

THE QUEEN'S BENCH
Winnipeg Centre

IN THE MATTER OF THE: *Companies' Creditors Arrangement Act. R.S.C.*
1985, c. C-36, as Amended

AND IN THE MATTER OF: A Proposed Plan of Compromise or
Arrangement of McDiarmid Lumber Ltd.,
Superior Truss Co. Ltd. and WW Doors Inc.
(the "Applicants")

APPLICATION UNDER: *The Companies' Creditors Arrangement Act.*
R.S.C. 1985 c. C-36, as Amended

AFFIDAVIT OF JAMES MATTHEWS
AFFIRMED THE 21st DAY OF MAY, 2013
Hearing Date: Thursday, May 23, 2013, at 10:00 AM

TAPPER CUDDY LLP
Barristers and Solicitors
1000 – 330 St. Mary Avenue
Winnipeg, Manitoba
R3C 3Z5
Richard W. Schwartz /
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File No. 130485

Winnipeg Centre

Companies' Creditors Arrangement Act. R.S.C.
1985, c. C-36, as Amended

A Proposed Plan of Compromise or Arrangement of McDiarmid Lumber Ltd., Superior Truss Co. Ltd. and WW Doors Inc. (the “Applicants”)

*The Companies' Creditors Arrangement Act.
R.S.C. 1985 c. C-36 Amended*

AFFIDAVIT OF JAMES MATTHEWS

I, James Matthews, of the City of Winnipeg, in the Province of
Manitoba, Businessman, HEREBY AFFIRM AND SAY THAT:

1. I am a director, the president of Superior Builders Limited ("Superior"), and since February 15, 2013, have been a director of McDiarmid Lumber Ltd. ("McDiarmid"), and Thomas Matthews is my father. As such, I have personal knowledge of the matters hereinafter deposed to save where same are stated to be based on information and belief, in which case I verily believe same to be true.

2. This affidavit is affirmed in support of an application by the Applicants for relief under the *Companies' Creditors Arrangement Act* ("CCAA").

3. Richard Hutchings will affirm an affidavit providing an overview of, and background to, the reasons for which the Applicants are seeking relief under the CCAA. I will in this affidavit set out the problems between my father ("Tom") and my brother-in-law Vincent Ryz ("Vince") which preceded the application.

4. Tom acquired a controlling interest in McDiarmid in 1966. At the time, McDiarmid had a relatively small business which operated out of one lumber yard and employed approximately 20 people.

5. Vince (who is married to my sister Diane) was hired in or about 1976, and over time worked his way up such that by 1988 Tom promoted him to the position of general manager.

6. Vince was made a minority shareholder in 1989, and by December 15, 2003, the shareholders consisted of the following (with 4834772 Manitoba Ltd. ("483") being Tom's holding company):

| SHAREHOLDER | NO. AND CLASS OF SHARES |
|-------------|---------------------------------------|
| 483 | 50 voting common |
| 483 | 100 Class "B" voting preference |
| 483 | 1,000,000 Class "D" voting preference |

| | |
|--------------------------|---------------------------------------|
| The Ryz Family Trust | 50 voting common |
| Ryz Family Holdings Inc. | 1,000,000 Class "D" voting preference |

7. As I understand it, 483's shares constituted a controlling interest until September of 2008, when Tom (at Vince' request, Tom has advised) agreed to have 483 sell its shares to Ryz Family Holdings for \$5 million (the "Purchased Shares").

8. Interest was to accrue on the share purchase price until it was paid in full, and the share purchase agreement stipulated that the purchase price was to be fully paid on or before April 1, 2009.

9. Payment of the purchase price was secured by way of a promissory note (the "Share Purchase Note") and a share pledge agreement (the "Pledge Agreement") granted by Ryz Holdings in favour of 483. 483 also retained possession of the Purchased Shares after closing and registered a financing statement in the Personal Property Registry of Manitoba so as to better perfect its security interest in the Purchased Shares.

