

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
N^o.: 500-11-035903-091

SUPERIOR COURT
(Commercial Division)
The Companies' Creditors Arrangement Act

IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND COMPROMISE OF:

BLUE MOUNTAIN WALLCOVERINGS
GROUP INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
CANADA INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
USA INC.

Petitioners

-and-

RSM RICHTER INC.

Monitor

PETITION FOR THE APPROVAL OF A RE-AMENDED PLAN OF ARRANGEMENT
(Section 7.1 of the Amended Plan of Arrangement dated May 7, 2010)

TO ONE OF THE HONORABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
THE COMMERCIAL CHAMBER, IN AND FOR THE JUDICIAL DISTRICT OF
MONTREAL, PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

I- **OVERVIEW**¹

1. On March 20, 2009, the Honorable Jean-François Buffoni, S.C.J., rendered an order (the "Initial Order") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA") with respect to the Petitioners, as appears from the Court record;
2. On November 10, 2009, the Petitioners filed a plan of arrangement (the "Plan") under the CCAA, as appears from the Court record;
3. On December 10, 2009, the Creditors' Meeting was held in accordance with the Claims Process Order rendered on September 2, 2009, by the Honorable Clément Gascon, S.C.J., as appears from the Court record;
4. The Monitor recommended the acceptance of the Plan by the creditors, since, among others, the only alternative to the Plan was the bankruptcy of the Petitioners, which would have resulted in a significant shortfall to the Secured Creditors and no recovery to the Unsecured Creditors, as appears from the Court record;
5. The Plan was submitted to a vote of the Unsecured Creditors and was approved as follows:

<u>Number of votes</u>	<u>Number of votes in favor of the Plan</u>	<u>Percentage of votes in favor of the Plan</u>
135	126	93%
<u>Dollar value of votes</u>	<u>Dollar value of votes in favor of the Plan</u>	<u>Percentage of votes in favor of the Plan</u>
\$12,529,626.67	\$11,982,626.59	96%

as appears from Court record;

6. On January 11, 2010, an order was rendered by the Honorable Jean Yves Lalonde, J.S.C., sanctioning the Plan (the "Sanction Order"), which became final at the expiry of the appeal period on February 2, 2010, as appears from the Court record;
7. On May 25, 2010, the Honorable Daniel Tingley, S.C.J., approved an amended plan of arrangement dated May 7, 2010, postponing by three (3) months the distributions dates provided for in Section 3.3.3. of the Plan as it relates to the Option 2 Distributions to the Unsecured Creditors (the "Amended Plan"), as appears from the Court record;

¹ In this Petition, unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Plan.

8. With the present "*Petition for the approval of a Re-Amended Plan of Arrangement*" (the "**Petition**"), the Petitioners respectfully request this Honorable Court to approve Petitioners' proposed re-amended plan of arrangement which would postpone, by an additional six (6) month period, the distribution dates provided for in section 3.3.3 of the Amended Plan in relation to the Option 2 Distributions (as defined below) to the Unsecured Creditors (the "**Re-Amended Plan**");

II- THE PLAN AND AMENDED PLAN

9. Pursuant to the Plan, the Unsecured Creditors had the option to receive payment in the amount of the lesser of their Unsecured Claim and CDN \$1,500, in full and final settlement of all of their Claims (the "**Option 1 Distribution**");
10. Alternatively, Unsecured Creditors who had not elected for the Option 1 Distribution were set to receive in two distributions their *pro rata* share of the balance of a \$3 million basket, after payment of Crown Claims and distributions to the Unsecured Creditors who elected for the Option 1 Distribution (the "**Option 2 Distributions**");
11. On March 1, 2010, the Petitioners remitted to the Monitor the necessary funds to cover the Option 1 Distribution, and the Plan became effective on March 1, 2010;
12. In accordance with the terms of the Plan, the remaining two 50% Option 2 Distributions (approximately \$2.8 M) were scheduled to be made on or before May 3, 2010 and July 30, 2010;
13. On May 7, 2010, the Monitor issued a report outlining the reasons why the Petitioners were unable to make the scheduled Option 2 Distributions, as appears from the Court record;
14. On May 25, 2010, given the reasons stated in by the Monitor in its report, the Honorable Justice Tingley, S.C.J., approved the Amended Plan and postponed by three (3) months the distributions dates provided for in Section 3.3.3. of the Plan relating to the Option 2 Distributions, as appears from the Court record;
15. In accordance with the terms of the Amended Plan, the Option 2 Distributions were scheduled to be made on or before August 3, 2010 and October 29, 2010, as appears from the Court record;

III- THE RE-AMENDED PLAN

16. As of August 3, 2010 and to this date, the Petitioners have still not secured sufficient financing to enable them to fund the Option 2 Distributions;
17. Petitioners hereby submit for approval by this Honorable Court a Re-Amended Plan modifying the distribution dates set forth at section 3.3.3 of the Amended Plan with regard to the Option 2 Distributions, as follows:

