HARDWOODS DISTRIBUTION INC.

INFORMATION CIRCULAR

In this Information Circular, the "Company" refers to Hardwoods Distribution Inc. (either alone or together with its subsidiaries), and for any periods prior to July 1, 2011 refers to Hardwoods Distribution Income Fund (the "**Fund**"), the predecessor of the Company (either alone or together with its subsidiaries). This Information Circular contains information as at March 15, 2018 unless indicated otherwise.

FORWARD LOOKING INFORMATION

Certain statements in this Information Circular contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this Information Circular includes, but is not limited to: the Company has not determined if it will be making any significant changes to its compensation policies and practices in the current financial year.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: there are no material exchange rate fluctuations between the Canadian and US dollar that affect the Company's performance; the general state of the economy does not worsen; the Company does not lose any key personnel; there are no decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods that harm the Company's business; the Company does not incur material losses related to credit provided to its customers; the Company's products are not subjected to negative trade outcomes; the Company is able to sustain its level of sales and earnings margins; the Company is able to grow its business long term and to manage its growth; the Company is able to integrate acquired businesses; there is no new competition in the Company's markets that leads to reduced revenues and profitability; the Company can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of components or other innovative products does not increase and replace products manufactured in North America; the Company's management information systems upon which the Company is dependent are not impaired; and, the Company's insurance is sufficient to cover losses that may occur as a result of its operations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations between the Canadian and US dollar could affect the Company's performance; the Company's results are dependent upon the general state of the economy; the Company depends on key personnel, the loss of which could harm the Company's business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm the Company's business; the Company may incur losses related to credit provided to the Company's customers; the Company's products may be subject to negative trade outcomes; the Company may not be able to sustain the Company's level of sales or earnings margins; the Company may be unable to grow the Company's business long term and to manage any growth; the Company is unable to integrate acquired businesses; competition in the Company's markets may lead to reduced revenues and profitability; the Company may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect the Company's revenues, profitability and reputation; importation of components or other innovative products may increase and replace products manufactured in North America; the Company is dependent upon its management information systems; the Company's insurance may be insufficient to cover losses that may occur as a result of its operations; the Company's credit facilities affect its liquidity, contain restrictions on its ability to borrow funds, and impose restrictions on distributions that can be made by certain of its operating subsidiaries; and, other risks described in the Company's Annual Information Form.

All forward-looking information in this Information Circular is qualified in its entirety by this cautionary statement and, except as may be required by law, the Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company for use at the annual general and special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares (the "**Shares**") of the Company to be held at the Metropolitan Hotel, 645 Howe Street, Vancouver, British Columbia, at 2:00 p.m. (Vancouver time), on Thursday, May 10, 2018, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the directors, officers and regular employees of the Company, who will not be specifically remunerated therefore. All costs of such solicitation of proxies by or on behalf of management of the Company will be borne by the Company.

APPOINTMENT OF PROXIES

The persons named in the accompanying Form of Proxy are directors or officers of the Company. A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent that Shareholder at the Meeting has the right to do so, either by inserting the desired person's name in the blank space provided in the Form of Proxy or by completing another proper Form of Proxy.

A Form of Proxy must be in writing executed by the Shareholder or by the Shareholder's agent or attorney. If the Form of Proxy is executed by an agent or attorney, evidence of the agent's or attorney's written authority must accompany the Form of Proxy. A proxy will not be valid unless the completed Form of Proxy is received by Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 not less than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof.

REVOCATION OF PROXIES

A Shareholder who has given a Form of Proxy may revoke it by an instrument in writing executed by the Shareholder, or by the Shareholder's agent or attorney and delivered to Computershare Investor Services Inc. in the manner as described above, together with evidence of the agent's or attorney's written authority, so as to arrive at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the Form of Proxy is to be used, or to the chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner provided by law. A revocation of a Form of Proxy does not affect any matter on which a vote has been taken prior to the revocation.