10. Tom has advised me that 483 was never paid anything on account of the purchase price, although it did receive some interest payments.

11. Given Vince's failure to make principal payments, the fact that Tom at Vince's request advanced a total of \$10 million since selling 483's shares and provided additional guarantees to support McDiarmid, and Tom's concerns generally about McDiarmid's' financial difficulties, Tom

caused 483 to exercise its rights pursuant to the Pledge Agreement. In particular, on October 22, 2012, Tom wrote to Vince to advise that 483 was asserting its exclusive right, power and authority pursuant to the Pledge Agreement to exercise all rights and powers and to perform all acts of ownership in respect of the Purchased Shares. The letter (a copy of which is attached as Exhibit "A") also indicates that Tom thought it important to convene a special shareholders meeting as soon as possible.

12. There were some issues in setting a meeting, but by way of a Consent Order made on October 31, 2012, in QB File No. CI12-01-80439, the shareholders meeting was scheduled for November 2, 2012.

13. Tom, our then lawyer Tim Taylor, and I attended the meeting on behalf of 483, at which point we were advised by James Ferguson of Aikins LLP that Vince had the day before (as the then sole director of McDiarmid) purported to authorize the issuance of 101 new Class "B" voting preference shares to Ryz Holdings, and that Vince thereby retained control over McDiarmid notwithstanding the fact that Tom had exercised 483's rights under the Pledge Agreement.

14. Tom and I immediately took the position that those new shares were improperly issued, and then initiated proceedings in QB File No. CI12-01-80614 to seek a declaration to that effect. While those proceedings remain a live issue, they were adjourned (*sine die*, according to my lawyer) following Vince's resignation from McDiarmid on January 31, 2013.

15. Immediately prior to his resignation, Vince caused McDiarmid to redeem the 101 Class B shares, thereby relinquishing control of McDiarmid to Tom.

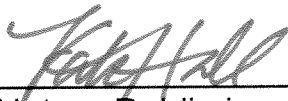
16. While Tom had long ceased being a director of McDiarmid, the Company's Minute Book indicated that he remained its Chairman. Given that he now also effectively held a majority of McDiarmid's shares, Tom stepped in and took control of McDiarmid on February 1, 2013, by, *inter alia*:

- a) advising Canadian Imperial Bank of Commerce ("CIBC"), McDiarmid's bank, that he was prepared to fund a rescue plan in order to maintain McDiarmid's operations, thereby preserving the jobs of McDiarmid's employees;
- b) arranging for PricewaterhouseCoopers Inc. ("PwC") to immediately attend at McDiarmid's head office to provide direction and assurance to the McDiarmid's management and staff;
- c) arranging for Richard Hutchings (through his company) to provide the services of a Chief Restructuring Officer;
- d) entering into formal agreements to effect the rescue plan;
- e) providing (through Superior) the necessary funding to maintain McDiarmid's operations;
- f) authorizing PwC to begin the Sales Process outlined in Richard Hutchings' affidavit; and
- g) generally doing whatever was necessary to maintain the jobs of as many employees as possible and otherwise preserving as much value in McDiarmid as possible.

17. On February 15, 2013, Tom and Vince executed a Shareholders' Resolution which formally confirmed the transition of control from Vince to Tom, and by which Tom and I were elected as directors of McDiarmid. A copy of same is attached as Exhibit "B".

18. I make this affidavit *bona fide*.

Affirmed before me at the City
of Winnipeg, this 21 day of
May, 2013.



A Notary Public in and for the
Province of Manitoba



James Matthews

Tab A

October 22, 2012

Ryz Family Holdings Ltd.
c/o 600 Pembina Highway
Winnipeg, MB R3M 2M5

Attention: Vince Ryz

Dear Vince,

Re: McDiarmid Lumber Ltd.

