

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF NEXT WOOD INC.**

PROPOSAL

Next Wood Inc. (“**Next Wood**” or the “**Company**”), the above named Debtor, hereby submits the following Proposal under the *Bankruptcy and Insolvency Act (Canada)*, R.S.C. (1985), c.B-3, as amended.

TABLE OF CONTENTS

	Page
Part I – INTERPRETATION.....	- 1 -
Part II – GENERAL INTENT OF PROPOSAL.....	- 5 -
Part III – PROPOSAL FUND.....	- 6 -
Part IV – PAYMENT OF CREDITOR CLAIMS AND OTHER ITEMS	- 6 -
Part V – EFFECT OF PAYMENT	- 7 -
Part VI – EVENTS OF DEFAULT AND ANNULMENT	- 8 -
Part VII – PROPOSAL TRUSTEE.....	- 9 -
Part VIII – MEETING OF CREDITORS	- 9 -
Part IX - INSPECTORS.....	- 10 -
Part X – MISCELLANEOUS	- 10 -



PART I– INTERPRETATION

Definitions

1. In this Proposal, capitalized terms shall have the following meanings:
 - (a) “**Act**” means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. (1985), c.B-3, as it may be amended from time to time;
 - (b) “**Administrative Fees and Expenses**” means:
 - (i) The proper fees and expenses of the Proposal Trustee, including their legal fees and disbursements; and
 - (ii) The legal and consulting fees and disbursements of Next Wood and its counsel on and incidental to the making of this Proposal both before and after the Filing Date, including, but not limited to, review of the financial affairs of Next Wood, advice with respect to the Proposal process and alternatives thereto, negotiations with creditors in connection with the Proposal; drafting and preparation of the Proposal documents and incidental documents; and advice concerning the transactions and agreements contemplated hereby and the work done towards the implementation thereof, including advice on all such matters.
 - (c) “**Approval Order**” means an order of the Court approving the Proposal to be granted pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final;
 - (d) “**Assets**” means all or substantially all of the assets of Next Wood;
 - (e) “**Business Day**” means any day other than a Saturday or a Sunday or a day observed as a public holiday under the laws of the Province of Ontario or the federal laws of Canada applicable therein;
 - (f) “**Claim**” means any claim provable under the Act which is secured or unsecured and specifically includes any indebtedness, liability, action, cause of action, suit, debt, due, accrual, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of Next Wood to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date;
 - (g) “**Closing**” means the day on which the Proposed Transaction is completed;
 - (h) “**Court**” means the Ontario Superior Court of Justice;



- (i) “**Creditor(s)**” means any person or persons who holds one or more valid Claims which have not been finally and conclusively disallowed;
- (j) “**Creditors’ Meeting**” means the meeting of the Creditors called for the purpose of considering and voting upon the Proposal;
- (k) “**Creditors’ Meeting Date**” means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the filing of this Proposal with the Official Receiver;
- (l) “**Crown Claim**” means all amounts of a kind that could be subject to a demand under subsection 224(1.2) of *the Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.)(the “**ITA**”), as amended or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date;
- (m) “**Effective Date**” means the date on which the transactions and agreements provided for in this Proposal become effective, which date shall be no later than the later of the:
 - (i) Approval Order;
 - (ii) Closing; and
 - (iii) Next Wood’s payment of the Funds to the Proposal Trustee.
- (n) “**Event of Default**” has the meaning given to it in Part VI of this Proposal;
- (o) “**Filing Date**” means the date on which the Notice of Intention to Make a Proposal was filed with the Office of the Superintendent in Bankruptcy, namely April 14, 2014;
- (p) “**Funds**” means the monies paid to the Proposal Trustee as defined in PART III of this Proposal;
- (q) “**Mandatory Payment**” means a payment that Next Wood is required to make in order to comply with provisions of the Act and specifically include:
 - (i) a Crown Claim payable as of the Filing Date; and
 - (ii) amounts payable to former or current employees of Next Wood to the extent such claims are required to be paid by Subsection 60(1.3) of the Act;
- (r) “**Official Receiver**” shall have the meaning ascribed thereto in the Act;
- (s) “**Post Filing Goods and Services**” means in respect of this Proposal the goods supplied, services rendered and other consideration given to Next Wood subsequent to the Filing Date;



