

[TRANSLATION]

C A N A D A

PROVINCE OF QUEBEC

SUPERIOR COURT
Bankruptcy and Insolvency

DISTRICT OF BEAUCE
COURT NO.: 350-11-000075-040
ESTATE NO.: 43-140080

IN THE MATTER OF THE PROPOSAL OF

GROUPE BOCENOR INC., a legal person incorporated under the *Canada Business Corporations Act*, having its head office and principal establishment at 274 rue Duchesnay, Sainte-Marie de Beauce, Province of Quebec G6E 3C2,

Debtor

PROPOSAL

Groupe Bocenor Inc., the above-mentioned Debtor, hereby submits the following Proposal under the *Bankruptcy and Insolvency Act*, R.S.C. (1985), c. B-3, as amended (the "Act").

1. DEFINITIONS.

The following definitions and the provisions incorporated therein, form part of the Proposal made to the creditors of all classes covered:

1.1 **Approval.** Approval by the Court pursuant to a final and enforceable judgement following acceptance of the Proposal by the statutory majorities of the creditors under the Act;

1.2 **Claim.** All present or future claims and undertakings to which the Corporation was subject on the Notice of Intention Date, because of an obligation entered into prior to such date, including any claim resulting from non-compliance with such obligation or the termination of any contract creating such obligation;

1.3 **Corporation.** Groupe Bocenor Inc., the Debtor;

1.4 **Court.** The Quebec Superior Court and, where applicable, the Quebec Court of Appeal, sitting in bankruptcy and insolvency in and for the judicial district of Beauce;

1.5 **Final Distribution.** The distribution of the sum of one million five hundred thousand dollars (\$1,500,000);

1.6 **Initial Distribution.** The distribution of the sum of three million five hundred thousand dollars (\$3,500,000);

1.7 **Interim Financing.** Additional interim line of credit authorized by CIBC Bank on June 25, 2004, as agent for a group of secured creditors, subject to the existing security charging the property of the Corporation and guaranteed in part by 3264289 Canada Inc. and by the Quebec Solidarity Fund (QFL) according to agreements entered into between them;

1.8 **Notice of Intention Date.** Date of filing of the Notice of Intention to make a proposal, namely June 10, 2004;

1.9 **Preferred Claims.** Provable claims for which the Act prescribes payment in priority to Unsecured Claims;

1.10 **Proposal.** This Proposal, as it may be amended from time to time;

1.11 **Proposal Costs.** All the fees, disbursements, liabilities and obligations of the Trustee, and all legal costs incurred by the Corporation and the Trustee in connection with the exercising of the Corporation of its rights under the Act;

1.12 **Proven Claim.** Any Claim which was the subject of a proof of claim in accordance with section 124 of the Act, filed with the Trustee and considered admissible by it;

1.12.1 Contingent and unliquidated Claims, and claims payable at a future date, shall be governed by subsections 121(2) and 121(3) of the Act;

1.12.2 all the provisions of the Act relating to the right to vote of a Claim apply to the Proposal, *mutatis mutandis*;

1.13 **Secured Claims.** Claims of a "Secured Creditor" as such terms are defined in the Act;

1.14 **Trustee.** RSM Richter Inc., as trustee to the Proposal of the Corporation;

1.15 **Unsecured Claims.** Provable unsecured claims, other than Secured Claims and Preferred Claims.

2. SECURED CLAIMS AND EMPLOYEE CLAIMS.

(a) The Secured Claims and secured claims resulting from the Interim Financing shall be paid in accordance with the contracts entered into with the secured creditors, or according to agreements to be entered into with them. The holders of Secured Claims shall not be eligible to receive a dividend in the class of Unsecured Claims relating to any balance of claim.

(b) Employee Claims shall be paid in full in the normal course of business of the Corporation.

3. PREFERRED CLAIMS.

Any Proven Claim in respect of a Preferred Claim which is not otherwise covered by the Proposal shall be paid according to the Act and according to paragraph 4.1(a) hereof. For the purpose of voting, the Preferred Claims form part of the class of Unsecured Claims.

4. CLASS OF UNSECURED CLAIMS.

4.1 **Payments to trustee.** The Corporation shall pay the Trustee a total amount of five million (\$5,000,000) for distribution to the creditors of this class, according to the following terms:

(a) The Initial Distribution shall be paid to the Trustee no later than October 31, 2004. Such amount shall be used firstly to pay the Preferred Claims, then to pay, at the option of the creditor: (i) the lesser of the Proven Claim or the first one thousand five hundred dollars (\$1,500) of the Unsecured Claims; or (ii) a *pro rata* and *pari passu* share of the balance of the Initial Distribution for the Proven claims of the other creditors in such class, without interest or penalty.

(b) The Final Distribution shall be paid to the Trustee no later than June 30, 2005 for distribution, in the manner set forth above in sub-paragraph 4.1a(ii), to the holders of Unsecured Claims who have chosen to receive the dividend contemplated by sub-paragraph 4.1a(ii) hereof.

5. GENERAL PROVISIONS.

The following provisions form part of the proposal submitted to all classes of creditors covered by the Proposal:

5.1 **Proposal Costs.** The Corporation shall pay in full the Proposal Costs in the normal course of business, in priority to the Unsecured Claims and Preferred Claims;

5.2 **Debts owed to the Crown.** All amounts which could be the subject of a claim under subsection 224(1.2) of the *Income Tax Act* or any provincial legislative provision substantially the same as the provisions of this subsection, and any other amounts owed under subsection 60(1.1) of the Act, where applicable, which were owed on the Notice of Intention Date shall be fully paid within six (6) months of the Approval of the Proposal;

5.3 **Subsequent claims and successive performance contracts.** Any claim resulting from an obligation incurred in the normal course of business of the Corporation after the Notice of Intention Date, claims for merchandise delivered after the Notice of Intention Date, and the sums payable pursuant to any successive performance contract for the period subsequent to the Notice of Intention Date shall be honoured in the normal course of business of the Corporation;

5.4 **Amendments.** The Corporation may amend the Proposal at any time before the holding of any meeting called to vote on the Proposal by written notice to the creditors holding a Proven Claim, or verbally during such meeting;

5.4.1 Any holder of a proxy to vote on this Proposal, including the Trustee, may vote in favour of the amended Proposal if the amendment does not have the effect of making the Proposal less beneficial for the creditor in question;

5.5 **Liability of directors.** The Proposal includes the settlement of any liability of the directors of the Corporation for any Claim for which they may be responsible in law in such capacity.

6. TRUSTEE

The Trustee shall act as such in the Proposal and all amounts payable under the Proposal shall be handed over to it to allow it to pay the dividends contemplated therein.

Montréal, June 25, 2004

Per: (signed) Chris Southey
Mr. Chris Southey, President, CEO
Officer duly authorized

(signed) Pierrette Baril
Witness

Should there be any difference between this text and the French version, the French version will prevail.