This is Exhibit A referred to
in the Affidavit of James Matthews
affirmed before me at Wpg, MB
this 21 day of May A.D. 20 13
Tate Hall

Pursuant to the Share Purchase Agreement we entered into in 2008, I am holding two promissory notes from Ryz Family Holdings Ltd. and McDiarmid Lumber Ltd., in the aggregate amount of \$23,823,230. The entire principal amount of both notes is outstanding as of today's date, and has been for some time.

Since we entered into our Share Purchase Agreement, Superior Builders Limited has made further advances to McDiarmid Lumber to assist it in maintaining operations and keeping the bank happy. As of today's date, the outstanding balance of those further cash advances is \$10,000,000. Together, Superior Builders Limited and I are now your largest creditor.

Unfortunately, McDiarmid Lumber has lost a lot of money. The latest forecasts indicate that McDiarmid Lumber will likely require continued and additional financial support in the coming months. In the circumstances, I need to have a clearer understanding of why the business is suffering, and whether it makes sense for me to inject even more cash in the coming months. Superior Builders Limited is therefore engaging PricewaterhouseCoopers Inc. to conduct a thorough business review of McDiarmid Lumber's current financial circumstances, operations, management and organization, as well as an assessment of the security value of its assets.

In all of the circumstances I have reluctantly concluded that I must exercise my rights pursuant to the Share Pledge Agreement made in writing as of September 22nd 2008 between Ryz Family Holdings Ltd, as "Pledgor", and 4834772 Manitoba Ltd., as "Pledgee". Effective immediately – and until further notice – I am asserting the exclusive right, power and authority pursuant to the Pledge to exercise all rights and powers and to perform all acts of ownership in respect of 50 Common Shares, 100 Class B Shares and 1,000,000 Class D Preference Shares of McDiarmid Lumber Ltd. In doing so, I am assuming control of McDiarmid Lumber Ltd.

In my view it is imperative that we convene a special shareholders meeting at the earliest possible opportunity. I am therefore attaching:

1. Notice of Default;
2. Requisition for Special Shareholders Meeting;
3. Notice of Special Shareholders Meeting;
4. Proxy;
5. Waiver of Notice by 4834772 Manitoba Ltd.; and
6. Waiver of Notice by Ryz Family Holdings Ltd.

The enclosed Requisition and Notice of Special Shareholders Meeting specifies a meeting at the offices of Pullan Kammerloch Frohlinger on November 15th 2012. In fact, though, I would like you to agree to waive the longer period of notice, so that we might convene a meeting this week.

In the meantime, I should confirm my expectation that the present board and management of McDiarmid Lumber will continue carrying on the business in the normal course and, in particular (but without limitation), refrain from taking any action out of the ordinary course. The effectiveness of the business review, and the fortunes of McDiarmid Lumber itself, depend on that.

Vince, I regret that matters have come to this point, but my decision to embark on this course of conduct is necessarily final. I trust I will be able to count on your continued cooperation.

Yours truly,

4834772 MANITOBA LTD.

Per: 

THOMAS K. MATTHEWS

Enclosures

cc: Pullan Kammerloch Frohlinger, Lawyers Attention: Timothy N. Taylor
PricewaterhouseCoopers Inc. Attention: Jeff Johnson

NOTICE OF DEFAULT

To: **RYZ FAMILY HOLDINGS LTD.**

The principal amount of your Share Purchase Promissory Note dated September 22nd 2008 (the "**Share Purchase Note**") was due in full as of April 1st 2009, subject to a grace period of 12 months thereafter. In fact, none of the principal amount has been paid and the entire principal amount is past due and owing. As a result, you were in default of your obligations under the Share Purchase Note as of April 1st 2010 and have continued to be in default ever since.

Therefore, effective immediately and until further notice, we are enforcing our security represented by the Share Pledge Agreement made in writing dated as of September 22nd 2008 (the "**Pledge**") between Ryz Family Holdings Ltd, as "Pledgor", and 4834772 Manitoba Ltd., as "Pledgee".

