)	$ (69,646)	$ (29,745)	$ 132,699

Comprehensive (loss) income under United States GAAP is as follows:

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Net (loss) income based on United States GAAP	$ (34,359)	$ (69,646)	$ (29,745)	$ 132,699
Effect of SFAS 130 (iv)	23,967	(7,984)	(20,406)	53,399
Effect of SFAS 87 (iii)			(198)	(1,021)
Effect of SFAS 133 (ii)	2,926	15,985	168	5,164
Tax effect of US GAAP adjustments	(745)	(6,065)	39	(1,458)
Comprehensive (loss) income based on United States GAAP	$ (8,211)	$ (67,710)	$ (50,142)	$ 188,783

The statement of accumulated other comprehensive income under United States GAAP is as follows:

	2006	2005 Successor Period Restated (note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Opening balance of foreign currency translation account	$ (7,984)	$	$ 115,178	$ 61,779
Foreign current translation gain (loss)	23,967	(7,984)	(20,406)	53,399
Closing balance	15,983	(7,984)	94,772	115,178
Opening balance of additional minimum pension liability			(2,009)	(1,293)
Change in minimum pension liability, net of tax			(138)	(716)
Adoption of SFAS 158 (iii)	2,270			
Closing balance	2,270		(2,147)	(2,009)
Opening balance of accumulated net gain on cash flow hedges	9,920		3,401	
Net gain on derivatives designated as cash flow hedges	2,181	9,920	147	3,401
Closing balance	12,101	9,920	3,548	3,401
Accumulated other comprehensive income based on United States GAAP	$ 30,354	$ 1,936	$ 96,173	$ 116,570

Consolidated balance sheets:

A reconciliation between the carrying values of assets, liabilities and components of equity as reported under Canadian GAAP as compared to United States GAAP is as follows:

December 31, 2006	Canadian GAAP	Adjustments	United States GAAP
Current assets(a)	$ 704,647	$	$ 704,647
Property, plant and equipment(b)	873,576	(24)	873,552
Goodwill(c)	969,480	(1,043)	968,437
Intangible assets(d)	508,968	(379)	508,589
Other assets(e)	89,334	18,953	108,287
Current liabilities(f)	464,834	29	464,863
Long-term future income taxes(g)	214,185	6,748	220,933
Other long-term liabilities(h)	41,081	(2,270)	38,811
Share capital(i)	567,177	(1,500)	565,677
Deficit(j)	(104,134)	129	(104,005)
Cumulative translation adjustments(k)	15,983	(15,983)	
Accumulated other comprehensive income		30,354	30,354

December 31, 2005	Canadian GAAP (Restated note 2)	Adjustments	United States GAAP
Current assets(a)	$ 751,313	$ 111	$ 751,424
Property, plant and equipment(b)	940,753	(96)	940,657
Goodwill(c)	968,767	(4,329)	964,438
Intangible assets(d)	544,618	(2,169)	542,449
Other assets(e)	73,310	15,874	89,184
Current liabilities(f)	540,099	33	540,132
Long-term future income taxes(g)	243,570	5,284	248,854
Other long-term liabilities(h)	48,486		48,486
Share capital(i)	567,177	(6,000)	567,177
Deficit(j)	(69,800)	154	(69,646)
Cumulative translation adjustments(k)	(7,984)	7,984	
Accumulated other comprehensive income		1,936	1,936

Adjustments to the carrying value of assets, liabilities and equity are as follows:

		December 31, 2006	December 31, 2005
(a)	The adjustment to current assets consists of:		
	Forward exchange contracts (ii)	$	$ 111
(b)	The adjustment to property, plant and equipment consists of:		
	EITF 88-16 (i)	$ (24)	$ (96)
(c)	The adjustment to goodwill consists of:		
	EITF 88-16 (i)	$ (1,043)	$ (4,329)
(d)	The adjustment to intangible assets consists of:		
	EITF 88-16 (i)	$ (379)	$ (2,169)
(e)	The adjustment to other assets consists of:		
	Interest rate swaps (ii)	$ 18,953	$ 15,874
(f)	The adjustment to current liabilities consists of:		
	Forward exchange contracts (ii)	$ 29	$ 33
(g)	The adjustment to long-term future income taxes consists of: EITF 88-16 (i)	$ (75)	$ (748)
	Interest rate swaps (ii)	6,823	6,032
		$ 6,748	$ 5,284
(h)	The adjustment to other long-term liabilities consists of:		
	SFAS 158 (iii)	$ (2,270)	$
(i)	The adjustment to share capital consists of:		
	EITF 88-16 (i)	$ (1,500)	$ (6,000)
(j)	The adjustment to deficit consists of:		
	EITF 88-16 (i)	$ 129	$ 154
(k)	The adjustment to cumulative translation adjustments consists of:		
	Cumulative translation adjustments under Canadian GAAP (iv)	$ (15,983)	$ 7,984

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Cash flows under U.S. GAAP would appear as follows:

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Operating activities under Canadian and U.S. GAAP	$ 146,236	$ (28,182)	$ 126,757	$ 146,895
Financing activities under Canadian GAAP	$ (112,467)	$ 2,094,656	$ (144,967)	$ 107,887
Impact of EITF 88-16 (i)		(15,200)		
Financing activities under U.S. GAAP	$ (112,467)	$ 2,079,456	$ (144,967)	$ 107,887
Investing activities under Canadian GAAP	$ (39,522)	$ (2,019,858)	$ (13,615)	$ (317,810)
Impact of EITF 88-16 (i)		15,200		
Investing activities under U.S. GAAP	$ (39,522)	$ (2,004,658)	$ (13,615)	$ (317,810)
(Decrease) increase in cash	$ (36)	$ 47,459	$ (38,473)	$ (43,188)

(i)

EITF 88-16: Basis in leveraged buyout transactions

Under Canadian GAAP, the Transaction (note 3) was accounted for using the purchase method with a 100% change in basis. Under U.S. GAAP, a portion of the purchase cost (representing approximately 1% of the purchase price) of the Transaction is accounted for at the carrying value of management's continuing equity interests. The termination of a former senior executive resulted in the 2005 Successor Period resulted in a step acquisition, as the percentage of the Company owned by management decreased. In addition, other former executive were terminated or left the Company, resulting in subsequent step acquisitions. The results of these step acquisitions are reflected in the operations of the Company in the 2005 and 2006 Successor Periods. As at December 31, 2006, approximately 0.1% (December 31, 2005 approximately 0.4%) of the purchase cost of the Transaction is accounted for at the carrying value of management's continuing equity interests. As a result, the purchase cost and the reduction of purchase costs are allocated pro rata to the assets acquired and liabilities assumed and shareholder's equity is reduced by a similar amount.

