

CANADA

SUPERIOR COURT

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
DIVISION NO.: 01 - Montréal
COURT NO. 500-11-036176-093
ESTATE NO.: 41-1194742

(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF THERMA BLADE INC., a corporation,
duly incorporated according to law and having its principal place of business at 900,
boulevard Rene-Levesque East, Suite 600, Québec, G1R 2B5

DEBTOR

PROPOSAL

We, **THERMA BLADE INC.**, hereby submit the following proposal under the
Bankruptcy and Insolvency Act:

1. For purposes hereof:

"\$4 DEBENTURE HOLDERS" means ORDINARY CREDITORS having \$4
DEBENTURE HOLDER CLAIMS and **"\$4 DEBENTURE HOLDER"** means any of
them;

"\$40 DEBENTURE HOLDERS" means ORDINARY CREDITORS having \$40
DEBENTURE HOLDER CLAIMS and **"\$40 DEBENTURE HOLDER"** means any
of them;

"\$4 DEBENTURE HOLDER CLAIMS" means all ORDINARY CLAIMS resulting
from the issuance by the CORPORATION of a convertible debenture with a right
of conversion at \$4 per share;

"\$40 DEBENTURE HOLDER CLAIMS" means all ORDINARY CLAIMS resulting
from the issuance by the CORPORATION of a convertible debenture with a right
of conversion at \$40 per share;

"ACT" means the *Bankruptcy and Insolvency Act*;

"COMMITTEE" means the committee comprising up to three (3) individuals to be
named by the creditors at the PROPOSAL MEETING;



“CONVERTIBLE PROMISSORY NOTE” means a 5-year unsecured promissory note payable by the OFFEROR, bearing a simple annual interest rate of 5%, with a right of conversion into SHARES OF THE OFFEROR at \$12.50 per share, rounded down to the nearest whole number of shares, that can be exercised at any time on or before October 31, 2009;

“CORPORATION” means Therma Blade Inc.;

“COURT” means the Superior Court of Québec, Judicial District of Montréal (Commercial Division);

“CROWN CLAIMS” has the meaning set forth in Section 3.1 hereof;

“EMPLOYEE CLAIMS” has the meaning set forth in Section 3.2 hereof;

“NET AMOUNT DERIVED FROM THE TRANSACTION” means the amount generated by the cash portion of the TRANSACTION, after deduction of all amounts which shall be disbursed to carry out the TRANSACTION;

“NET PROCEEDS” means the balance of the NET AMOUNT DERIVED FROM THE TRANSACTION and the realization of the OTHER ASSETS, after payment of all (i) PROPOSAL EXPENSES, (ii) POST-FILING OBLIGATIONS, (iii) applicable SECURED CLAIMS, (iv) PREFERRED CLAIMS and any other amount to be paid in priority to ORDINARY CREDITORS;

“NOTICE OF INTENTION” means the Notice of Intention to make a proposal under the ACT filed on April 21, 2009;

“OFFEROR” means the company that will acquire substantially all the assets of Therma Blade Inc. as a result of the TRANSACTION;

“ORDINARY CLAIMS” means claims of the ORDINARY CREDITORS including claims of any nature whatsoever, whether owing or not as at the date of filing of the NOTICE OF INTENTION of the CORPORATION, including contingent or unliquidated claims arising out of any transaction entered into by the CORPORATION prior to the date of filing of the NOTICE OF INTENTION and, as the case may be, any damage and any other amount that a creditor or an employee of the CORPORATION would be able to claim pursuant to the carrying out of the TRANSACTION;

“ORDINARY CREDITORS” means a person having ORDINARY CLAIMS against the CORPORATION, provable as a claim under the ACT and **“ORDINARY CREDITOR”** means any of them. For greater certainty, ORDINARY CREDITORS includes, without limitation, all TRADE CREDITORS, \$4 DEBENTURE HOLDERS and \$40 DEBENTURE HOLDERS;

“OTHER ASSETS” means the assets of the CORPORATION that are excluded from the TRANSACTION;