Without limitation, we are asserting our exclusive right, power and authority pursuant to the Pledge to exercise all rights and powers and to perform all acts of ownership in respect of 50 Common Shares, 100 Class B Shares and 1,000,000 Class D Preference Shares of McDiarmid Lumber Ltd. (the "**Pledged Security**").

On that basis we are concurrently serving you with the following:

- requisition for a special meeting of shareholders of McDiarmid Lumber Ltd. to be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m.;
- notice of such special meeting, including an agenda for the business to be conducted there;
- a proxy for the special meeting of shareholders of McDiarmid Lumber Ltd.; and
- waiver of notice,

all of which are attached to this Notice.

DATED at Winnipeg, Manitoba, this 22nd day of October 2012.

4834772 MANITOBA LTD.

Per: 

President

REQUISITION OF SPECIAL MEETING

To: THE BOARD OF DIRECTORS OF McDIARMID LUMBER LTD.

And to: WHOM IT MAY CONCERN

4834772 MANITOBA LTD. HEREBY SERVES NOTICE that it has exercised its rights and powers in respect of 50 Common Shares, 100 Class B Shares and 1,000,000 Class D Preference Shares of the Corporation pursuant to a Share Pledge Agreement made in writing dated as of September 22nd 2008 between Ryz Family Holdings Ltd, as "Pledgor", and 4834772 Manitoba Ltd., as "Pledgee".

Therefore **4834772 MANITOBA LTD.** HEREBY REQUISITIONS a Special Meeting of the holders of the Common Shares, Class B Shares and Class D Preference Shares of **McDIARMID LUMBER LTD.** (the "*Corporation*"), to be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m., for the purpose of:

1. considering and, if thought fit, passing an ordinary resolution consenting to the engagement of PricewaterhouseCoopers Inc. by Superior Builders Limited to conduct a business review of the Corporation's current financial circumstances, operations, management and organization, as well as an assessment of the security value of assets;
2. reviewing and, if thought fit, passing an ordinary resolution to affirm or change the current constitution of the board of directors; and
3. transacting such further and other business as may properly come before the meeting or any adjournment thereof.

Notice is hereby given that, if the directors of the Corporation do not, within 21 days after receiving this Requisition, call a meeting, then 4834772 Manitoba Ltd. shall call the meeting at the same place, date and time.

DATED this 22nd day of October 2012.

4834772 MANITOBA LTD.

Per:


President

NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the holders of the Common Shares, Class B Shares and Class D Preference Shares of McDIARMID LUMBER LTD. (the "**Corporation**") has been requisitioned by **4834772 Manitoba Ltd.** pursuant to the provisions of *The Corporations Act*, C.C.S.M. c. C225. Such meeting will be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m., for the purpose of:

1. considering and, if thought fit, passing an ordinary resolution consenting to the engagement of PricewaterhouseCoopers Inc. by Superior Builders Limited to conduct a business review of the Corporation's current financial circumstances, operations, management and organization, as well as an assessment of the security value of assets;
2. reviewing and, if thought fit, passing an ordinary resolution to affirm or change the current constitution of the board of directors; and
3. transacting such further and other business as may properly come before the meeting or any adjournment thereof.

This Notice is accompanied by a form of Proxy.

DATED this 22nd day of October 2012.

4834772 MANITOBA LTD.

Per: 

President

PROXY

To: **McDIARMID LUMBER LTD.** (the "*Corporation*")

The undersigned shareholder of the Corporation hereby appoints:

as proxy of the undersigned to attend at the special meeting of shareholders of the Corporation to be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m., and at any adjournment thereof in the same manner, and to vote on all matters at the discretion of the proxyholder, in the same manner and to the same extent as the if the undersigned were present.

DATED this 22nd day of October 2012.

RYZ FAMILY HOLDINGS LTD.