(ii)

SFAS No. 133: Accounting for derivative instruments and hedging activities ("SFAS 133")

SFAS 133 and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities an Amendment of SFAS 133", ("SFAS 138") requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships.

Forward exchange contracts

The Company enters into forward exchange contracts to hedge certain forecasted cash flows. The contracts are for periods consistent with the forecasted transactions. All relationships between hedging instruments and hedged items, as well as risk management objectives and strategies are documented. Changes in the spot value of the foreign currency contracts that are designated, effective and qualified as cash flow hedges of forecasted transactions are reported in accumulated other comprehensive income and are reclassified into the same component of earnings and in the same period as the hedged transaction is recognized. Under Canadian GAAP, the derivative instruments are not marked to market and the related off balance sheet gains and losses are recognized in earnings in the same period as the hedged transactions.

Interest rate swap agreements

The Company has entered into interest rate swap agreements to convert a portion of its floating rate debt into fixed rate debt in accordance with the Company's risk management objective of mitigating the variability and uncertainty in its cash flows due to variable interest rates. As of December 31, 2006, the total floating rate debt effectively converted to fixed rate debt was $1,050,000 (December 31, 2005 $1,150,000). These agreements mature in 2010. At the inception of these hedges, Masonite had met the criteria for designation and assessing the effectiveness of hedging relationships, thus these interest rate swaps were designated as cash flow hedges.

(iii)

SFAS No. 158: Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans:

This standard requires the full recognition of the funded status of an entity's defined benefit and other post-retirement plans either as an asset or a liability on its year-end balance sheet. As a result, this standard eliminates the recognition of an Additional Minimum Pension Liability ("AML") as well as other previously unreported pension adjustments for defined benefit and other post-retirement plans that were not previously required under SFAS 87 "Employer's Accounting for Pensions". As a result of early adopting the provisions of SFAS 158 in 2006, the Company reduced its long-term pension liability by $2,270, with an offset to accumulated other comprehensive income.

(iv)

SFAS No. 130: Reporting comprehensive income

This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of two components, net income and Other Comprehensive Income ("OCI"). OCI refers to amounts that are recorded as an element of shareholder's equity but are excluded from net income because these transactions or events were attributed to changes from non-owner sources.

(v)

SFAS No. 123: Accounting for stock-based compensation

The disclosure requirements of SFAS No. 123 are different from CICA recommendations. SFAS No. 123 requires disclosure of the pro-forma effect of fair value accounting applied to all options issued while CICA recommendations only require disclosure of the pro-forma effect of options issued after January 1, 2002. Pro-forma disclosure under U.S. GAAP would be as follows:

	2006	2005 Successor Period (Restated note 2)	2005 Predecessor Period	2004 Predecessor Year-End
Net (loss) income based on United States GAAP	$ (34,359)	$ (69,646)	$ (29,745)	$ 132,699
Stock-based compensation costs using fair value method, net of tax			47,496	(510)
Pro forma net (loss) income	$ (34,359)	$ (69,646)	$ 17,751	$ 132,189

Accounting policies:

Effective for year-ends beginning on or after January 1, 2003, the Financial Accounting Standards Board ("FASB") issued Statement No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). SFAS 123 requires stock based compensation expense to be accounted for using the fair value method for all options granted after January 1, 2003. Accordingly, all options granted subsequently to January 1, 2003 were accounted for using the fair value method. Effective January 1, 2006, the Company adopted SFAS Statement No. 123(R), "Share Based Payments" ("SFAS 123(R)"). This revised statement requires the Company to recognize compensation expense for unvested stock options that were awarded prior to January 1, 2003 through the remaining vesting periods, without restatement of prior year information. The adoption of this standard had no impact on the Company.

In January 2003, the Financial Accounting Standards Board ("FASB") issued FIN 46, "Consolidation of Variable Interest Entities" which was revised in December 2003. FIN 46 requires variable interest entities, previously referred to as special-purpose entities or off-balance sheet structures, to be consolidated by a company if that company is subject to a majority of the risk of loss from the entity's activities or is entitled to receive a majority of the entity's returns or both. The consolidation provisions of FIN 46 are effective for new variable interest entities created after January 31, 2003, and are applicable to existing entities of foreign private issuers as of January 1, 2004. The Company has consolidated certain investments as a result of this requirement (see note 20).

During 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The standard is effective for the Company's U.S. GAAP reporting for the year commencing January 1, 2004 and requires presentation as a liability for instruments that meet certain criteria. This standard did not have a significant impact on the Company's financial statements under U.S. GAAP.

In September 2006, the SEC Staff issued SAB 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. This bulletin addresses how the effects of prior-year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. The bulletin requires registrants to quantify misstatements using both the balance sheet ("iron curtain") and income statement ("rollover") approaches and to evaluate whether either approach results in an error that is material in light of relevant quantitative and qualitative factors. The guidance is effective at the beginning of the first fiscal year ending after November 15, 2006. A material error identified upon application of this guidance for the first fiscal year ending after November 15, 2006 may be corrected through a one-time cumulative-effect adjustment to beginning of year retained earnings, provided that the misstatement was determined to be immaterial in the past based on the application of the registrants' previous method for quantifying misstatements. This bulletin is applicable to all SEC registrants. The adoption of this standard had no impact on the Company's financial statements under U.S. GAAP.

Recently issued accounting standards:

In February 2006, the FASB issued SFAS 155, Accounting for Certain Hybrid Financial Instruments An Amendment of FASB Statements No. 133 and 140 which amends SFAS 133, (Accounting for Derivative Instruments and Hedging Activities and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*)* to simplify the accounting for hybrid instruments and to eliminate a temporary exemption from SFAS 133 for certain securitized interests. This statement permits fair value re-measurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation and also clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133. This statement establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. This statement amends SFAS 140 to eliminate the prohibition on a qualifying SPE from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all instruments acquired, issued or subject to a re-measurement event occurring after the beginning of fiscal years that begin after September 15, 2006. The Company is currently assessing the impact of this standard.

In March 2006, the FASB issued SFAS No. 156: Accounting for Servicing of Financial Assets An Amendment of SFAS No. 140; which amends SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and liabilities. SFAS 156 allows mark-to-market accounting for servicing rights and also permits a one-time reclassification of available-for-sale securities to trading securities under certain conditions. This statement is effective for fiscal years beginning after September 15, 2006. The Company is currently assessing the impact of this standard.