"POST-FILING OBLIGATIONS" means any and all obligations incurred by the CORPORATION in the course of its activities, accrued and unpaid from the date of filing of the NOTICE OF INTENTION, or those which the CORPORATION anticipates having to incur thereafter until the PROPOSAL has been satisfied, excluding any damage and any other amount that a creditor or an employee of the CORPORATION would be able to claim pursuant to the carrying out of the TRANSACTION;

"PREFERRED CLAIMS" means all claims directed by the ACT to be paid in priority to all other claims in the distribution of the property of an insolvent debtor;

"PROPOSAL" means this Proposal;

"PROPOSAL APPROVAL" means collectively the approval of the PROPOSAL by the creditors of the CORPORATION and its approval by the COURT pursuant to a judgment which has become executory as a result of all and any delay for appeal having expired;

"PROPOSAL EXPENSES" means all fees, expenses, liabilities and obligations of the TRUSTEE, and all legal fees of the TRUSTEE or CORPORATION's counsel and accounting fees on and incidental to the proceedings arising out of the NOTICE OF INTENTION and of the PROPOSAL or the TRANSACTION;

"PROPOSAL MEETING" means the meeting of the creditors of the CORPORATION called for the purpose of considering the PROPOSAL;

"SECURED CLAIMS" means claims of secured creditors within the meaning of the ACT;

"SECURITIES" has the meaning set forth in Section 11.1 hereof;

"SHARE(S) OF THE OFFEROR" means the OFFEROR's single class of common voting share(s), the number of which, as of the time of issuance to the \$4 DEBENTURE HOLDERS and \$40 DEBENTURE HOLDERS pursuant to the PROPOSAL, will not be greater than 1,217,320;

"TRANSACTION" means the transaction pursuant to which the OFFEROR will purchase substantially all of the assets of the CORPORATION in exchange for cash, SHARES OF THE OFFEROR and CONVERTIBLE PROMISSORY NOTES;

"TRADE CREDITORS" means ORDINARY CREDITORS having TRADE CREDITOR CLAIMS and **"TRADE CREDITOR"** means any of them;

"TRADE CREDITOR CLAIMS" means all ORDINARY CLAIMS other than CROWN CLAIMS, EMPLOYEE CLAIMS, PREFERRED CLAIMS, \$4 DEBENTURE HOLDERS CLAIMS and \$40 DEBENTURE HOLDERS CLAIMS;

"TRUSTEE" means RSM Richter Inc.;

2. The SECURED CLAIMS shall be paid in accordance with arrangements existing between the CORPORATION and the holders of SECURED CLAIMS or as may be arranged between the CORPORATION and the holders of SECURED CLAIMS. For greater certainty, the CORPORATION agrees that nothing herein contained will in any way affect the rights of the holders of the SECURED CLAIMS.
3. Amounts:
 - 3.1. owing to Her Majesty in right of Canada or a Province that could be subject to a demand under Section 224 (1.2) of the *Income Tax Act*, or under any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224 (1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts, or under any substantially similar provision of provincial legislation (hereafter "**CROWN CLAIMS**"), outstanding at the time of the filing of the NOTICE OF INTENTION, will be paid, without interest, in full within six (6) months after PROPOSAL APPROVAL;
 - 3.2. owing to employees and former employees, that they would have been entitled to receive under Section 136(1)(d) of the ACT if the employer became bankrupt on the date of PROPOSAL APPROVAL (hereafter "**EMPLOYEE CLAIMS**"), will be paid in full immediately after PROPOSAL APPROVAL.
4. The PROPOSAL EXPENSES will be paid in priority to all PREFERRED CLAIMS and ORDINARY CLAIMS.
5. The PREFERRED CLAIMS, without interest, will be paid in full in priority to ORDINARY CLAIMS, within sixty (60) days of PROPOSAL APPROVAL.
6. POST-FILING OBLIGATIONS will be paid in full in the ordinary course of business.