- (i) First distribution: February 3, 2011; and
 - (ii) Second distribution: May 3, 2011;
18. On October 8, 2010, the Monitor issued a "Report of the monitor with respect to an application for the second postponement of the delay to make the distributions under the sanctioned plan of arrangement" (the "Monitor's Report"), outlining the reasons why Petitioners were, and still are unable at the present time to make the scheduled Option 2 Distributions, as appears from a copy of the report, communicated herewith as Exhibit R-1;
19. The Monitor's Report outlines, *inter alia*, the following facts:
- (i) Petitioners paid the Option 1 Distribution under the Plan through their operational cash flow;
 - (ii) Petitioners obtained \$1.5 million of term financing from one of their existing debt holder, but have been unsuccessfully seeking further financing of approximately \$4 million to cover their operational needs and Plan payments;
 - (iii) Petitioners are presently negotiating two (2) major contracts with customers, which could result in a significant increase in Petitioners' liquidities and profitability, therefore enabling them to pay the Option 2 Distributions during the six (6) months extension;
20. As it also appears from the Monitor's Report R-1, the Monitor recommends the approval of the Re-Amended Plan and believes that an additional six (6) months extension to pay the Option 2 Distributions is advisable under the present circumstances, considering that:
- (i) the delay will not further prejudice the creditors entitled to the Option 2 Distributions;
 - (ii) if the extension of time to make Option 2 Distributions as requested is not granted, Petitioners would go bankrupt and approximately 170 employees would lose their jobs;
 - (iii) in a bankruptcy situation, the Unsecured Creditors would definitely receive nothing given that all of the Petitioners' assets are pledged in favour of the Secured Creditors, who are owed significantly more than the estimated realizable liquidation value of said assets;
 - (iv) limited credit has been extended to the Petitioners by suppliers of goods and services. A bankruptcy would in all likelihood jeopardize the payment of these debts;

- (v) only a small number of creditors (that no longer supply Petitioners) have voiced their dissatisfaction with the current delays;
21. Petitioners communicate for approval to this Honorable Court, as Exhibit R-2, a copy of the proposed Re-Amended Plan;
22. The Re-Amended Plan does not alter the amounts to be distributed as Option 2 Distributions;
23. The Amended Plan allows the Petitioners to make any material amendment or modification to the Amended Plan at any time after the Creditor's Meeting, if the amendments are approved by the Monitor and the Court, after notice has been given to the affected creditors, the whole as appears from Section 7.1 of the Amended Plan which reads as follows:

"Section 7.1 Amendments to the Plan

The Petitioners reserve the right, at any time and from time to time, to amend, modify and/or supplement this Plan, provided that:

(...);

any material amendment or modification that is approved by the Monitor and, if made following the Creditors' Meeting, approved by the Court following notice to the creditors affected thereby. The Petitioners may give notice of proposed material amendments to the Plan at the Creditors' Meeting; (...)" (emphasis added)

24. Notice will be given to the creditors affected by the amendments, by the mailing (as set forth in the Monitor's Report) and/or the service of the present Petition and the supporting Exhibits, including the Re-Amended Plan. A copy of the Petition, the Report and the Re-Amended Plan will also be posted on the Monitor's website;
25. The Petitioners have otherwise fully complied with the provisions of the CCAA and with the orders of this Court. Petitioners have also acted at all times in good faith and in the best interest of the parties involved in the proposed arrangement.

WHEREFORE, MAY IT PLEASE THIS COURT TO:

- [1] **GRANT** Petitioners' "*Petition for the approval of a Re-Amended Plan of Arrangement*" pursuant to Section 7.1 of the Amended Plan;

Definitions

- [2] **ORDER** that any capitalized terms not otherwise defined in this Order shall have the meaning ascribed thereto in the Amended Plan or the Claims Process Order, as the case may be;

Service and Re-Amended Plan

- [3] **DECLARE** that there has been proper and sufficient notice of the Petition and the proposed amendments to the Amended Plan to all Known Creditors;
- [4] **ORDER** that the Petitioners' proposed Re-Amended Plan dated October 8, 2010 (the "**Re-Amended Plan**") is approved and binding upon all Creditors and persons as per its terms;
- [5] **EXEMPT** the Petitioners from holding a new creditors' meeting to vote on the Re-Amended Plan;

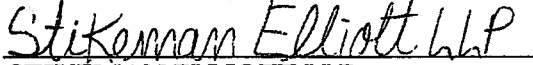
Stay of Proceedings

- [6] **ORDER** that the Stay Termination Date (as defined in the Initial Order) is set to May 4, 2011 and that the Stay Period will be in effect up to and including the Stay Termination Date;
- [7] **ORDER** that all other Orders made in the CCAA Proceedings, including the Initial Order and the Sanction Order shall continue in full force and effect in accordance with their respective terms, subject to or except to the extent that such Orders are varied by, or inconsistent with this Order;

Provisional Execution

- [8] **ORDER** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security.
- [9] **THE WHOLE** without costs.

MONTREAL, this 12th day of October,
2010


STIKEMAN ELLIOTT LLP
Attorneys for the Petitioners

AFFIDAVIT

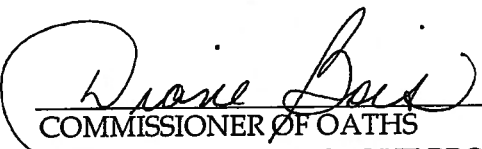
I, the undersigned, **MICHEL MEGELAS**, Vice-President, General Counsel and Corporate Secretary of Blue Mountain Wallcoverings Group Inc., doing business at 1010 Sherbrooke Street West, in the City and District of Montreal, Province of Québec, do solemnly declare as follows:

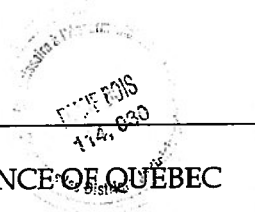
1. I am duly authorized by the Petitioners to sign the present affidavit;
2. All the facts contained in the attached Petition for the approval of a Re-Amended Plan of Arrangement dated October 12, 2010, are true.