In June 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. This interpretation to clarify the accounting for uncertain tax positions in accordance with SFAS 109, Accounting for Income Taxes. The initial benefit recognition model follows a two-step approach. First, an enterprise evaluates if the tax position is more-likely-than-not of being sustained on audit based solely on the technical merits of the position. Second, the enterprise measures the appropriate amount of benefit to recognize. This is calculated as the largest amount of tax benefit that has a greater than 50% likelihood of ultimately being realized upon settlement. Subsequently at each reporting date, the largest amount that has a greater than 50% likelihood of ultimately being realized, based on the information available at that date, will be recognized and measured. Subsequent recognition, derecognition, and measurement should be based on new information. The change in net assets as a result of applying the provisions of the final interpretation will be considered a change in accounting principle with the cumulative effect of the change treated as an offsetting adjustment to the opening balance of retained earnings in the period of transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and as a result, is effective for the Company in the first quarter of 2008. The Company is currently assessing the impact of this standard.

In September 2006, the FASB issued SFAS 157: Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. The statement applies only to fair value measurements that are already required or permitted by other current accounting standards. This statement replaces the different definitions of fair value in accounting literature with a single definition. The statement requires reporting entities to establish a valuation premise based on the asset's highest and best use. This premise is often an integral part of valuing non-financial assets and other assets for which there is no observable market price. Three possible valuation approaches are identified by the statement; the market, income and cost approaches. The statement requires expanded disclosures in both interim and annual periods by each major category of assets and liabilities. The statement is effective for fair value measures already required or permitted by other standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Earlier adoption is permitted if no interim or annual financial statements have been issued for the earlier periods. The requirements of the statement are effective on a prospective basis except for changes in fair value related to estimating the fair value of a large block position and instruments measured at fair value at initial recognition based on transaction price in accordance with EITF 02-3 or SFAS 155. If these exceptions are present, the statement should be applied by adjusting the opening balance of retained earnings in the period of adoption. The Company is currently assessing the impact of this standard.

Canadian GAAP requires the proportionate consolidation of interests in joint ventures. Proportionate consolidation is not permitted under U.S. GAAP and interests in joint ventures are accounted for under the equity method. However, as allowed by the Securities and Exchange

Commission ("SEC"), reclassification is not required in an SEC filing when specified criteria are met and the information is disclosed. Although adoption of proportionate consolidation has no impact on net earnings or shareholder's equity, it does increase assets, liabilities, revenues, expenses and cash flows from operations from those amounts otherwise reported under U.S. GAAP.

Other matters:

The tax effect of temporary differences under Canadian GAAP are described as future income taxes in these financial statements whereas such amounts are described as deferred income taxes under U.S. GAAP.

U.S. GAAP requires that depreciation and amortization, impairment of property, plant and equipment, and restructuring expenses be included in the determination of operating income and does not permit the disclosure of a sub-total of income before such items.

26. Subsequent events

In the first quarter of 2007, the Company was notified by its largest customer that they would be moving substantially all of their business in certain geographic regions from the Company to a competitor later in 2007. As a result, the Company announced the permanent closure of three facilities, as well as the significant curtailment of activities at three additional facilities in the United States that serviced that customer. The closure of the three facilities is expected to be completed by the end of the third quarter of 2007. Net sales to this customer in the regions impacted are approximately $250,000 to $300,000 on an annualized basis.

On April 16, 2007, the Company filed an Amended Registration Statement with the U.S. Securities and Exchange Commission.

27. Consolidating financial information

As part of the Transaction, Masonite (formerly known as Stile Consolidated, "Parent") through its subsidiaries, Masonite International Corporation (formerly known as Stile Acquisition, "Canadian Issuer") and Masonite Corporation (formerly known as Masonite US Corporation, formerly known as Stile US Acquisition, "US Issuer"), entered into a Senior Secured Credit Facility agreement and a Senior Subordinated Loan agreement. The Senior Secured Credit Facility and the Senior Subordinated Loan which was replaced with the Senior Subordinated Term Loan and subsequently the Senior Subordinated Notes (the "Guaranteed Debt") are fully and unconditionally guaranteed on a joint and several basis by Masonite and certain of its 100% owned subsidiaries ("Guarantor Subsidiaries"). The Guaranteed Debt is not guaranteed by the Company's less than 100% owned subsidiaries and certain other subsidiaries of the Company (collectively the "Non-Guarantor Subsidiaries").

The consolidating financial information below for the year ended December 31, 2006; the period from February 2, 2005 (date of Incorporation) to December 31, 2005, the period from January 1, 2005 to April 6, 2005 and the year ended December 31, 2004 is presented pursuant to Article 3-10(d) of Regulation S-X. The operations of the Company for year ended December 31, 2006, and the period from February 2, 2005 (date of Incorporation) to December 31, 2005 consist of Masonite. The information presented for the period from January 1, 2005 to April 6, 2005 and for the year ended December 31, 2004 consists of the operations of the Predecessor. The operations of the US Issuer consist of the operations of Masonite Holdings (which was a subsidiary of Masonite International Corporation until April 6, 2005) and its subsidiaries, which was the predecessor to Masonite US Corporation. The operations of the Canadian Issuer consist of all other operations of the Predecessor. The operations of the Guarantor Subsidiaries consist of the operations of the subsidiaries of the Canadian Issuer and the US Issuer (the "Issuers") which became guarantors of the Guaranteed Debt upon its issuance on April 6, 2005. For purposes of presenting the following consolidating financial information, for the period from January 1, 2005 to April 6, 2005 and the year ended December 31, 2004, amounts were allocated to the columns Canadian Issuer, US Issuer, Guarantor Subsidiaries and Non-Guarantor Subsidiaries on the same basis as in periods subsequent to April 6, 2005 and applied by Masonite. This consolidating information has been revised to give effect to the items disclosed in note 2.

The consolidating financial information reflects the investments of the Parent Company in the Issuers, and of the Issuer in their respective Guarantor and Non-Guarantor subsidiaries using the equity method.