VOTING OF PROXIES

The management representatives designated in the enclosed Form of Proxy will vote or withhold from voting the Shares in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the Form of Proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. Where no choice is specified in the Form of Proxy, such Shares will be voted "for" the matters described therein and in this Information Circular.

The enclosed Form of Proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the management representatives designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, management knows of no such amendment, variation or other matter which may be presented to the Meeting.

BENEFICIAL SHAREHOLDERS

These meeting materials are being sent to both registered and non-registered Shareholders. If you are a non-registered Shareholder and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary/broker holding on your behalf.

Shareholders whose Shares are not registered in their own name are referred to in this Information Circular as "Beneficial Shareholders". There are two kinds of Beneficial Shareholders: those who have objected to their name being made known to the Company (called "**OBOs**" for Objecting Beneficial Owners) and those who have not objected (called "**NOBOs**" for Non-Objecting Beneficial Owners).

NOBOs can expect to receive a voting instruction form from Broadridge Financial Solutions, Inc. ("**Broadridge**"). These voting instruction forms are to be completed and returned to Broadridge by mail in the envelope provided. Alternatively, NOBOs can call a toll-free number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Shares held by them. Broadridge will tabulate the results of the voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Shares represented by voting instruction forms they receive. Please return your instructions as specified in the request for voting instructions. NOBOs that wish to attend the Meeting and vote in person (or appoint someone else to attend the Meeting and vote on such NOBOs' behalf) can appoint themselves (or someone else) as a proxyholder by following the applicable instructions on the voting instruction form.

With respect to OBOs, the Company does not intend to pay for intermediaries/brokers to deliver to OBOs meeting materials for the Meeting. Accordingly, an OBO will not receive meeting materials unless the OBO's intermediary/broker assumes the cost of delivery. Every intermediary has its own mailing procedures and provides is own return instructions, which should be carefully followed by OBOs in order to ensure that their Shares are voted at the Meeting. Often, the Form of Proxy supplied to an OBO by its broker is identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the OBO. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically prepares a special voting instruction form, mails those forms to the OBOs and asks for appropriate instructions respecting the voting of Shares to be represented at the Meeting. OBOs are requested to complete and return the voting instruction form to Broadridge by mail in the envelope provided. Alternatively, OBOs can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Shares held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Shares voted. OBOs who receive a form of proxy or voting materials from organizations other than Broadridge should complete and return such form of proxy or voting materials in accordance with the instructions on such materials in order to properly vote their Shares at the Meeting. OBOs that wish to attend the Meeting and vote in person (or appoint someone else to attend the Meeting and vote on such OBOs' behalf) can appoint themselves (or someone else) as proxyholder by following the applicable voting instructions.

Beneficial Shareholders are not entitled, as such, to vote at the Meeting in person or to deliver a Form of Proxy. If you are a Beneficial Shareholder and wish to appoint yourself as proxyholder to vote in person at the Meeting or appoint someone else to attend the Meeting and vote on your behalf, please see the voting instructions you received or contact your intermediary/broker well in advance of the Meeting to determine how you can do so.

Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Shares voted at the Meeting.

NOTICE AND ACCESS

The Company is sending meeting materials for the Meeting to Beneficial Shareholders using the "notice and access" provisions of *National Instrument 54-101 – Communication with Beneficial Owners*. Pursuant to such provisions, the Company provides Beneficial Shareholders with a notice on how they may access the Information Circular electronically instead of providing a paper copy. The Company is not sending meeting materials for the Meeting to registered Shareholders using the "notice and access" provisions of *National Instrument 51-102 – Continuous Disclosure Obligations*.

APPROVAL OF RESOLUTIONS

Unless otherwise specified, a simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described herein. If there are more nominees for election as directors or appointment as the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filed. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 21,419,985 Shares of the Company issued and outstanding, each of which entitles the holder to one vote on a ballot. There are no other voting securities of the Company issued and outstanding. On a show of hands, every person present and entitled to vote at the Meeting will be entitled to one vote.