7. ORDINARY CLAIMS

- 7.1. The following shall be paid to the TRADE CREDITORS without any interest or penalty thereon whatsoever, in full and final settlement, release and discharge of all TRADE CREDITOR CLAIMS:
 - 7.1.1. the NET PROCEEDS, payable after the completion of the TRANSACTION and the completion of the realization of the OTHER ASSETS, subsequent to the determination of the amount of the total TRADE CREDITOR CLAIMS. Interim dividends may be paid from time to time. The amount and timing of interim dividends, if any, and the reserves to be retained, shall be determined by the TRUSTEE, in consultation with the COMMITTEE; and

7.1.2. CONVERTIBLE PROMISSORY NOTES in a total amount of \$2,476,197.

7.2. The NET PROCEEDS and CONVERTIBLE PROMISSORY NOTES referred to in **Sections 7.1.1** and **7.1.2** shall be distributed by the TRUSTEE to the TRADE CREDITORS, according to the amount of their respective TRADE CREDITOR CLAIMS accepted by the TRUSTEE, on a *pro rata* basis.

7.3. Each of the \$4 DEBENTURE HOLDERS will receive, in full and final settlement of its \$4 DEBENTURE HOLDER CLAIM, without interest or penalty:

7.3.1. one SHARE OF THE OFFEROR per 4\$ of principal outstanding; and

7.3.2. one SHARE OF THE OFFEROR per 25\$ of interest owing (as of the date of the NOTICE OF INTENTION) on the convertible debenture(s), rounded down to the nearest whole number of shares.

7.4. Each of the \$40 DEBENTURE HOLDERS will receive, in full and final settlement of its \$40 DEBENTURE HOLDER CLAIM, without interest or penalty:

7.4.1. one SHARE OF THE OFFEROR per 25\$ of principal outstanding; and

7.4.2. one SHARE OF THE OFFEROR per 25\$ of interest owing (as of the date of the NOTICE OF INTENTION) on the convertible debenture(s), rounded down to the nearest whole number of shares.

8. The CORPORATION agrees to the formation of a committee of up to three (3) individuals to be named by the creditors at the PROPOSAL MEETING. The COMMITTEE will have the power to:

8.1. advise the TRUSTEE on matters relating to the administration of the PROPOSAL;

8.2. waive any default in the performance of any provision in the PROPOSAL;

8.3. confirm that the CORPORATION has complied with the terms and conditions of the PROPOSAL; and

8.4. postpone the payment of any dividends to ORDINARY CREDITORS herein provided.

9. The PROPOSAL herein made will constitute a compromise of claims against the present and past directors of the CORPORATION that arose before the filing of the NOTICE OF INTENTION and that relate to the obligations of the CORPORATION where the directors are by law liable in their capacity as

directors. PROPOSAL APPROVAL will operate a discharge in favour of such present and past directors with respect to such obligations.

10. RSM Richter Inc., Licensed Trustee, will be the TRUSTEE under the PROPOSAL and all monies payable under the PROPOSAL will be paid over to the TRUSTEE and all CONVERTIBLE PROMISSORY NOTES and SHARES OF THE OFFEROR issued to ORDINARY CREDITORS pursuant to the Proposal will be remitted to the Trustee, for distribution in accordance with the terms of the PROPOSAL.

11. REGULATORY PROVISIONS

11.1. The issuance of the CONVERTIBLE PROMISSORY NOTES and SHARES OF THE OFFEROR (collectively, the "**SECURITIES**") and their distribution by the TRUSTEE further to the PROPOSAL are made pursuant to a Prospectus and Registration Exemption available under Canadian Securities Law.

11.2. Subsequent transfer of the SECURITIES is subject to certain restrictions under Canadian Securities Law.

11.3. The ORDINARY CREDITORS are urged to consult with their legal counsel before making any such transfer.

DATED AT MONTREAL, QUEBEC, THIS 2nd DAY OF July, 2009.

THERMA BLADE INC.



Witness

Per: 

JAKE CHADWICK
Duly Authorized