- (t) **“Preferred Creditor”** means any Creditor whose claim has not been finally and conclusively disallowed and who is entitled to receive payment of any amount owed to it in priority to Unsecured Creditors but after Secured Creditors, as provided in section 136 of the Act;
- (u) **“Proof of Claim”** shall mean the proof of claim required by the Act to be mailed to each known Creditor prior the meeting of the Creditors;
- (v) **“Proposal”** means this Proposal made pursuant to the Act, as further amended or supplemented from time to time;
- (w) **“Proposal Trustee”** means Richter Advisory Group Inc., in its capacity as Proposal Trustee in these proceedings;
- (x) **“Proposed Transaction”** means a transaction in connection with the sale of certain, or all, of the Assets, as it may be amended or revised from time to time;
- (y) **“Proven Claim”** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the Act;
- (z) **“Secured Creditor”** means a person:
 - (i) who is a secured creditor under the Act;
 - (ii) holding a valid mortgage, hypothec, pledge, charge, lien chattel lease or privilege on or against the property of Next Wood or any part thereof as security for a Claim; and
 - (iii) whose Claim has not been finally and conclusively disallowed;
- (aa) **“Unsecured Creditor”** means a person:
 - (i) who is an unsecured creditor under the Act;
 - (ii) with a Claim;
 - (iii) whose Claim has not been finally and conclusively disallowed;
 - (iv) whose Claim is not contingent or unliquidated and found by the Proposal Trustee or the Court (as may be applicable) not to be provable; and
 - (v) for greater certainty shall include the unsecured portion of any Claim held by a Secured Creditor.

Articles of Reference

2. The terms “hereof”, “hereunder” and similar expressions refer to the Proposal and not any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section,



subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

Headings

3. The division of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal.

Date for Action

4. In the event that any date on which any action is required to be taken hereunder is not a Business Day in the Province of Ontario, such action will be required to be taken on the next succeeding day that is a Business Day.

Accounting Principles

5. Accounting terms not otherwise defined have the meanings assigned to them in accordance with Canadian generally accepted accounting principles.

Time

6. All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

Numbers and Genders

7. In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

Currency

8. Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

Statutory References

9. Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made hereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).



Successors and Assigns

10. The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any person named or referred to in the Proposal.

PART II- GENERAL INTENT OF PROPOSAL

Effect of Proposal

11. Next Wood seeks, by this Proposal, to settle or provide for the payment of its outstanding obligations to the Creditors in order to facilitate a restructuring of its operations, through a sale of its business and/or Assets.
12. This Proposal will, as of the Effective Date be binding, according to the terms stated herein, on Next Wood and on all Creditors.

Secured Creditors

13. For so long as an Event of Default has not occurred as defined herein or, having occurred has not been rectified, all agreements or other arrangements with Secured Creditors entered into before the Filing Date shall be paid in accordance with the present agreements or other arrangements between Next Wood and the Secured Creditors.

Post Filing Goods, Services and Operations

14. All Post Filing Goods and Services shall be paid in full in the ordinary course by Next Wood and shall not be compromised or affected hereby, other than Administrative Fees and Expenses and other amounts which are specifically required to be paid out of the Funds.

Conditions Precedent

15. As provided for in the Act, the arrangements and/or transactions set out in this Proposal will not take effect unless the conditions set forth below are substantially satisfied on or before the Effective Date:
 - (a) all approval and consents to this Proposal that may be required have been obtained;
 - (b) the Approval Order has been issued and the time for bringing any appeal therefrom has expired;
 - (c) the Proposed Transaction has closed; and
 - (d) Next Wood has paid the Funds to the Proposal Trustee.

PART III – PROPOSAL FUND

The Funds

16. The Funds will be comprised of all of Next Wood's cash flow generated by the Company's operations (including, without limitation, proceeds from the sale of the Assets and the collection of accounts receivable) net of any amounts thereof used by the Company in the ordinary course of its business including, but not limited to, the payment of employee compensation, rent and applicable taxes.