AND I HAVE SIGNED:


MICHEL MEGELAS

SOLEMNLY DECLARED before me at Montreal,
this 12th day of October, 2010


COMMISSIONER OF OATHS
FOR ALL DISTRICTS OF THE PROVINCE OF QUÉBEC



NOTICE OF PRESENTATION

- TO: **Mtre Bertrand Giroux**
BCF LLP
1100 René-Lévesque Blvd. West, 25th Floor
Montreal, Quebec, H3B 5C9
- TO: **Mtre Pierre Grenier**
FRASER MILNER CASGRAIN LLP
1 Place Ville Marie, suite 3900
Montreal, Quebec, H3B 4M7
- TO: **Mtre Martin R. Kaplan**
FOGLER RUBINOFF LLP
95 Wellington Street West
Suite 1200, Toronto-Dominion Centre
Toronto, Ontario, M5P 2Z9
- TO: **Mr. Robert M. Zedaker, CFO**
GRAFIKA COMMERCIAL PRINTING INC.
710 Johnston Street
Sinking Spring, PA 19608
- TO: **Mtre Edward J. Druker**
DRUKER, NAVEY, GREEN, SCHWARTZ
1255 Phillips Square, Suite 605
Montreal, Quebec, H3B 3G5
- TO : **Mtre Xavier Lafontaine**
DE GRANDPRÉ CHAÏT LLP
1000 de la Gauchetière Street West, Suite 2900
Montreal, Quebec, H3B 4W5
- TO : **Mtre Laurent Themens**
FONDS DE SOLIDARITÉ DES TRAVAILLEURS DU QUÉBEC
545 Crémazie Blvd East, Suite 200
Montreal, Quebec, H2M 2W4

TAKE NOTICE that the foregoing *Petition for the approval of a Re-Amended Plan of Arrangement* shall be presented before one of the Honorable judges of the Superior Court, sitting in Commercial Division, in and for the District of Montreal, on **October 28,**

2010, at 9:00 a.m., or at a time deemed more convenient, at the Montreal Courthouse, located at 1 Notre-Dame Street East, Montreal, Québec, in room 16.10.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, this 12th day of October,
2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for the Petitioners

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
N°.: 500-11-035903-091

SUPERIOR COURT
(Commercial Division)
The Companies' Creditors Arrangement Act

IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND COMPROMISE OF:

BLUE MOUNTAIN WALLCOVERINGS
GROUP INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
CANADA INC.

-and-

BLUE MOUNTAIN WALLCOVERINGS
USA INC.

Petitioners

-and-

RSM RICHTER INC.

Monitor

LIST OF EXHIBITS

Exhibit R-1:

Monitor's Report dated October 8, 2010.

Exhibit R-2:

Re-Amended Plan dated October 8, 2010.

MONTREAL, this 12th day of October,
2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP

Attorneys for the Petitioners

RSM Richter Inc.

RSM Richter Inc.
2, Place Alexis Nihon
Montréal (Québec) H3Z 3C2
Téléphone / Telephone: 514.934.3497
Télécopieur / Facsimile: 514.934.3504
www.rsmrichter.com

CANADA

DISTRICT OF MONTREAL

No.: 500-11-035903-091

SUPERIOR COURT
Commercial Division
(The Companies' Creditors Arrangement Act)

IN THE MATTER OF THE PLAN OF ARRANGEMENT
WITH RESPECT TO:

BLUE MOUNTAIN WALLCOVERINGS GROUP INC.
- and -
BLUE MOUNTAIN WALLCOVERINGS INC.
- and -
BLUE MOUNTAIN WALLCOVERINGS CANADA INC.
- and -
BLUE MOUNTAIN WALLCOVERINGS USA INC.

Debtors/Petitioners

- and -

RSM RICHTER INC.

Monitor

REPORT OF THE MONITOR WITH RESPECT TO AN
APPLICATION FOR THE SECOND POSTPONEMENT OF THE DELAY TO MAKE THE DISTRIBUTIONS
UNDER THE SANCTIONED PLAN OF ARRANGEMENT

INTRODUCTION

1. On March 20, 2009, the Honourable Justice Jean-François Buffoni, J.S.C, rendered an order (the "Initial Order") under the CCAA declaring and/or ordering, *inter alia*:
 - a) that Blue Mountain Wallcoverings Group Inc., Blue Mountain Wallcoverings Inc., Blue Mountain Wallcoverings Canada Inc. and Blue Mountain Wallcoverings USA Inc. (collectively, the "Petitioners" or "BMWG") were companies to which the CCAA applies;
 - b) a stay of proceedings in respect of the Petitioners up to and including April 20, 2009; and
 - c) that RSM Richter Inc. be appointed to act as monitor (the "Monitor").