Consolidating Statement of Operations
For the year ended December 31, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	$	$ 533,196	$ 1,470,979	$ 485,731	$ (338,662)	$ 2,151,244	$ 416,143	$ (102,916)	$ 2,464,471
Cost of sales		469,657	1,199,275	408,548	(338,662)	1,738,818	314,345	(102,916)	1,950,247
		63,539	271,704	77,183		412,426	101,798		514,224
Selling, general and administration expenses		36,269	115,555	18,519		170,343	41,446		211,789
Depreciation and amortization		15,426	69,611	17,725		102,762	21,252	628	124,642
Interest		87,561	119,433	(982)		206,012	(23,396)		182,616
Loss (income) from equity investments	34,334	(62,585)	(12,100)		(4,951)	(45,302)		45,302	
Other expense		7,990	27,705	2,768		38,463	526		38,989
(Loss) income before income taxes and non-controlling interest	(34,334)	(21,122)	(48,500)	39,153	4,951	(59,852)	61,970	(45,930)	(43,812)
Income taxes		(13,951)	(18,171)	6,604		(25,518)	10,019	(157)	(15,656)
Non controlling interest								6,178	6,178
Net (loss) income	$ (34,334)	$ (7,171)	$ (30,329)	$ 32,549	$ 4,951	$ (34,334)	$ 51,951	$ (51,951)	$ (34,334)
Reconciliation to United States GAAP is as follows:									
Net (loss) income based on Canadian GAAP	$ (34,334)	$ (7,171)	$ (30,329)	$ 32,549	$ 4,951	$ (34,334)	$ 51,951	$ (51,951)	$ (34,334)
Effect of EITF 88-16	(4)	(39)	35		4	(4)			(4)
Tax effect on US GAAP adjustments	(21)	(4)	(17)		21	(21)			(21)
Net (loss) income based on United States GAAP	(34,359)	(7,214)	(30,311)	32,549	4,976	(34,359)	51,951	(51,951)	(34,359)
Effect of SFAS 130	23,967	(4,665)	(20)	28,652	(23,967)	23,967	(731)	731	23,967
Effect of SFAS 133	2,926	1,387	1,539		(2,926)	2,926			2,926
Tax effect on US GAAP adjustments	(745)	(160)	(585)		745	(745)			(745)
Comprehensive (loss) income based on United States GAAP	$ (8,211)	$ (10,652)	$ (29,377)	$ 61,201	$ (21,172)	$ (8,211)	$ 51,220	$ (51,220)	$ (8,211)

Consolidating Statement of Operations
For the period from February 2, 2005 (date of Incorporation) to December 31, 2005
(Restated note 2)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	$	$ 408,544	$ 1,117,472	$ 357,139	$ (261,180)	$ 1,621,975	$ 301,375	$ (94,967)	$ 1,828,383
Cost of sales		362,000	958,577	296,684	(261,180)	1,356,081	236,463	(94,610)	1,497,934
		46,544	158,895	60,455		265,894	64,912	(357)	330,449
Selling, general and administration expenses		28,125	86,979	17,475		132,579	28,740		161,319
Depreciation and amortization		11,227	50,501	13,044		74,772	14,479	1,002	90,253
Interest		66,524	89,668	(147)		156,045	(18,964)		137,081
Loss (income) from equity investments	69,800	(46,670)	(3,943)		(45,772)	(26,585)	19	26,585	19
Other expense (income)		18,683	4,391	291		23,365	(784)		22,581
(Loss) income before income taxes and non-controlling interest	(69,800)	(31,345)	(68,701)	29,792	45,772	(94,282)	41,422	(27,944)	(80,804)
Income taxes		(16,141)	(15,043)	5,764		(25,420)	9,353	(218)	(16,285)
Non-controlling interest		938				938		4,343	5,281
Net (loss) income	$ (69,800)	$ (16,142)	$ (53,658)	$ 24,028	$ 45,772	$ (69,800)	$ 32,069	$ (32,069)	$ (69,800)
Reconciliation to United States GAAP is as follows:									
Net (loss) income based on Canadian GAAP	$ (69,800)	$ (16,142)	$ (53,658)	$ 24,028	$ 45,772	$ (69,800)	$ 32,069	$ (32,069)	$ (69,800)
Effect of EITF 88-16	304	98	206		(304)	304			304
Tax effect on US GAAP adjustments	(150)	(64)	(86)		150	(150)			(150)
Net (loss) income based on United States GAAP	(69,646)	(16,108)	(53,538)	24,028	45,618	(69,646)	32,069	(32,069)	(69,646)
Effect of SFAS 130	(7,984)	(7,711)	(108)	(165)	7,984	(7,984)	514	(514)	(7,984)
Effect of SFAS 133	15,985	8,048	7,937		(15,985)	15,985			15,985
Tax effect on US GAAP adjustments	(6,065)	(3,049)	(3,016)		6,065	(6,065)			(6,065)
Comprehensive (loss) income based on United States GAAP	$ (67,710)	$ (18,820)	$ (48,725)	$ 23,863	$ 43,682	$ (67,710)	$ 32,583	$ (32,583)	$ (67,710)

Consolidating Statement of Operations
For the period from January 1, 2005 to April 6, 2005

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	$	$ 130,345	$ 354,670	$ 112,233	$ (62,561)	$ 534,687	$ 93,984	$ (28,556)	$ 600,115
Cost of sales		107,164	308,678	88,393	(62,561)	441,674	73,628	(28,556)	486,746
		23,181	45,992	23,840		93,013	20,356		113,369
Selling, general and administration expenses		11,542	28,861	5,341		45,744	8,680		54,424
Depreciation and amortization		2,276	9,003	2,922		14,201	4,819	(8)	19,012
Interest		7,619	9,804	(391)		17,032	(5,831)		11,201
Loss (income) from equity investments		5,115	(1,569)		(6,592)	(3,046)	(292)	3,046	(292)
Other expense		41,738	23,057	1,409		66,204	471		66,675
(Loss) income before income taxes and non-controlling interest		(45,109)	(23,164)	14,559	6,592	(47,122)	12,509	(3,038)	(37,651)
Income taxes		(15,097)	(5,695)	3,682		(17,110)	8,794		(8,316)
Non-controlling interest		653				653		677	1,330
Net (loss) income	$	$ (30,665)	$ (17,469)	$ 10,877	$ 6,592	$ (30,665)	$ 3,715	$ (3,715)	$ (30,665)
Reconciliation to United States GAAP is as follows:									
Net (loss) income based on Canadian GAAP	$	$ (30,665)	$ (17,469)	$ 10,877	$ 6,592	$ (30,665)	$ 3,715	$ (3,715)	$ (30,665)
Effect of SFAS 133		1,373				1,373			1,373
Tax effect on US GAAP adjustments		(453)				(453)			(453)
Net (loss) income based on United States GAAP		(29,745)	(17,469)	10,877	6,592	(29,745)	3,715	(3,715)	(29,745)
Effect of SFAS 130		(20,406)	(2,222)	(1,124)	3,346	(20,406)	(91)	91	(20,406)
Effect of SFAS 87		(198)		(198)	198	(198)			(198)
Effect of SFAS 133		168				168			168
Tax effect on US GAAP adjustments		39		89	(89)	39			39
Comprehensive (loss) income based on United States GAAP	$	$ (50,142)	$ (19,691)	$ 9,644	$ 10,047	$ (50,142)	$ 3,624	$ (3,624)	$ (50,142)