Per: _____

President

WAIVER OF NOTICE

To: **THE BOARD OF DIRECTORS OF McDIARMID LUMBER LTD.**

And to: **4834772 MANITOBA LTD.**

And to: **WHOM IT MAY CONCERN**

The undersigned shareholder of McDiarmid Lumber Ltd. hereby waives notice of a special meeting of shareholders of the Corporation to be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m., for the purpose of:

1. considering and, if thought fit, passing an ordinary resolution consenting to the engagement of PricewaterhouseCoopers Inc. by Superior Builders Limited to conduct a business review of the Corporation's current financial circumstances, operations, management and organization, as well as an assessment of the security value of assets;
2. reviewing and, if thought fit, passing an ordinary resolution to affirm or change the current constitution of the board of directors; and
3. transacting such further and other business as may properly come before the meeting or any adjournment thereof.

We agree that such special meeting of shareholder should be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Wednesday, October 24th 2012, at the hour of 2 p.m., or at such earlier date and time as we may agree.

DATED this _____ day of October 2012.

RYZ FAMILY HOLDINGS LTD.

Per: _____

President

WAIVER OF NOTICE

To: **THE BOARD OF DIRECTORS OF McDIARMID LUMBER LTD.**

And to: **RYZ FAMILY HOLDINGS LTD.**

And to: **WHOM IT MAY CONCERN**

The undersigned shareholder of McDiarmid Lumber Ltd. hereby waives notice of a special meeting of shareholders of the Corporation to be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Thursday, November 15th 2012, at the hour of 9 a.m., for the purpose of:

1. considering and, if thought fit, passing an ordinary resolution consenting to the engagement of PricewaterhouseCoopers Inc. by Superior Builders Limited to conduct a business review of the Corporation's current financial circumstances, operations, management and organization, as well as an assessment of the security value of assets;
2. reviewing and, if thought fit, passing an ordinary resolution to affirm or change the current constitution of the board of directors; and
3. transacting such further and other business as may properly come before the meeting or any adjournment thereof.

We agree that such special meeting of shareholder should be held at the offices of Pullan Kammerloch Frohlinger, Lawyers, 300-240 Kennedy Street in Winnipeg, Manitoba, on Wednesday, October 24th 2012, at the hour of 2 p.m., or at such earlier date and time as we may agree.

DATED this 22nd day of October 2012.

4834772 MANITOBA LTD.

Per: 

President

Tab B

This is Exhibit B referred to
in the Affidavit of James Matthews
affirmed before me at Wpg. MB
this 21 day of May A.D. 20 13
Kate Hall

SPECIAL RESOLUTION OF
MCDIARMID LUMBER LTD. (the "Corporation")

February 15, 2013

WHEREAS the issued and outstanding shares in the capital stock of the Corporation are presently recorded in the Minute Book of the Corporation as being held as follows:

| Shareholder | No. and Class of Shares |
|---------------------------|------------------------------------|
| Ryz Family Holdings Ltd.* | 50 voting common* |
| Ryz Family Holdings Ltd.* | 100 Class "B" voting shares* |
| Ryz Family Holdings Ltd.* | 1,000,000 Class "D" voting shares* |
| The Ryz Family Trust | 50 voting common |
| Ryz Family Holdings Ltd. | 1,000,000 Class "D" voting shares |

AND WHEREAS Vincent Ryz, formerly the sole director of the Corporation, has resigned as director and officer of the Corporation effective January 31, 2013 leaving all positions of director vacant;

AND WHEREAS the Articles of the Corporation require that the minimum number of directors shall be one;

AND WHEREAS subsection 106(2) of *The Corporations Act* (Manitoba) requires a special meeting of shareholders to be called to fill the vacancy if there is not a quorum of directors;

AND WHEREAS the signatories to this Resolution wish to elect new directors to fill the vacancy on the Board;

AND WHEREAS during the period of such vacancy Thomas K. Matthews, the Chairman of the Corporation, has executed and delivered to Canadian Corporate Restructuring Inc. ("CCR") an agreement and appointment of CCR to act as Chief Restructuring Officer for the purpose of managing the business and affairs of the Corporation effective February 5, 2013 (the "**Agreement**");