Distribution of the Funds

17. After satisfaction of the Secured Creditor Claims, the Funds shall be distributed by the Proposal Trustee to the Creditors in accordance with their respective priorities under and in accordance with the Act and in the following order of priority:
- (a) Administrative Fees and Expenses;
 - (b) Mandatory Payments;
 - (c) Preferred Creditors; and
 - (d) Unsecured Creditors.
18. Payments by the Proposal Trustee under this Proposal shall be made pursuant to PART IV herein.

PART IV – PAYMENT OF CREDITOR CLAIMS AND OTHER ITEMS

Payment of Administrative Fees and Expenses

19. Administrative Fees and Expenses will be paid out of the Funds in priority to all Claims to be paid out of the Funds. The Administrative Fees and Expenses shall form a first charge on the Funds and the Assets, and shall be paid to the Proposal Trustee and through the Proposal Trustee to others entitled to such fees and expenses on the Effective Date. Fees shall be based upon time spent at standard billing rates. Disbursements and expenses will be paid in addition to the Proposal Trustee's fees as indicated above.

Payment of Mandatory Payments

20. Mandatory Payments not made prior to the Effective Date shall be paid in full out of the Funds immediately after the payment of Administrative Fees and Expenses and before any other Claims.

Payment of Crown Claims

21. Next Wood shall pay to Her Majesty in right of Canada and in right of Ontario all amounts of a kind which may have accrued to the Effective Date and which could be



subject to a demand under subsection 224(1.2) of the ITA or any substantially similar provision of Ontario legislation and Next Wood shall otherwise keep any other such payments current. For greater certainty, all such amounts which shall have accrued or come due as of the Effective Date are deemed to be Mandatory Payments.

22. Next Wood shall pay in full all Claims of her Majesty in right of Canada or a province of a kind that could be subject to a demand under subsection 224(1.2) of the ITA or under any substantially similar provision of provincial legislation and that were outstanding as of the Effective Date, and, for greater certainty, all such amounts shall be deemed to be Mandatory Payments.

Payment of Preferred Claims

23. Preferred Claims, including employee claims, without interest and after payment of Administrative Fees and Expenses, are to be paid out of the Funds in full in priority to all Claims of Unsecured Creditors.

Payment of Unsecured Claims

24. After payment by the Proposal Trustee of all amounts payable to prior ranking claims, the remainder of Funds shall be distributed to the Unsecured Creditors at such times, if any, as the Proposal Trustee shall determine in consultation with the Inspectors. All dividends to proven Unsecured Creditors shall be paid on a pro rata basis.

Proof of Claim

25. Creditors shall file only one Proof of Claim each. Only Creditors filing valid Proofs of Claim will be entitled to vote and to receive payment under this Proposal.

Allowance or Disallowance of Claims by the Proposal Trustee

26. Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the Act. The procedure for valuing Claims of Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the Act. Next Wood and/or the Proposal Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Unsecured Creditor, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Unsecured Creditor under the Proposal, as the case may be.

PART V-- EFFECT OF PAYMENT

27. By accepting this Proposal, the Creditors accept the payments provided for in this Proposal in complete satisfaction of and substitution for all their Claims and all liens, certificates of pending litigation, executions or any other similar charges or actions or proceedings in respect of such Claims and same will have no effect in law or in equity against the property, assets and undertaking of Next Wood.

28. Upon the (i) approval of the Proposal by the Creditors and the Court, (ii) the passing of the Effective Date, (iii) the closing of the Proposed Transaction, and (iv) the making of all payments provided for in the Proposal:
- (a) the Proposal will be considered to be completely performed by Next Wood;
 - (b) any and all claims of the Creditors in law or in equity against Next Wood, including its present and former property, assets, undertakings if any, liens, certificates of pending litigation, executions or other similar charges or actions, will be discharged, dismissed or vacated without costs; and
 - (c) any and all claims or actions of the Creditors against the directors of Next Wood that arose before the Filing Date and that relate to the obligations of the corporation where the directors are by law liable in their capacity as directors for payment of such obligations, will be discharged, dismissed or vacated, in accordance with Section 50 of the Act.