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Consolidating Statement of Operations
For the year ended December 31, 2004

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Sales	$	$ 407,435	$ 1,342,591	$ 343,857	$ (166,539)	$ 1,927,344	$ 396,087	$ (123,566)	$ 2,199,865
Cost of sales		317,338	1,103,451	281,003	(166,539)	1,535,253	311,024	(123,566)	1,722,711
		90,097	239,140	62,854		392,091	85,063		477,154
Selling, general and administration expenses		37,986	98,914	18,286		155,186	34,703		189,889
Depreciation and amortization		6,746	32,306	10,119		49,171	13,290	126	62,587
Interest		31,155	39,468	(5,337)		65,286	(25,754)		39,532
(Income) loss from equity investments		(121,548)	(2,781)		81,216	(43,113)	14	42,998	(101)
Other expense		5,768	1,235	6		7,009	795		7,804
Income (loss) before income taxes and non-controlling interest		129,990	69,998	39,780	(81,216)	158,552	62,015	(43,124)	177,443
Income taxes		2,039	23,153	5,409		30,601	12,052		42,653
Non-controlling interest								6,839	6,839
Net income (loss)	$	$ 127,951	$ 46,845	$ 34,371	$ (81,216)	$ 127,951	$ 49,963	$ (49,963)	$ 127,951
Reconciliation to United States GAAP is as follows:									
Net income (loss) based on Canadian GAAP	$	$ 127,951	$ 46,845	$ 34,371	$ (81,216)	$ 127,951	$ 49,963	$ (49,963)	$ 127,951
Effect of SFAS 133		6,636				6,636			6,636
Tax effect on US GAAP adjustments		(1,888)				(1,888)			(1,888)
Net income (loss) based on United States GAAP		132,699	46,845	34,371	(81,216)	132,699	49,963	(49,963)	132,699
Effect of SFAS 130		53,399	3,441	2,048	(5,489)	53,399	554	(554)	53,399
Effect of SFAS 87		(1,021)		(1,021)	1,021	(1,021)			(1,021)
Effect of SFAS 133		5,164				5,164			5,164
Tax effect on US GAAP adjustments		(1,458)		306	(306)	(1,458)			(1,458)
Comprehensive income (loss) based on United States GAAP	$	$ 188,783	$ 50,286	$ 35,704	$ (85,990)	$ 188,783	$ 50,517	$ (50,517)	$ 188,783

Consolidating Balance Sheet
December 31, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$	$ 18,196	$ 2,971	$ 5,361	$	$ 26,528	$ 20,895	$	$ 47,423
Accounts receivable		47,522	57,504	64,898		169,924	77,746		247,670
Intercompany receivable		69,958	23,528	15,204	(98,911)	9,779	12,880	(22,659)	
Inventories		62,429	157,908	68,387		288,724	62,814		351,538
Prepaid expenses		1,219	8,640	4,488		14,347	4,784		19,131
Current future income taxes		8,110	25,099	261		33,470	5,415		38,885
		207,434	275,650	158,599	(98,911)	542,772	184,534	(22,659)	704,647
Property, plant and equipment		70,880	373,118	212,885		656,883	216,693		873,576
Goodwill		175,484	730,979	24,701		931,164	18,591	19,725	969,480
Intangible assets		228,777	253,569	11,197		493,543	10,230	5,195	508,968
Investments and advances	485,365	712,219	154,156	179,023	(858,753)	672,010	269,187	(941,197)	
Other assets		46,797	41,683	274		88,754	580		89,334
Long-term future income taxes							18,507		18,507
	$ 485,365	$ 1,441,591	$ 1,829,155	$ 586,679	$ (957,664)	$ 3,385,126	$ 718,322	$ (938,936)	$ 3,164,512
Liabilities and Shareholder's Equity									
Current liabilities:									
Bank indebtedness	$	$	$ 43,000	$	$	$ 43,000	$ 17,393	$	$ 60,393
Trade payables and accrued expenses	1,352	71,908	157,477	48,890		279,627	64,055		343,682
Intercompany payable		22,118	76,155	14,616	(98,911)	13,978	8,681	(22,659)	
Income taxes payable		10,351	8,927	2,632		21,910	4,999		26,909
Current future income taxes				405		405	1,224		1,629
Current portion of long-term debt		6,234	5,956	57		12,247	19,974		32,221
	1,352	110,611	291,515	66,600	(98,911)	371,167	116,326	(22,659)	464,834
Long-term debt		929,888	1,221,086	64,493		2,215,467	89,690	(381,599)	1,923,558
Long-term future income taxes		55,486	122,980	13,155		191,621	21,265	1,299	214,185
Long-term liabilities		4,635	14,841	8,670		28,146	12,935		41,081
	1,352	1,100,620	1,650,422	152,918	(98,911)	2,806,401	240,216	(402,959)	2,643,658
Non-controlling interest								36,841	36,841
Shareholders' equity	484,013	340,971	178,733	433,761	(858,753)	578,725	478,106	(572,818)	484,013

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
	$ 485,365	$ 1,441,591	$ 1,829,155	$ 586,679	$ (957,664)	$ 3,385,126	$ 718,322	$ (938,936)	$ 3,164,512