AND WHEREAS Richard Hutchings ("Hutchings") is an employee of CCR and the senior consultant designated by CCR to be responsible for carrying out those services;

AND WHEREAS the shares of the Corporation identified above with an asterisk (the "**Pledged Shares**") are the subject matter of a certain Share Pledge Agreement dated September 22, 2008 made between Ryz Family Holdings Ltd ("RFHL") and 4834772 Manitoba Ltd. ("**483**") and 483 has taken certain steps towards enforcing its rights and remedies under the said Share Pledge Agreement;

AND WHEREAS it is the position of 483 that by reason of having taken the said steps, 483 is empowered to exercise the rights and privileges of a shareholder in relation to the Pledged Shares;

AND WHEREAS 483 has commenced an application (the "**Application**") in The Court of Queen's Bench (Manitoba) in File No. CI-12-01-80614, in respect of which there are a number of issues and matters in dispute among the parties to the Application;

AND WHEREAS there is a Unanimous Shareholder Agreement (the "**USA**") dated December 15, 1994, which purports to limit the rights and powers of the directors, the effect and continued existence of which is in dispute as between RFHL and 483;

AND WHEREAS there are issues regarding the governance of the Corporation which require action and RFHL and 483 desire to have a resolution executed and enacted to elect new directors of the Corporation, all without prejudice in any manner whatsoever to any argument or position of any party to the Application, in the Application and in existing or future related or other proceedings, if any, on any issue or matter therein;

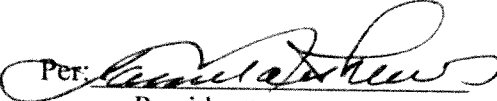
AND WHEREAS 483 deems it to be in the best interests of the Corporation to terminate the USA.

NOW THEREFORE, BE IT RESOLVED THAT, WITHOUT PREJUDICE IN ANY MANNER WHATSOEVER TO THE ARGUMENT OR POSITION OF ANY PARTY TO THE APPLICATION, IN THE APPLICATION AND IN EXISTING OR FUTURE RELATED OR OTHER PROCEEDINGS, IF ANY, ON ANY ISSUE OR MATTER THEREIN:

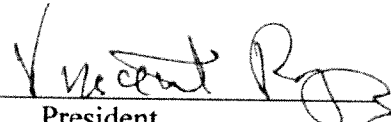
1. effective immediately, Thomas K. Matthews and James A. Matthews be and they are hereby elected directors of the Corporation to hold office until the next annual meeting of the shareholders or until their successors are elected or appointed;
2. the appointment of CCR and Richard Hutchings be approved and affirmed and the Agreement be and is hereby consented to;
3. any director or officer of the Corporation be, and each of them hereby is, authorized and directed, for and on behalf of the Corporation, to make all entries in the records of the Corporation and to execute and deliver all such agreements, instruments and documents, to make any and all payments and to do any and all things as he or she may determine to be necessary, appropriate or desirable to give effect to this resolution, and the execution of any such document or the doing of any such other act or thing shall be conclusive evidence of such determination;
4. any actions previously taken by or on behalf of the Corporation which are within the authority conferred in the foregoing resolutions be, and they hereby are, ratified, approved, confirmed and adopted in all respects; and
5. effective immediately, the USA is terminated.

IN WITNESS WHEREOF, the undersigned have executed this Special Resolution as of the date first written above and have directed that this Special Resolution be filed with the minutes of the meetings of shareholders of the Corporation.

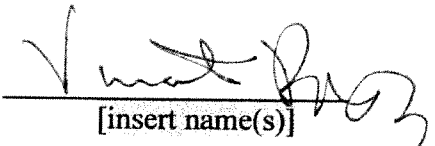
4834772 MANITOBA LTD.

Per: 
President

RYZ FAMILY HOLDINGS LTD.

Per: 
President

THE RYZ FAMILY TRUST by its Trustees


[insert name(s)]