2. Since the Initial Order, the Stay Period and the Stay Termination Date (these terms are defined in the Initial Order) were extended. The extensions were required in order to allow for the following:
 - a) Successfully implement the planned restructuring and reorganization measures;
 - b) Finalize negotiations with HSBC Bank with regard to the assignment of its debt;
 - c) Finalize negotiations with FSTQ with regard to its convertible debenture;
 - d) Initiate a Claims Process;
 - e) File a Plan of Arrangement ("Plan");
 - f) Proceed with the vote on the Plan;
 - g) Proceed to the Sanctioning of the Plan.
3. On December 10, 2009, a Plan was presented to the creditors and was accepted by the statutory majority. As such, on January 11, 2010 the Plan was sanctioned by the Court.
4. On March 2, 2010, as provided for in the Plan, the Trustee proceeded in making a dividend distribution to the creditors having chosen Option 1 of the Plan. The distribution in question, which was financed through cash flow, amounted to approximately \$120,000.
5. The first payment under Option 2 of the Plan, which amounts to approximately \$1,400,000, was scheduled to be made on May 3, 2010. However, the Debtors were unable to secure financing for their operation by that date and were therefore unable to pay the dividend.
6. Accordingly, on May 7, 2010 the Monitor mailed to all Unsecured Creditors entitled to the Option 2 Distributions under the Plan, its Report dealing with an Application for Postponement of the Delay to Make the Distributions under the Sanctioned Plan of Arrangement. In addition, the creditors in question were informed in a letter accompanying the Report, that BMW was unable to secure a financing in time to make the initial 50% Option 2 distribution under the Plan and that the Petitioners would be presenting to the Court, on May 25, 2010 at 9:00 a.m., a Petition to Amend the Plan, requesting a postponement of 90 days for the delay to make the distributions under the Plan.
7. On May 25, 2010 the Court granted the Order to Amend the Plan by modifying the distribution dates for Option 2 Distributions to August 3, 2010 (first 50%) and October 29, 2010 (second 50%) respectively.
8. As of August 3, 2010 and the date of this report, the Petitioners informed the Monitor that they still had not secured a sufficient financing for their operations and therefore were still unable to make the first required Option 2 Distribution.

9. The Petitioners informed us that they are planning once again, to present to the Court a further application requesting a further 6 month postponement of the delays to make the remaining Option 2 distributions under the Plan. This Report deals with the consequences of the postponement in question as well as with the recommendations of the Monitor.
10. The Monitor will mail the present Report to all Unsecured Creditors entitled to the Option 2 Distributions under the Plan.
11. This Report of the Monitor has been prepared in order to inform the Court and the Unsecured Creditors and is presented under the following headings:
 - a) State of affairs of the Petitioners;
 - b) Projected cash flow;
 - c) Petitioners' application to Court for the postponement of the delay to make the distributions under the Plan and the recommendation of the Monitor.
12. We hereby confirm that the information contained herein is based upon unaudited financial information provided to the Monitor by the Petitioners' management. The Monitor has not conducted an audit or investigation of the information it was provided by the Petitioners and accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this Report.

STATE OF THE AFFAIRS OF THE DEBTORS

13. The Petitioners remain unable to secure sufficient financing to enable them to fund the Option 2 Distributions, the first of which was scheduled for August 3, 2010 (distribution estimated at approximately \$1.4 million). We understand that whatever discussions the Petitioners have had with financial institutions in order to refinance the operations were unsuccessful. The financial institutions appear unwilling to finance the Petitioners until they emerge from CCAA and return to profitability.

14. The Petitioners have been able to maintain their operations without a further deterioration of their accounts payable and accrued liabilities since the sanctioning of the Plan. BMWG anticipate increased sales revenues in the upcoming year, resulting from new client contracts, new programs and an improvement in the US economy.
15. In order to finance its operations, BMWG's management and shareholders have been seeking additional financing to fund its cash flow requirements. Although BMWG has obtained a term loan of \$1.5 million from one of its existing creditors, it remains insufficient to finance both the operations and the dividend payment. Accordingly, the Petitioners are still seeking a financing of approximately \$4 million to cover its current operations and the dividend payments,
16. In addition, the Petitioners are presently negotiating two major contracts with customers, which could result in a significant increase in the Company's liquidities and profitability. The successful negotiation of these contracts could enable the Petitioners to pay the Option 2 dividend during the upcoming delay, without having to depend on new financing.
17. Accordingly the Petitioners are requesting that the two distributions be postponed by 6 months, namely to February 3, 2011 for the first payment and to May 3, 2011 for the second payment.
18. Since the issuance of the Initial Order, BMWG has continued to act diligently and to carry on business in good faith while taking the appropriate actions to restore profitability.
19. BMWG has continued to pay for the services provided by its employees in the normal course of business and to pay suppliers of goods or services according to existing agreements, many of which remain on a COD basis.
20. Since the sanctioning of the Plan, BMWG's projected increased sales have not materialized at the anticipated levels and accordingly neither has its cash flow.
21. In the interim, BMWG has been managing its daily cash flow in order to ensure that it meets its financial obligations.

22. BMWG's accounts payable and accrued liabilities as at July 31, 2010 relate primarily to amounts payable to suppliers who have provided payment terms to BMWG, municipal taxes, accrued interest on term debt, accrued promotion and royalty costs, accrued vacation pay and outstanding cheques.
23. According to the information provided to the Monitor, no expenses were incurred out of the ordinary course of business since the issuance of the Initial Order.