Consolidating Balance Sheet
December 31, 2005
(Restated note 2)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$	$ 11,495	$ 4,188	$ 8,724	$	$ 24,407	$ 23,052	$	$ 47,459
Accounts receivable		57,905	60,332	57,854		176,091	70,189		246,280
Intercompany receivable		18,329	21,410	14,152	(39,813)	14,078	22,466	(36,544)	
Inventories		77,983	200,329	60,591		338,903	61,192		400,095
Prepaid expenses		1,460	8,727	4,895		15,082	6,012		21,094
Current future income taxes		587	32,382	2,263		35,232	1,153		36,385
		167,759	327,368	148,479	(39,813)	603,793	184,064	(36,544)	751,313
Property, plant and equipment		86,824	402,587	221,624		711,035	232,514	(2,796)	940,753
Goodwill		183,978	739,049	10,340		933,367	15,636	19,764	968,767
Intangible assets		235,092	279,889	12,554		527,535	11,260	5,823	544,618
Investments and advances	495,849	863,603	17,536	181,548	(911,473)	647,063	378,870	(1,025,933)	
Other assets		35,185	36,715	267		72,167	1,143		73,310
Long-term future income taxes				1,381		1,381	17,163		18,544
	$ 495,849	$ 1,572,441	$ 1,803,144	$ 576,193	$ (951,286)	$ 3,496,341	$ 840,650	$ (1,039,686)	$ 3,297,305
Liabilities and Shareholders' Equity									
Current liabilities:									
Bank indebtedness	$	$ 56,000	$ 55,000	$	$	$ 111,000	$ 17,767	$	$ 128,767
Trade payables and accrued expenses	3,500	73,773	172,790	43,014		293,077	62,326		355,403
Intercompany payable		11,710	29,480	21,104	(39,813)	22,481	14,063	(36,544)	
Income taxes payable		9,795	4,209	1,866		15,870	3,293		19,163
Current future income taxes				2,242		2,242	195		2,437
Current portion of long-term debt		6,234	5,818			12,052	22,277		34,329
	3,500	157,512	267,297	68,226	(39,813)	456,722	119,921	(36,544)	540,099
Long-term debt		966,047	1,276,055	57,784		2,299,886	102,980	(460,733)	1,942,133
Long-term future income taxes		63,471	143,083	23,092		229,646	13,167	757	243,570
Other long-term liabilities		7,346	13,533	7,967		28,846	19,640		48,486
	3,500	1,194,376	1,699,968	157,069	(39,813)	3,015,100	255,708	(496,520)	2,744,288
Non-controlling interest								30,668	30,668
Shareholders' equity	492,349	378,065	103,176	419,124	(911,473)	481,241	584,942	(573,834)	492,349

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
	$ 495,849	$ 1,572,441	$ 1,803,144	$ 576,193	$ (951,286)	$ 3,496,341	$ 840,650	$ (1,039,686)	$ 3,297,305

The reconciliation of condensed consolidating balance sheet captions is as follows:
December 31, 2006

	Parent		
	Canadian GAAP	**Adjustments**	**U.S. GAAP**
Investments and advances	$ 485,365	13,000	$ 498,365
Shareholders' equity	484,013	13,000	497,013
Total assets	$ 485,365	13,000	$ 498,365

	Canadian Issuer		
	Canadian GAAP	**Adjustments**	**U.S. GAAP**
Property, plant and equipment	$ 70,880	(24)	$ 70,856
Goodwill	175,484	(212)	175,272
Intangible assets	228,777	(265)	228,512
Other assets	759,016	9,477	768,493
Current liabilities	110,611	29	110,640
Long-term future income tax liabilities	55,486	3,169	58,655
Shareholders' equity	340,971	5,778	346,749
Total assets	$ 1,441,591	8,976	$ 1,450,567

	US Issuer		
	Canadian GAAP	**Adjustments**	**U.S. GAAP**
Goodwill	$ 730,979	(831)	$ 730,148
Intangible assets	253,569	(114)	253,455
Other assets	195,839	9,476	205,315
Long-term future income tax liabilities	122,980	3,579	126,559
Other long-term liabilities	14,841	(1,824)	13,017
Shareholders' equity	178,733	6,776	185,509
Total assets	$ 1,829,155	8,531	$ 1,837,686

	Guarantor Subsidiaries		
	Canadian GAAP	**Adjustments**	**U.S. GAAP**
Other long-term liabilities	$ 8,670	(446)	$ 8,224
Shareholders' equity	433,761	446	434,207
Total assets	$ 586,679		$ 586,679

The reconciliation of condensed consolidating balance sheet captions is as follows:
December 31, 2005

	Parent		
	Canadian GAAP	Adjustments	U.S. GAAP
Investments and advances	$ 495,849	4,074	$ 499,923
Shareholders' equity	492,349	4,074	496,423
Total assets	$ 495,849	4,074	$ 499,923

	Canadian Issuer		
	Canadian GAAP	Adjustments	U.S. GAAP
Current assets	$ 167,759	111	$ 167,870
Property, plant and equipment	86,824	(96)	86,728
Goodwill	183,978	(878)	183,100
Intangible assets	235,092	(1,094)	233,998
Other assets	898,788	7,937	906,725
Current liabilities	157,512	33	157,545
Long-term future income taxes	63,471	2,640	66,111
Shareholders' equity	378,065	3,307	381,372
Total assets	$ 1,572,441	5,980	$ 1,578,421

	US Issuer		
	Canadian GAAP	Adjustments	U.S. GAAP
Goodwill	$ 739,049	(3,451)	$ 735,598
Intangible assets	279,889	(1,075)	278,814
Other assets	54,251	7,937	62,188
Long-term future income taxes	143,083	2,644	145,727
Shareholders' equity	103,176	767	103,943
Total assets	$ 1,803,144	3,411	$ 1,806,555

