

CANADA

SUPERIOR COURT
(Commercial Division)
In bankruptcy and insolvency

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
N°.: ●

IN THE MATTER OF THE PROPOSAL
OF :

TRUE NORTH HARDWOOD
PLYWOOD INC., 2 Place Alexis Nihon,
bureau 2000, Montreal, Quebec, H3Z 3C2

Debtor

and

RSM RICHTER INC.

Trustee

PROPOSAL

TRUE NORTH HARDWOOD PLYWOOD INC. HEREBY SUBMITS THE
FOLLOWING PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT*:

I. DEFINITIONS:

For purposes hereof:

"APPROVAL" means the situation arising from the PROPOSAL having been duly accepted by the creditors and having been approved by the COURT in a judgment that has become executory as a result of the deadline for appeal having expired without there having been an appeal, or an appeal having been lodged and the judgment approving the PROPOSAL having been finally confirmed or the appeal withdrawn.

"BASKET AMOUNT" means the sum of a) the DEBTOR's cash on hand and b) the amount of \$250,000 paid by 2277315 Ontario Inc. in accordance with the Purchase Agreement dated April 1, 2011 entered into with the shareholders of the DEBTOR.

"BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

"CLAIM" means any right of any person against the DEBTOR in connection with any indebtedness, liability or obligation of any kind of the DEBTORS owed



to such DEBTOR 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 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 FILING DATE.

"CLAIMS AGAINST DIRECTORS" means all claims referred to in section 50(13) of the BIA.

"COURT" means the Superior Court of Quebec, district of Montreal, sitting in bankruptcy and insolvency matters and, where applicable, the Québec Court of Appeal.

"CROWN CLAIMS" means all amounts referred to in section 60(1.1) of the BIA that were outstanding at the time of the FILING DATE and remain outstanding.

"DEBTOR" means True North Hardwood Plywood Inc.

"EMPLOYEE CLAIMS" means amounts that employees would be qualified to receive under section 60(1.3)(a) of the BIA.

"FILING DATE" means May 17, 2011, the date on which the DEBTOR filed the PROPOSAL.

"POST-FILING GOODS AND SERVICES" means all accrued expenses and debts arising in respect of goods supplied, guarantees issued, services rendered or other consideration given to the DEBTOR as and from the FILING DATE.

"PREFERRED CLAIMS" means all CLAIMS directed by section 136 of the BIA to be paid in priority to all other claims in the distribution of the property of an insolvent party, but excluding the EMPLOYEE CLAIMS.

"PROPOSAL" means the present PROPOSAL, as same may be amended from time to time prior to the vote of the creditors.

"PROPOSAL EXPENSES" means all proper fees, expenses, liabilities and obligations of the DEBTOR and the TRUSTEE, related or incidental to the PROPOSAL, including, without limitation, all legal fees and accounting fees and the fees and expenses of the legal representatives of the DEBTOR and of the TRUSTEE in connection therewith.

"PROVEN CLAIM" means any CLAIM for which a proof of claim is filed with the Trustee in accordance with section 124 of the BIA and that is proven in accordance with section 135 of the BIA.

"SECURED CLAIMS" means CLAIMS of SECURED CREDITORS.

"SECURED CREDITORS" has the meaning ascribed to such terms under section 2 of the BIA.

"TRUSTEE" means RSM Richter Inc. in its capacity of Trustee to the PROPOSAL.

"UNSECURED CLAIMS" means all CLAIMS against the DEBTOR to the exclusion of CROWN CLAIMS, EMPLOYEE CLAIMS, PREFERRED CLAIMS, SECURED CLAIMS and, for more certainty, the PROPOSAL EXPENSES.

"UNSECURED CREDITORS" means the holders of UNSECURED CLAIMS.

II. SECURED CLAIMS

1. The SECURED CLAIMS, if any, will be paid in accordance with existing or future agreements between the DEBTOR and the SECURED CREDITORS or pursuant to the rights which the BIA grants to such creditors. The DEBTOR declares that this PROPOSAL is not, and shall not be, made in respect of the SECURED CLAIMS and the security of the SECURED CREDITORS.

III. CROWN CLAIMS, EMPLOYEE CLAIMS, PREFERRED CLAIMS AND PROPOSAL EXPENSES

2. The EMPLOYEE CLAIMS, if any, shall be paid in full in the normal course of business.
3. The PROPOSAL EXPENSES will be paid in full, as they become due, in priority to all PREFERRED CLAIMS, CROWN CLAIMS and UNSECURED CLAIMS.
4. The CROWN CLAIMS, if any, will be paid in full within six (6) months of the APPROVAL, without interest.
5. The PREFERRED CLAIMS, if any, will be paid in full in priority to all UNSECURED CLAIMS, without interest.

IV. UNSECURED CLAIMS

6. All UNSECURED CLAIMS shall form part of a single class of UNSECURED CLAIMS for voting and distribution purposes. For the purpose of voting, the PREFERRED CLAIMS shall fall within the class of UNSECURED CLAIMS.
7. In complete satisfaction and discharge of all UNSECURED CLAIMS, the UNSECURED CREDITORS shall receive a pro rata share of the BASKET AMOUNT as available to the TRUSTEE on any distribution date, after payment of the PROPOSAL EXPENSES, the SECURED CLAIMS, the EMPLOYEE CLAIMS, the PREFERRED CLAIMS and the CROWN CLAIMS, if any. The first distribution will be made within fifteen (15) days from the APPROVAL and the second distribution will be made no later than three months from the



APPROVAL. A further distribution could be made at any time, if and when the TRUSTEE finds it advisable.

V. POST-FILING GOODS AND SERVICES

8. POST-FILING GOODS AND SERVICES will be paid in full in the ordinary course of business and on regular trade terms.

VI. DIRECTORS' LIABILITY

9. In accordance with section 50(13) of the BIA, the PROPOSAL will constitute a compromise of all CLAIMS AGAINST DIRECTORS and will operate as a full and complete discharge in favour of all past and present directors of the DEBTOR with respect to such claims. Nothing herein shall be interpreted as an acknowledgment of any liability or obligation of the directors.

VII. APPLICATION OF SECTIONS 95 TO 101 OF THE BIA

10. Sections 38 and 95 to 101 of the BIA and articles 1631 to 1636 of the *Civil Code of Québec* shall not apply to the PROPOSAL.

VIII. COMMITTEE

11. The DEBTOR agrees to the formation of a committee of creditors at the meeting of creditors called to consider the PROPOSAL.

12. This committee shall have, among others, the power to extend the deadline for the payment of dividends.

IX. PAYMENTS

13. All monies payable under the PROPOSAL shall be paid over to the TRUSTEE who shall pay the dividends, the whole in accordance with the terms of the PROPOSAL.

SIGNED IN MISSISSAUGA, this 17th day of May 2011

TRUE NORTH HARDWOOD Witness
PLYWOOD INC.



Per: Éric Bisson
Duly Authorized


Signature

Eric Bisson
Name