PROJECTED CASH FLOW - For the period August 1, 2010 to February 28, 2011

24. We refer you to **Schedule "A"**, which contains a copy of the summary projected monthly cash flow statement for the period August 1, 2010 to February 28, 2011 ("Period"), which essentially reflects the following:
 - a) the projected cash receipts for the period are estimated at approximately \$18.6 million;
 - b) the projected operating expenses are estimated at approximately \$17.9 million;
 - c) BMWG projects a positive operating cash flow of approximately \$0.7 million for the Period;
 - d) BMWG projects to have cash on hand of \$938K at the end of January, before consideration of the Option 2 Distribution.
25. The summary cash flow projection attached to this Report was prepared by the Petitioners' management and is based on underlying financial assumptions. The Monitor cannot provide an opinion as to the accuracy, completeness or reliability of these projections. As the cash flow projections relate to future events, which are indeterminable by nature, variances will occur, which may be material.
26. Albeit the attached cash flow reflects an improvement during the Period, the funds generated are insufficient to make the Option 2 Distributions provided under the Plan, without financing. The contracts that are presently under negotiation are not reflected in the projections.
27. The Monitor is of the opinion that the assumptions used by management of BMWG with respect to the financial projections are in general realistic, other than with respect to the projected sales, which may be optimistic.

PETITIONERS' APPLICATION TO THE COURT

28. We understand that the Petitioners have already approached two financial institutions and were unable to secure additional financing. The Monitor is of the view that a further delay may not result in a different outcome.
29. There is no certainty that the Petitioners' application for the further postponement of the delay to make the distributions under the Plan will enable the Petitioners to pay the dividend provided for under the original Plan. Management however believes that it can generate the required funds for the Option 2 Distributions by successfully completing the negotiations on new contracts and increasing its sales through new clients and new product lines.
30. A limited number of creditors have voiced their dissatisfaction with the current situation and the continued delays in obtaining the payment of the dividend. These creditors are suppliers that no longer deal with the Petitioners.
31. Should the Petitioners be declared Bankrupt, no dividend will be paid to preferred and unsecured creditors, as the existing secured debt is significantly higher to the potential liquidation value of the assets.
32. The Monitor believes that a final additional delay would be advisable, considering the following factors:
 - a. the delay will not further prejudice the creditors entitled to the Option 2 Distributions;
 - b. in a bankruptcy situation, the unsecured creditors would definitively receive nothing given that all of the Petitioners' assets are pledged in favour of the secured creditors, who are owed significantly more than the estimated realizable liquidation value of the said assets;
 - c. approximately 170 employees still work for the Petitioners;
 - d. some limited credit has been extended to the Petitioners by suppliers of goods and services. A bankruptcy would in all likelihood jeopardize the payment of these debts.

e. the Petitioners continue to act diligently, in good faith and in the interest of their creditors;

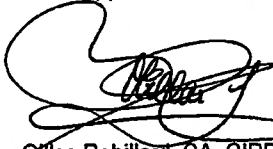
f. if the postponement of delays to make distributions under the Plan as requested by the Petitioners is not granted, we understand that the Petitioners will immediately go bankrupt;

33. Given the economic impact that a bankruptcy would generate, the Monitor hereby supports the Petitioners' application to the Court.

Respectfully submitted,

DATED AT MONTREAL, this 8th day of October 2010.

RSM Richter Inc.
Court-appointed Monitor

A handwritten signature in black ink, appearing to read "Gilles Robillard", is written over a horizontal line.

Gilles Robillard, CA, CIRP

Blue Mountain Wallcoverings Group Inc. Projected Combined Summary Monthly Cash Flow For the period August 1, 2010 to February 28, 2011 \$(,000)								
	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Total
Cash Receipts	2,151	2,241	2,525	3,158	3,177	2,811	2,501	18,564
Cash Disbursements	2,344	2,211	2,520	3,129	2,864	2,471	2,353	17,892
Cash flow from operations	(193)	30	5	29	313	340	148	672
Opening Bank position	415	222	252	257	286	599	939	415
Closing Bank position	222	252	257	286	599	939	1,087	1,087

CANADA
PROVINCE OF QUÉBEC

DISTRICT OF MONTREAL
No.: 500-11-035903-091

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(Commercial Division)
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IN THE MATTER OF THE PLAN OF
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-and-

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-and-

BLUE MOUNTAIN WALLCOVERINGS
USA INC.

Petitioners

-and-

RSM RICHTER INC.

Monitor

**RE-AMENDED PLAN OF ARRANGEMENT
UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT
(Sections 4 and 5.1)**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

Section 1.1 Definitions

In the Plan, as hereinafter defined, unless otherwise stated or the context otherwise requires:

"Administration Claim" means any right or claim secured by the Administration Charge as defined in the Initial Order;

"Business Day" means a day other than a Saturday, a Sunday, or a non-judicial day (as defined in article 6 of the Code of Civil Procedure, R.S.Q., c. C-25, as amended);

"CCAA" means the Companies' Creditors Arrangement Act, R.S.C. 1985, C. C-36, as amended;

"CCAA Proceedings" means the proceedings in respect of the Companies under the CCAA;

"Claim" means any right of any Person against the Petitioners in connection with any indebtedness, liability or obligation of any kind of the Petitioners owed to such Person and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution (including current service cost and special payments to funded pension plans) or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Determination Date, or which would have been claims provable in bankruptcy had the Petitioners become bankrupt on the Determination Date, and, without limitation, shall include any Restructuring Claim;

"Claims Process Order" means the claims and meeting order of the Court dated September 2, 2009;

"Court" means the Superior Court of Quebec and, where circumstances require, the Court of Appeal of Quebec or the Supreme Court of Canada;

"Creditor" means any Person having a Claim and may, where the context requires, include the assignee of a Claim or a trustee, interim receiver, receiver, receiver and manager, or other Person acting on behalf of such Person. A "Creditor" shall not include an Excluded Creditor;