Only registered holders of Shares at the close of business on March 26, 2018, the record date for the Meeting established by the directors, are entitled to vote at the Meeting.

To the knowledge of the Company's directors and executive officers, no person beneficially owns, or controls or directs, directly or indirectly, Shares carrying more than 10% of the voting rights attached to any class of voting securities, other than:

Name	Number of Shares(1)	Percentage of Outstanding Shares
Peter M. Bull	4,127,539 Shares	19.3%

(1) The information as to the class and number of voting securities beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.

ELECTION OF DIRECTORS

The number of directors to be elected at the Meeting is determined from time to time by resolution of the board of directors, such number being not more than ten and not less than three. The Company currently has seven directors. The Company's board of directors have fixed the number of directors to be elected at the Meeting at seven. The term of office of each of the present directors expires at the close of the Meeting. All directors elected at the Meeting will hold office for a term expiring at the close of the next annual meeting of Shareholders or until their successors are appointed, unless his or her office is vacated earlier in accordance with the bylaws of the Company or the *Canada Business Corporations Act*.

In the following table, for each person proposed to be nominated for election as a director, is stated his name, province or state, and country of residence, the period or periods during which he has served as a director, his principal occupation, and the number of Shares beneficially owned or controlled or directed by him, directly or indirectly, as at the date hereof:

Name, Province or State, and Country of Residence(1)	Period of Service as a Director(2)	Principal Occupation and, if not Previously Elected as a Director, Occupation During the Past 5 Years(1)	Number of Shares(3)
Robert J. Brown British Columbia, Canada	Since January 2016	President and Chief Executive Officer of the Company	85,054 Shares
Peter M. Bull(4)(5) British Columbia, Canada	Since April 2013	President, Blenheim Realty Ltd. (a commercial real estate company)	4,127,539 Shares
Michelle A. Lewis(4) Texas, USA	Since May 2017	Chief Strategy Officer, SVP, Corporate Development, and Investor Relations, NOW Inc. (a global distributor to the oil & gas and industrial markets)	1,478 Shares
Jim C. Macaulay(4)(5) Michigan, USA	Since August 2016	Chief Financial Officer, The Marvin Companies (windows and doors companies)	3,548 Shares
E. Lawrence Sauder(4) British Columbia, Canada	Since June 2011	Chair, Metrie Canada Ltd. (a manufacturer and distributor of interior finishings)	207,992 Shares
William Sauder(4)(5) British Columbia, Canada	Since June 2011	President, Omax Investments Ltd. (a wastewater management, retail plumbing and hardware distribution business)	284,239 Shares
Graham M. Wilson(4)(5) British Columbia, Canada	Since January 2004	President, Grawil Consultants Inc. (a consulting and investments company)	36,488 Shares

(1) The information as to province or state, and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
(2) Includes service as trustee of the Fund, the predecessor of the Company.
(3) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.
(4) Member of the Compensation, Nominating and Corporate Governance Committee.
(5) Member of the Audit Committee.

Unless such authority is withheld, the management representatives named in the accompanying Form of Proxy intend to vote for the election of the director nominees whose names are set forth herein.

Majority Voting Policy

The board of directors have adopted a policy (the "**Majority Voting Policy**") providing for majority voting in director elections at any meeting where an "uncontested election" of directors is held. An "uncontested election" means an election where the number of nominees for election as directors is equal to the number of directors to be elected.

Pursuant to the Majority Voting Policy, the forms of proxy circulated in connection with a meeting of Shareholders at which an election of directors is conducted will provide Shareholders with the ability to vote in favour of, or to withhold from voting for, each director nominee. If the number of proxy votes withheld for a particular director nominee is greater than the votes in favour of that nominee, the director nominee is required to immediately tender his or her resignation to the Chair of the board of directors.