Consolidating Statement of Cash Flows
For the year ended December 31, 2006

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	$ (34,334)	$ (7,171)	$ (30,329)	$ 32,549	$ 4,951	$ (34,334)	$ 51,951	$ (51,951)	$ (34,334)
Items not involving cash:									
Depreciation and amortization		15,426	69,611	17,725		102,762	21,252	628	124,642
Amortization of financing fees		4,176	4,315			8,491	67		8,558
Impairment of property, plant and equipment			15,810	991		16,801	52		16,853
Loss on sale of property, plant and equipment		11	6,092	271		6,374	418		6,792
Loss (income) from equity investments	34,334	(62,585)	(12,100)		(4,951)	(45,302)		45,302	
Share based awards		(139)	1,822	141		1,824	207		2,031
Future income taxes		(15,310)	(18,753)	359		(33,704)	5,377	(157)	(28,484)
Pension and post retirement expense (income) and funding, net			938	(380)		558	68		626
Unrealized foreign exchange on long-term liabilities		551		836		1,387	(187)		1,200
Non-controlling interest								6,178	6,178
Change in non-cash operating working capital:									
Accounts receivable		12,207	5,353	(7,052)		10,508	(11,666)		(1,158)
Inventories		16,841	46,104	(5,437)		57,508	(8,951)		48,557
Income taxes payable		4,093	8,846	(2,259)		10,680	(1,133)		9,547
Prepaid expenses		(698)	791	(128)		(35)	648		613
Accounts payable and accrued liabilities		(10,224)	(9,931)			(20,155)	4,770		(15,385)
Intercompany receivable		(14,287)	12,306	(869)	6,316	3,466	9,322	(12,788)	
Intercompany payable		(3,591)	20,195	(19,545)	(6,316)	(9,257)	(3,531)	12,788	
		(60,700)	121,070	17,202		77,572	68,664		146,236
Financing activities									
Change in bank and other indebtedness		(56,000)	(12,000)			(68,000)	2,587		(65,413)
Proceeds from issuance of long-term debt							12,170		12,170
Repayment of long-term debt		(6,911)	(54,548)	6,484		(54,975)	(31,390)	49,334	(37,031)
Change in other long-term liabilities	(2,148)	(1,720)				(3,868)			(3,868)
Deferred financing fees		(8,623)	(9,702)			(18,325)			(18,325)
	(2,148)	(73,254)	(76,250)	6,484		(145,168)	(16,633)	49,334	(112,467)
Investing activities									
Proceeds from sale of property, plant and equipment		5,574	10,857	3,994		20,425	116		20,541
Additions to property, plant and equipment		2,993	(35,298)	(6,547)		(38,852)	(10,717)		(49,569)
Investments and advances	2,148	137,712	(22,432)	(32,320)	976	86,084	(36,750)	(49,334)	

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Distributions to minority partners							(4,096)		(4,096)
Other investing activities		(8,007)	1,273	(19)		(6,753)	355		(6,398)
	2,148	138,272	(45,600)	(34,892)	976	60,904	(51,092)	(49,334)	(39,522)
Net foreign currency translation adjustment		(1,794)	(318)	7,492	(976)	4,404	1,313		5,717
Increase (decrease) in cash and cash equivalents		2,524	(1,098)	(3,714)		(2,288)	2,252		(36)
Cash and cash equivalents, beginning of period		15,672	4,069	9,075		28,816	18,643		47,459
Cash and cash equivalents, end of period	$	$ 18,196	$ 2,971	$ 5,361	$	$ 26,528	$ 20,895	$	$ 47,423

Consolidating Statement of Cash Flows
For the period from February 2, 2005 (date of Incorporation) to December 31, 2005
(Restated note 2)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	$ (69,800)	$ (16,142)	$ (53,658)	$ 24,028	$ 45,772	$ (69,800)	$ 32,069	$ (32,069)	$ (69,800)
Items not involving cash:									
Depreciation and amortization		11,227	50,501	13,044		74,772	14,479	1,002	90,253
Amortization of financing fees		9,040	7,445			16,485			16,485
(Gain) loss on sale of property, plant and equipment		(50)	2,420	1		2,371	43		2,414
Loss (income) from equity investments	69,800	(46,670)	(3,943)		(45,772)	(26,585)	19	26,585	19
Share based awards		553	2,115	116		2,784	172		2,956
Future income taxes		(23,142)	(11,602)	527		(34,217)	5,289	(218)	(29,146)
Pension and post-retirement expense and funding, net			721	182		903			903
Non-controlling interest		938				938		4,343	5,281
Change in non-cash operating working capital:									
Accounts receivable		(2,541)	(2,015)	3,017		(1,539)	4,888		3,349
Inventories		13,776	30,584	4,095		48,455	1,732	357	50,544
Income taxes payable		7,362	2,213	1,791		11,366	225		11,591
Prepaid expenses		2,847	(1,957)	1,784		2,674	(1,858)		816
Accounts payable and accrued liabilities	3,500	(20,534)	(19,469)	(12,330)		(48,833)	(7,272)		(56,105)
Intercompany receivable		31,304	7,064	7,698	(32,251)	13,815	16,965	(30,780)	
Intercompany payable		(27,900)	(33,347)	9,768	32,251	(19,228)	(11,552)	30,780	
Equity compensation settlement liability		(35,906)	(21,780)			(57,686)	(56)		(57,742)
	3,500	(95,838)	(44,708)	53,721		(83,325)	55,143		(28,182)
Financing activities									
Change in bank and other indebtedness		56,000	55,002	181		111,183	(9,138)		102,045
Proceeds from issuance of common shares	567,177	403,983	163,194		(567,177)	567,177			567,177
Proceeds from issuance of long-term debt		945,500	999,500			1,945,000	7,500		1,952,500
Repayment of long-term debt		(330,014)	(112,557)			(442,571)	(6,495)		(449,066)
Deferred financing fees		(39,057)	(38,943)			(78,000)			(78,000)
	567,177	1,036,412	1,066,196	181	(567,177)	2,102,789	(8,133)		2,094,656
Investing activities									
Proceeds from sale of property, plant and equipment			1,348	44		1,392	7,805		9,197
Additions to property, plant and equipment		(7,885)	(41,934)	(4,980)		(54,799)	(15,009)		(69,808)
Acquisitions	(5,014)	(953,204)	(993,807)	4,972		(1,947,053)	15,176		(1,931,877)
Investments and advances	(565,663)	55,971	16,395	(40,697)	567,177	33,183	(33,183)		
Distributions to minority partners		(22,275)				(22,275)			(22,275)
Other investing activities		(6,209)	401	(486)		(6,294)	1,199		(5,095)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
	(570,677)	(933,602)	(1,017,597)	(41,147)	567,177	(1,995,846)	(24,012)		(2,019,858)
Net foreign currency translation adjustment		4,523	297	(4,031)		789	54		843
Increase in cash and cash equivalents		11,495	4,188	8,724		24,407	23,052		47,459
Cash and cash equivalents, beginning of period									
Cash and cash equivalents, end of period	$	$ 11,495	$ 4,188	$ 8,724	$	$ 24,407	$ 23,052	$	$ 47,459

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Consolidating Statement of Cash Flows
For the period from January 1, 2005 to April 6, 2005