"Creditors' Meeting" means the meeting of the Petitioners' Creditors to be convened for the purposes of voting on the Plan, and any adjournment thereof;

"Crown Claim" means the amounts due to Her Majesty in right of Canada or a province described in subsection 6 (3) of the CCAA;

"Determination Date" means March 20, 2009;

"Effective Date" has the meaning set forth in Section 5.4 of the Plan;

"Excluded Claim" means any right of any Person against the Petitioners in connection with any indebtedness, liability or obligation of any kind which came into existence after the Determination Date and any interest thereon, including any obligation of the Petitioners toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Petitioners after the

Determination Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds after the Determination Date and to the extent that such claims are not otherwise affected by the Plan, and, without limitation, shall include an Administration Claim;

"Excluded Creditor" means a Person having a Claim in respect of an Excluded Claim but only in respect of such Excluded Claim;

"Initial Order" means the order of this Court made at the Determination Date under the CCAA;

"Monitor" means RSM Richter Inc., in its capacity as monitor appointed pursuant to the Initial Order;

"Order" means any order of the Court;

"Person" means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, governmental body or agency, or any other entity;

"Plan" means the consolidated plan to be filed by the Petitioners pursuant to the CCAA, as such plan may be amended or supplemented from time to time;

"Restructuring Claim" means any right of any Person against the Petitioners in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation or termination, on or after the Determination Date, of any contract, lease, employment agreement, license or other agreement, whether written or oral, including any right of any Person who received a notice of repudiation or termination from the Petitioners before September 11, 2009;

"Sanction Order" means a final Order pursuant to section 6 of the CCAA sanctioning the Plan, with respect to which all delays to appeal have expired and all appeals have been either discontinued or dismissed;

"Secured Claim" means a Claim (other than an Excluded Claim) secured by Security, as accepted or revised by the Monitor or as adjudicated by the Court, the whole pursuant to the process established in the Claims Process Order;

"Secured Creditor" means a Creditor to the extent that it holds a Secured Claim;

"Security" means a valid and enforceable security interest, lien, charge, pledge, encumbrance, mortgage, hypothec, title retention agreement or trust agreement of any nature or kind (but excluding any statutory deemed trust or lien for any taxes or levies), on any property of a Petitioner, or a right of ownership on any property leased to a Petitioner;

"Unsecured Claim" means any unsecured Claim, as accepted or revised by the Monitor or as adjudicated by the Court, the whole pursuant to the process established in the Claims Process Order. An "Unsecured Claim" shall not include a Crown Claim or an Excluded Claim.

"Unsecured Creditor" means a Creditor to the extent that it holds an Unsecured Claim.

ARTICLE 2 **INTERPRETATION**

For the purposes of the Plan:

- a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document as being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- b) any reference in the Plan to an existing document or exhibit filed or to be filed means such document or exhibit as it may have been or may be amended, modified, or supplemented;
- c) unless otherwise specified, all references in the Plan to sections, articles and schedules are references to sections, articles and schedules of or to the Plan;
- d) the words "herein" and "hereto" and words of a similar nature refer to the Plan in its entirety rather than to any particular portion of the Plan;
- e) captions and headings of articles and sections of the Plan are inserted for ease of reference only and are not intended to be a part of nor to affect the interpretation of the Plan; and
- f) where the context requires, a word or words importing the singular shall include the plural and vice versa.

Section 2.1 Dates

In the event that the Plan requires any action to be taken on a day which is not a Business Day, that action shall be required to be taken on the next succeeding day which is a Business Day.

Section 2.2 Time

All times expressed in the Plan refer to the local time in Montreal, Quebec, unless otherwise stipulated.

Section 2.3 Governing Law

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

Section 2.4 Statutory References

Any reference in the Plan to a statute includes regulations made thereunder and all amendments to such statute and regulations in force from time to time.

Section 2.5 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Plan.

Section 2.6 Currency

Unless otherwise specifically indicated, all sums of money referred to in this Plan are expressed in Canadian dollars. Where conversion of currency amounts is required, all amounts in other currencies are convertible to Canadian dollars at the nominal noon exchange rate of the Bank of Canada on the Effective Date.

ARTICLE 3 TREATMENT OF CREDITORS

Section 3.1 Excluded Creditors

The Excluded Creditors are entirely unaffected by the Plan.

Section 3.2 Secured Creditors

Each Secured Creditor shall be paid the full amount of its Secured Claim, according to terms agreed to between those creditors and the Petitioners, on or after the Sanction Order.

Section 3.3 Unsecured Creditors and Crown Claims

3.3.1 Crown Claims

In accordance with subsection 6(3) of the CCAA, Crown Claims will be paid in full no later than six (6) months after the date of the Sanction Order.

3.3.2 Class of Creditors

There shall be one class of affected Creditors for the purposes of voting: the class of Unsecured Creditors.

3.3.3 Distributions

The Petitioners will remit to the Monitor a total amount of \$3 million (the "Basket") to be disbursed by way of distributions to Unsecured Creditors and to holders of Crown Claims. Payments shall be for principal amounts only, without interest, fees or penalties of any kind whether prior or subsequent to the Determination Date.

Each Unsecured Creditor shall elect to receive from the Basket:

- **Option 1:** a single and final distribution consisting of the lesser of its Unsecured Claim and \$1,500 (the "Option 1 Distribution"). This distribution shall be made by the Monitor no later than one (1) month after the date of the Sanction Order;

or

- **Option 2:** a) a first distribution consisting of the Unsecured Creditor's prorated share of 50 % of the balance of the Basket (after payment of the Option 1 Distribution). This first distribution shall be made by the Monitor no later than February 3, 2011; and

b) a second and final distribution consisting of the Unsecured Creditor's prorated share of the Basket's remaining funds, to be made by the Monitor no later than May 3, 2011.