Following receipt of a resignation, the Compensation, Nominating and Corporate Governance Committee will consider whether or not to accept the offer of resignation and will recommend to the board of directors whether or not to accept it. The Compensation, Nominating and Corporate Governance Committee will be expected to recommend that the board of directors accept the resignation unless the committee determines there are exceptional circumstances that will warrant the continued service of the resigning director.

Within 90 days following the applicable meeting of Shareholders, the board of directors is required to make its decision on the Compensation, Nominating and Corporate Governance Committee's recommendation. The board of directors is expected to accept the resignation of the resigning director unless the board of directors determines there are exceptional circumstances that warrant the continued service of the resigning director. The board of directors is required to promptly issue a news release disclosing its decision, including the reasons for rejecting the resignation offer, if applicable. A copy of such news release would concurrently be provided to the Toronto Stock Exchange. If a resignation is accepted, the board of directors may, in accordance with the Company's bylaws and the *Canada Business Corporations Act*, appoint a new director to fill the vacancy created by the resignation, reduce the size of the board of directors, leave the vacancy open, call a special meeting to fill the vacancy, or any combination of the foregoing.

A resigning director is not permitted to participate in any deliberation of the Compensation, Nominating and Corporate Governance Committee or the board of directors at which his or her resignation is to be considered. In the event that any director who received a greater number of proxy votes withheld than votes in favour of such director's election does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be nominated by the board directors.

Orders, Bankruptcies and Penalties

To the knowledge of the Company, no proposed director is, at the date hereof, or has been, within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, no proposed director: (i) is, as at the date hereof, or has been within ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the proposed director.

To the knowledge of the Company, no proposed director, or a holding company of such proposed director, has been subject to: (i) any penalties imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Advance Notice Requirements for Nominations

The Company's bylaws require that advance notice be provided to the Company in circumstances where nominations of persons for election to the board are made by Shareholders of the Company other than pursuant to a requisition of a meeting of Shareholders made pursuant to the provisions of the *Canada Business Corporations Act* or a shareholder proposal made pursuant to the provisions of that Act. The bylaws fix a deadline by which Shareholders must submit nominations to the Company prior to any annual or special meeting of Shareholders and sets forth the minimum information that a Shareholder must include in the notice to the Company for the notice to be in proper written form. A copy of the bylaws have been filed under the Company's profile at www.sedar.com.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Objectives

The Company is primarily engaged in the distribution of architectural building products. The Company is committed to strengthening its competitive position and to growing its business over the long term. Due to the competitive nature of the industry, executive talent have significant career mobility and, as a result, the competition for experienced executives is great. The existence of this competition and the need for talented and experienced executive officers to realize the Company's business objectives underlies the design and implementation of the Company's compensation programs.

The objectives of the Company's compensation program are to:

- attract and retain qualified executive officers;
- motivate executive officers to deliver strong business performance;
- maintain competitive compensation levels for executive officers;
- ensure a significant portion of executive compensation is dependent upon individual and overall business performance, aligning the interests of executive officers with the interests of Shareholders, to create Shareholder value; and
- ensure the executive compensation program is simple to communicate and administer.

The Company believes that compensation levels should reflect performance – both personal performance of the Named Executive Officers (as hereafter defined) and the performance of the Company as a whole. The Company provides a base fixed compensation, as well as compensation that is variable, or "at risk" in nature. For 2017, the Named Executive Officers were eligible to receive bonuses under the annual incentive plan that range from 0% to 100% of their respective base salaries. This approach helps link compensation to performance by making a significant portion of the Named Executive Officers' compensation in any given year variable and, consequently, subject to decrease or increase based on Company and individual performance during the year. This approach also aligns the interest of the Named Executive Officers with Shareholders. The annual incentive plan is complimented by the Company's long term incentive plan (the "**Long Term Incentive Plan**"), the objective of which is to provide the Named Executive Officers with an incentive to maximize the long term performance of the Company and further align the interests of the Named Executive Officers with Shareholders.