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net (loss) income	$	$ (30,665)	$ (17,469)	$ 10,877	$ 6,592	$ (30,665)	$ 3,715	$ (3,715)	$ (30,665)
Items not involving cash:									
Depreciation and amortization		2,276	9,003	2,922		14,201	4,819	(8)	19,012
Amortization of financing fees		208	179			387			387
Loss on sale of property, plant and equipment			44			44	74		118
Loss (income) from equity investments		5,115	(1,569)		(6,592)	(3,046)	(292)	3,046	(292)
Share based awards		101	128			229			229
Future income taxes		(18,396)	(9)	2,350		(16,055)	2,206		(13,849)
Pension and post-retirement expense and funding, net			190			190			190
Non-controlling interest		653				653		677	1,330
Change in non-cash operating working capital:									
Accounts receivable		(8,724)	29,683	4,129		25,088	(7,110)		17,978
Inventories		211	(3,612)	1,805		(1,596)	1,509		(87)
Income taxes payable		452	(4,842)	(303)		(4,693)	4,830		137
Prepaid expenses		(6,799)	106	(2,154)		(8,847)	(1,448)		(10,295)
Accounts payable and accrued liabilities		35,099	35,802	11,623		82,524	2,298		84,822
Intercompany receivable		(8,186)	(3,573)	(10,059)	18,454	(3,364)	(12,803)	16,167	
Intercompany payable		5,280	21,260	4,991	(18,454)	13,077	3,090	(16,167)	
Equity compensation settlement liability		35,906	21,780			57,686	56		57,742
		12,531	87,101	26,181		125,813	944		126,757
Financing activities									
Change in bank and other indebtedness			(2)	(181)		(183)	201		18
Proceeds from issuance of common shares		469				469			469
Repayment of long-term debt		(94,410)	(48,570)			(142,980)	(2,474)		(145,454)
		(93,941)	(48,572)	(181)		(142,694)	(2,273)		(144,967)
Investing activities									
Proceeds from sale of property, plant and equipment		133	52			185	218		403
Additions to property, plant and equipment		(2,219)	(7,979)	(623)		(10,821)	(1,580)		(12,401)
Investments and advances		79,349	(19,604)	(29,742)		30,003	(30,003)		
Other investing activities		(1,573)	2	242		(1,329)	(288)		(1,617)
		75,690	(27,529)	(30,123)		18,038	(31,653)		(13,615)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Net foreign currency translation adjustment		2,382		(3,114)		(732)	(5,916)		(6,648)
(Decrease) increase in cash and cash equivalents		(3,338)	11,000	(7,237)		425	(38,898)		(38,473)
Cash and cash equivalents, beginning of period		14,838	6,490	12,209		33,537	52,951		86,488
Cash and cash equivalents, end of period	$	$ 11,500	$ 17,490	$ 4,972	$	$ 33,962	$ 14,053	$	$ 48,015

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Consolidating Statement of Cash Flows
For the year ended December 31, 2004

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Cash provided by (used in):									
Operating activities:									
Net income (loss)	$	$ 127,951	$ 46,845	$ 34,371	$ (81,216)	$ 127,951	$ 49,963	$ (49,963)	$ 127,951
Items not involving cash:									
Depreciation and amortization		6,746	32,306	10,119		49,171	13,290	126	62,587
Amortization of financing fees		830	497			1,327			1,327
Impairment of property, plant and equipment		30	2,889			2,919			2,919
(Gain) loss on sale of property, plant and equipment		(253)	(5,097)	6		(5,344)	199		(5,145)
(Income) loss from equity investments		(121,548)	(2,781)		81,216	(43,113)	14	42,998	(101)
Share based awards		396				396			396
Future income taxes		2,032	18,292	4,512		24,836	4,662		29,498
Pension and post-retirement income and funding, net			(2,527)			(2,527)			(2,527)
Non-controlling interest								6,839	6,839
Change in non-cash operating working capital:									
Accounts receivable		(4,253)	36,984	(7,690)		25,041	4,212		29,253
Inventories		(17,720)	(48,638)	(4,089)		(70,447)	(4,811)		(75,258)
Income taxes payable		(8,123)	(444)	(103)		(8,670)	(3,297)		(11,967)
Prepaid expenses		(1,674)	885	867		78	1,087		1,165
Accounts payable and accrued liabilities		10,106	(25,839)	8,660		(7,073)	(12,969)		(20,042)
Intercompany receivable		3,741	19,753	(10,862)	(16,741)	(4,109)	(7,945)	12,054	
Intercompany payable		(9,387)	11,033	2,518	16,741	20,905	(8,851)	(12,054)	
		(11,126)	84,158	38,309		111,341	35,554		146,895
Financing activities									
Change in bank and other indebtedness		(2)		2			12,474		12,474
Proceeds from issuance of common shares		4,750		28,875	(28,875)	4,750			4,750
Repurchase of common shares		(2,359)				(2,359)			(2,359)
Proceeds from issuance of long-term debt			200,000			200,000			200,000
Repayment of long-term debt		(23,341)	(60,897)	(17)		(84,255)	(19,496)		(103,751)
Deferred financing fees			(3,227)			(3,227)			(3,227)
		(20,952)	135,876	28,860	(28,875)	114,909	(7,022)		107,887
Investing activities									
Proceeds from sale of property, plant and equipment		3,749	6,215	5		9,969	412		10,381
Additions to property, plant and equipment		(3,717)	(47,220)	(7,910)		(58,847)	(11,401)		(70,248)

	Parent	Canadian Issuer	US Issuer	Guarantor Subsidiaries	Guarantor Adjustments	Combined	Non-Guarantor Subsidiaries	Adjustments	Consolidated
Acquisitions		(84,691)	(172,913)	1,406		(256,198)	1,419		(254,779)
Investments and advances		28,257	(4,891)	(58,636)	28,875	(6,395)	6,395		
Distributions to minority partners									
Other investing activities		(2,997)	(104)	1,620		(1,481)	(1,683)		(3,164)
		(59,399)	(218,913)	(63,515)	28,875	(312,952)	(4,858)		(317,810)
Net foreign currency translation adjustment		10,414		3,700		14,114	5,726		19,840
(Decrease) increase in cash and cash equivalents		(81,063)	1,121	7,354		(72,588)	29,400		(43,188)
Cash and cash equivalents, beginning of period		95,901	5,369	4,855		106,125	23,551		129,676
Cash and cash equivalents, end of period	$	$ 14,838	$ 6,490	$ 12,209	$	$ 33,537	$ 52,951	$	$ 86,488

Prospectus

Offer to Exchange

Up to $412,000,000 aggregate principal amount of Senior Subordinated Notes due 2015 issued by Masonite Corporation, which have been registered under the Securities Act of 1933, for any and all outstanding Senior Subordinated Notes due 2015 issued by Masonite Corporation.

Up to $358,000,000 aggregate principal amount of Senior Subordinated Notes due 2015 issued by Masonite International Corporation, which have been registered under the Securities Act of 1933, for any and all outstanding Senior Subordinated Notes due 2015 issued by Masonite International Corporation.

Until the date that is 90 days after the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

May 18, 2007

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