Any Unsecured Creditor who fails to cast his vote in accordance with the Claims Process Order shall be treated as if he had selected Option 2.

Section 3.4 Other CCAA Requirements

All Claims, if any, referred to in subsections 6(5) and 6(6) of the CCAA shall be paid forthwith after the Sanction Order.

ARTICLE 4 UNCLAIMED DISTRIBUTIONS

Unless directed otherwise by the Court, any portion of a distribution that is unclaimed for a period of six (6) months and that is not otherwise dealt with in the Plan shall be vested in the Petitioners and any entitlement of any other Person to such portion shall be extinguished and forever barred.

**ARTICLE 5
PRIOR CONDITIONS TO THE COMING INTO FORCE OF THE PLAN**

Section 5.1 Creditors' Meeting

The Petitioners will convene a Creditors' Meeting to be held in Montreal, Quebec no earlier than twenty-one (21) days after the date of mailing of this Plan to all Creditors, in order to have the Plan approved by the Unsecured Creditors.

Section 5.2 Application for Sanction Order

If the Plan is approved by a majority in number and two-thirds in value of the class of Unsecured Creditors, the Petitioners intend to apply for the Sanction Order without further notice to Creditors, shortly after the Creditors' Meeting at which the Plan is approved, and upon issuance of the Sanction Order the Petitioners shall thereafter proceed with the implementation of the Plan, subject to any necessary authorization by the Court or the Monitor.

Section 5.3 Content of Sanction Order

The Petitioners shall seek a Sanction Order or additional Order that, in addition to sanctioning this Plan, will:

- a) declare that the payment terms established by the Plan are approved, binding and effective upon all Unsecured Creditors, and that all Claims are irrevocably extinguished save only for the right of Creditors to receive the consideration provided for in this Plan;
- b) release and discharge the Petitioners and their directors and other representatives from any and all indebtedness, obligations and liabilities, to the extent further provided in this Plan;
- c) confirm that all executory contracts to which any Petitioner is a party are in full force and effect notwithstanding the CCAA proceedings or this Plan, and that no Person party to such an executory contract shall be entitled to terminate or repudiate or vary any obligations under such contract by reason of the commencement of the CCAA proceedings, the content of the Plan or any other reason, including the transactions entered into by the Petitioners in the course of their restructuring and reorganization.

Section 5.4 Conditions Precedent to Implementation of Plan

The implementation of this Plan shall be conditional upon the filing into the court record of a certificate to be signed by the Monitor (the "Monitor's Certificate") confirming the granting of the Sanction Order with respect to all of the Petitioners, and the availability of all funds necessary for the Option 1 Distribution. The Monitor's Certificate shall confirm the Effective Date and serve as conclusive evidence thereof. This condition

precedent is for the sole benefit of the Petitioners and may be waived in whole or in part by the Petitioners in writing at any time in their sole and absolute discretion.

ARTICLE 6 ADDITIONAL EFFECTS OF THE PLAN

Section 6.1 Discharge of Claims

Upon the Effective Date, all Claims shall be forever extinguished, for all purposes, save only for the right of the Creditors to receive the consideration provided for in this Plan.

Section 6.2 Discharge of the Petitioners and their Directors

The rights afforded herein and the treatment of all Claims shall be in exchange for and in complete satisfaction, discharge and release of claims of any nature whatsoever, including any interest accrued on such Claims, against the Petitioners and their directors in accordance with section 5.1 of the CCAA, their officers, employees, agents, representatives or any professional employed by any of them, or against any of their assets or properties. Except as otherwise provided in the Plan, on the Effective Date all such claims against the Petitioners and their directors, officers, employees, agents, representatives or any professional employed by any of them, shall be released and discharged in full, and all assets and property of the Petitioners shall be free and clear of all Claims.

Section 6.3 Limitation of Liability

Neither the Petitioners, the Monitor, nor any of their employees, officers, directors, agents, advisors or representatives, or any professional employed by any of them, shall have or incur any liability to any Person whatsoever, including, specifically, any holder of a Claim, under any theory of liability (except for any claim based upon wilful misconduct or gross negligence or, in respect to the Monitor, from its failure to act in good faith and with honesty), provided that nothing in this paragraph shall limit the liability of any Person for breach of any express obligation it has under the terms of the Plan or under any agreement or other document entered into by such Person after the Effective Date or in accordance with the terms of the Plan or for any breach of a duty of care owed to any other Person occurring after the Effective Date. In all respects, the Petitioners, the Monitor, and each of their employees, officers, directors, agents, advisors or representatives, or any professional employed by them shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Section 6.4 Releases

Except as otherwise provided in the Plan or the Sanction Order, the Petitioners will release unconditionally on the Effective Date, their officers, directors, shareholders, employees, consultants, attorneys, accountants, financial advisors and other representatives, and the Monitor, from any and all claims, direct actions, causes of

action, demands, rights, damages, judgments, debts, obligations, assessments, compensations, costs, deficiencies or other expenses of any nature whatsoever (including, without limitation, attorneys' fees), whether fixed or contingent, liquidated or unliquidated, direct or indirect, known or unknown whether past, present or future, in law, equity or otherwise, relating to any fact, event, circumstance, matter, cause or thing whatsoever taking place on or prior to the Effective Date in any way relating to the Petitioners, the CCAA proceedings or the Plan.