The Company also seeks to retain and motivate the Named Executive Officers, and attract new executives, by offering compensation programs and packages that are competitive with those offered by comparable companies in the Company's market comparator group. To support this principle, the Company periodically reviews comparative compensation data provided by compensation consultants to assess the competitiveness of the compensation provided to the Named Executive Officers. The Company uses this data as one factor in determining the appropriate levels of compensation to award the Named Executive Officers.

While the Company's objective is to pay for performance and remain competitive in the marketplace for executive talent, the Company considers the expense of compensation and benefits in relation to the Company's consolidated budget and financial strength as a significant factor in determining compensation levels. Consequently, the Company carefully considers information relating to the anticipated cost that will be incurred in making any determination with respect to proposed compensation decisions.

The Company keeps its compensation program simple to communicate and administer by focusing on base salary, an annual incentive plan, and the Long Term Incentive Plan.

Elements of Compensation

Base Salary

The Company provides a base salary so that the Named Executive Officers have regular income to cover day-to-day expenses. The Compensation, Nominating and Corporate Governance Committee believes that competitive base salaries are important in attracting and retaining talented executives.

In reviewing the base salary of each Named Executive Officer, the Company considers the responsibilities, performance and experience of the Named Executive Officer; the base salaries of comparable executives within the Company's market comparator group; historical compensation and contractual commitments; and, recommendations of the Chief Executive Officer related to each Named Executive Officer's base salary other than the Chief Executive Officer's base salary. In considering base salary levels, the Compensation, Nominating and Corporate Governance Committee do not utilize any specific weighting of the above factors. On average in 2017, base salary represented 29.5% of the Company's total compensation package for the Named Executive Officers.

Annual Incentive Awards

In addition to base salaries, the Company provides the Named Executive Officers with annual incentive awards that are paid as cash bonuses. The Compensation, Nominating and Corporate Governance Committee believes the annual incentive plan is important in attracting and retaining talented executives and motivating executive officers to deliver strong business performance.

Annual incentive awards for the Chief Executive Officer, Senior Vice President, and Chief Financial Officer are based upon the following performance goals:

- EBITDA (earnings before interest, taxes, depreciation and amortization) achieved, excluding foreign exchange gains and losses and the impact of acquisitions ("financial metric"); and

- achievement of strategic goals as approved by the Compensation, Nominating and Corporate Governance Committee, in the case of the Chief Executive Officer, or by the Chief Executive Officer, in the case of the Senior Vice President and Chief Financial Officer ("goals metric").

Annual incentive awards for the other Named Executive Officers are based upon the following corporate and regional performance goals as approved by the Chief Executive Officer:

- sales growth, income growth and return on net assets; and

- achievement of personal and strategic goals.

For the Chief Executive Officer, the target annual incentive awards are set as a percentage of his base salary. For 2017, the target annual incentive award was 100% of base salary, with a maximum of 150% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial metric and an all or none measurement applied to the goals metric. The actual range of the target annual incentive award as a percentage of salary in 2017 earned by the Chief Executive Officer was 100.1%.

For the Senior Vice President and Chief Financial Officer, the target annual incentive awards are set as a percentage of their respective base salary. For 2017, the target annual incentive award was 60% of base salary, with a maximum of 90% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial metric and an all or none measurement applied to the goals metric. The actual range of the target annual incentive award as a percentage of salary in 2017 earned by the Senior Vice President and Chief Financial Officer was 60.1%.

For the other Named Executive Officers, target annual incentive awards are also set as a percentage of their base salary. For 2017, the target annual incentive awards for the other Named Executive Officers was 50% of base salary, with a maximum of 100% of base salary and a minimum of 0%. Sliding scales are applied to the performance goals to determine the applicable percentage of base salary to be awarded as an annual incentive award. The actual range of the target annual incentive awards as a percentage of salary in 2017 paid to the other Named Executive Officers was 58.0% to 61.1%.