Certificate of Full Performance

29. Upon completion of the distribution by the Proposal Trustee of any funds provided for in the Proposal in accordance with paragraph 28 and the Act, this Proposal shall have been fully performed and the Proposal Trustee shall issue to Next Wood the certificate referred to in section 65.3 of the BIA.

Discharge of Trustee

30. Upon distribution by the Proposal Trustee of the Funds to the Creditors, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal shall be fully performed and the Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder.
31. The Proposal Trustee is acting solely in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any liabilities or obligations in connection with the Proposal or in respect of the business or obligations of Next Wood and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute wilful misconduct or gross negligence.

PART VI-- EVENTS OF DEFAULT AND ANNULMENT

Events of Default

32. Non-payment of the amounts required to be paid under this Proposal or the Act shall constitute an Event of Default for the purposes of Section 63 of the Act and otherwise under this Proposal.



Annulment

33. If this Proposal is annulled by an order of the Court, all security documents, agreements and other arrangements with Secured Creditors that existed before approval of this Proposal, will be deemed to continue in full force and effect, as if this Proposal had been rejected at the Creditors' Meeting; provided, however, that all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

PART VII – PROPOSAL TRUSTEE

34. Richter Advisory Group Inc. shall be the Proposal Trustee under this Proposal and the Funds shall be paid over to the Proposal Trustee who shall make the payment of all amounts payable out of the Funds in accordance with the terms of this Proposal.
35. The Proposal Trustee shall have all the rights and powers accorded under the Act, as they may be applicable, including, but not limited to, the power to disallow Claims.
36. Richter Advisory Group Inc. is acting solely in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of Richter Advisory Group Inc. shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of Next Wood.
37. Any payments made by the Proposal Trustee to Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the Act.

PART VIII – MEETING OF CREDITORS

Creditors' Meeting


38. On the Creditors' Meeting Date, Next Wood shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon this Proposal.

Time and Place of Creditors' Meeting

39. Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Proposal Trustee, and confirmed in its notice of meeting to be mailed pursuant to the Act.

Conduct of Creditors' Meeting

40. The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of Next Wood, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly



appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Creditors.

Adjournment of Meetings

41. The Creditors' Meeting may be adjourned in accordance with Section 52 of the Act.

Voting by Creditors

42. To the extent provided herein, each Creditor will be entitled to vote to the extent of the amount that is equal to the Creditor's Claim.

Approval of Creditors

43. In order for the Proposal to be binding on all of the Creditors of Next Wood in accordance with the BIA, it must be accepted by a majority in number, representing two-thirds in value of the Creditors who actually vote on the Proposal (in person, by proxy or by voting letter).

PART IX - INSPECTORS

44. At the Creditors' Meeting held to consider this Proposal, the Unsecured Creditors will be entitled to appoint one or more, but not exceeding five (5) inspectors in total. The inspectors will have the following powers, but shall have no personal liability to Next Wood or to other Creditors:
- (a) the power to extend the dates of payments provided under this Proposal;
 - (b) the power to waive any default in the performance of any provision of this Proposal;
 - (c) advising the Proposal Trustee in respect of such matters as the Proposal Trustee may refer to the Inspectors, if any; and
 - (d) advising the Proposal Trustee concerning any dispute that may arise as to the validity of Claims of Creditors under this Proposal including the settlement of same.

PART X - MISCELLANEOUS

Modifications of Proposal

45. Next Wood, with the consent of the Proposal Trustee, may propose an alteration or modification to the Proposal prior to the conclusion of the Creditors' Meeting called to consider the Proposal.



Non Severability

46. It is intended that all provisions of this Proposal shall be fully binding on and effective between all persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect.

Applicable Law

47. This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

Binding Effect

48. The provisions of this Proposal will be binding on the Creditors of Next Wood, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Approval Order.

[Signature page follows]

A handwritten signature in black ink, consisting of a stylized, cursive script, located in the bottom right corner of the page.

Dated at Vaughan this 14th day of May, 2014.

NEXT WOOD INC.

Per:

Name: Daryl Logan

Title: President

A handwritten signature in cursive script, appearing to read "Daryl Logan", is written over a horizontal line. The signature is fluid and somewhat stylized.