Section 6.5 Bankruptcy and Insolvency Act ("BIA")

Sections 38 and 95 to 101 of the BIA shall not apply in respect of this Plan and the CCAA Proceedings.

ARTICLE 7 AMENDMENTS TO THE PLAN

Section 7.1 Amendments to the Plan

The Petitioners reserve the right, at any time and from time to time, to amend, modify and/or supplement this Plan, provided that:

- a) any amendment, modification or supplement may be made unilaterally by the Petitioners at any time prior to or after the Sanction Order, without the approval of the Court, provided that it concerns a matter which, in the opinion of the Petitioners and the Monitor, acting reasonably, is of an administrative nature, is required to give better effect to the implementation of this Plan or is not adverse to the financial or economic interests of the Unsecured Creditors;
- b) any material amendment or modification that is approved by the Monitor and, if made following the Creditors' Meeting, approved by the Court following notice to the creditors affected thereby. The Petitioners may give notice of proposed material amendments to the Plan at the Creditors' Meeting;

and that any supplementary plan or plans of compromise or arrangement incorporating any such amendment or modification will be filed with the Court and shall for all purposes be deemed to be a part of and incorporated in this Plan.

ARTICLE 8 THE MONITOR

Section 8.1 Powers and obligations

In addition to what is explicitly provided for in the CCAA, the Orders, and elsewhere in this Plan, the Monitor shall have the power:

- a) to determine any appropriate conservatory measures with respect to the funds to be distributed to the Creditors in accordance with the prescription herein, and to execute said measures; and
- b) to perform any act or institute any proceeding for the protection of the funds to be distributed to the Creditors in accordance with the terms herein, the interests of the Petitioners and their creditors.

ARTICLE 9 MISCELLANEOUS

Section 9.1 Paramourncy

From and after the Effective Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Petitioners, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and the Petitioners as at the Effective Date shall be resolved in favour of the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority. For greater certainty, all Creditors shall be deemed to consent to all transactions contemplated in the Plan.

Section 9.2 Waiver of Defaults

From and after the Effective Date, each Creditor shall be deemed to have waived any and all defaults then existing or previously committed by the Petitioners in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Creditor and the Petitioners and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded.

Section 9.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Claim under the Plan shall be binding upon such Creditor, its heirs, executors, administrators, successors and assigns, for all purposes, whether or not the Creditor voted in favour of, against, or at all with respect to the Plan.

Section 9.4 Notices, addresses

Any notices or communication to be made or given hereunder shall be in writing and shall refer to the Plan and may, subject as hereinafter provided, be made or given by

personal delivery, by courier, by prepaid mail, by fax or by email addressed to the respective parties as follows:

Monitor: RSM Richter Inc.
c/o Mr. Gilles Robillard, CA, CIRP
2 Place Alexis Nihon, suite 2200
Montreal, Quebec H3Z 3C2
Fax: (514) 934-3484
E-mail: grobillard@rsmrichter.com

The Petitioners: Blue Mountain Wallcoverings Inc.
Attention: Michel Mégélas
1010 Sherbrooke Street West, suite 410
Montreal, Quebec H3A 2R7
Fax: (514) 843-3482
E-mail: michelm@blmtn.com

with copy in either case to: Stikeman Elliott LLP
c/o Me Jean Fontaine
1155 René-Lévesque Blvd. West, 40th Floor
Montreal, Quebec H3B 3V2
Fax: (514) 397-3487
E-mail: jfontaine@stikeman.com

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

Section 9.5 Notices, Delivery

Where any notice or communication is delivered personally or received by fax or email after 4:30 p.m. on a Business Day or at any time on a non-Business Day, receipt thereof is deemed to be on the following Business Day. Where a notice or communication is delivered by prepaid mail, receipt shall be deemed on the fourth Business Day following the date on which such notice or communication is mailed.

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

Section 9.6 Severability of Plan Provisions

If, prior to the Effective Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioners, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall

then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

Section 9.7 Revocation, Withdrawal, or Non-Consummation

The Petitioners reserve the right to revoke or withdraw the Plan at any time prior to the granting of the Sanction Order and to file subsequent plans of reorganization or of compromise or arrangement. If the Petitioners revoke or withdraw the Plan, or if the Sanction Order is not issued, (i) the Plan shall be null and void in all respects, (ii) any settlement or compromise embodied in the Plan shall be deemed null and void, and (iii) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall prejudice in any manner the rights of the Petitioners or any Person in any further proceedings involving the Petitioners.

October 8, 2010

SUPERIOR COURT
(Commercial Division)
The Companies' Creditors Arrangement Act

N°.: 500-11-035903-091

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

**BLUE MOUNTAIN WALLCOVERINGS GROUP INC.
AND AL**

Petitioners

-and-

RSM RICHTER INC.

Monitor

BS0350

File: 109089-1012

**PETITION FOR THE APPROVAL OF A RE-AMENDED
PLAN OF ARRANGEMENT**
(Section 7.1 of the Amended Plan of Arrangement
dated May 7, 2010),
**AFFIDAVIT, NOTICE OF PRESENTATION, LIST OF
EXHIBITS AND EXHIBITS R-1 AND R-2**

COPY

Mtre C. Jean Fontaine (514) 397-3337
Fax: (514) 397-3487

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