The Compensation, Nominating and Corporate Governance Committee can exercise discretion to amend annual incentive awards absent attainment of the performance goals, or to reduce or increase the size of any amount or payout. Such discretion was not applied to any of the Named Executive Officers in respect of the previous financial year. The Compensation, Nominating Committee and Corporate Governance Committee can also exercise discretion to grant additional annual incentive awards to the Named Executive Officers based on such factors that the committee determines relevant. Such discretion was not applied to any of the Named Executive Officers in respect of the previous financial year.

Long Term Incentive Plan

The Company provides the Named Executive Officers with awards pursuant to the Company's Long Term Incentive Plan. The Compensation, Nominating and Corporate Governance Committee believes that the Long Term Incentive Plan is important in attracting and retaining talented executives, motivating executive officers to deliver strong business performance over the long term, and to align the interests of executive officers with the interests of Shareholders.

The Long Term Incentive Plan authorized the issuance of Shares pursuant to the grant of restricted share units and performance share units to directors, officers and employees of, and consultants to, the Company and its affiliates ("**Eligible Persons**"). Under the terms of the Long Term Incentive Plan, restricted share units and performance share units may only be granted to Eligible Persons.

As at December 31, 2017, the maximum number of Shares issuable under the Long Term Incentive Plan was 1,650,000 (representing approximately 7.7% of the outstanding Shares of the Company), there were awards outstanding under the Long Term Incentive Plan pursuant to which a maximum of 359,662 Shares (assuming the payout multiplier applicable at the time of settlement of the performance share units is two) may be issued (representing approximately 1.7% of the outstanding Shares of the Company), and there were 536,340 Shares available for future awards under the Long Term Incentive Plan (representing approximately 2.5% of the outstanding Shares of the Company). The actual number of Shares issued or available for future awards will depend upon the number of Long Term Incentive Plan units settled in cash, and the payout multiplier applicable at the time of settlement of performance share units, which is contingent upon whether pre-determined escalating performance criteria are achieved.

The following table sets forth the burn rate for the Long Term Incentive Plan for each of the fiscal years ended December 31, 2017, 2016 and 2015, expressed as the number of securities granted under the Long Term Incentive Plan for the applicable fiscal year divided by the weighted average number of securities outstanding for the applicable fiscal year:

	2017	**2016**	**2015**
Long Term Incentive Plan Burn Rate(1)	1.0%	0.4%	0.7%

(1) The table above assumes the payout multiplier applicable at the time of settlement of the performance share units is one. The burn rate does not change significantly if the payout multiplier was two.

The Long Term Incentive Plan provides that the number of Shares issued to insiders pursuant to the plan and other Share compensation arrangements of the Company within a one year period, or issuable at any one time, may not exceed 10% of the issued and outstanding Shares. Except for the aforementioned limitation on insiders, the Long Term Incentive Plan does not otherwise limit the maximum number of Shares any one person or company is entitled to receive under the plan.

Each restricted share unit will entitle the holder to be issued the number of Shares designated in the grant agreement for that restricted share unit. Shares issuable pursuant to restricted share units will vest and be issued on the date or dates determined by the Compensation, Nominating and Corporate Governance Committee and set out in the grant agreement, provided such date or dates are not later than December 31st following the third anniversary of the date the restricted share unit was granted. Each performance share unit will entitle the holder to be issued the number of Shares designated in the grant agreement for the performance share unit multiplied by a payout multiplier which may range from a minimum of zero to a maximum of two depending on the achievement of performance criteria determined by the Compensation, Nominating and Corporate Governance Committee. Shares issuable pursuant to performance share units will be issued on the date set out in the grant agreement if the performance criteria are satisfied, provided such date is not later than December 31st following the third anniversary of the date the restricted share unit was granted.

The Shares to which a grantee is entitled under a restricted share unit or performance share unit may, at the discretion of the board of directors of the Company, be settled by the Company in Shares issued from treasury, Shares purchased by the Company in the secondary market, in an amount of cash equal to the fair market value of such Shares, or any combination of the foregoing. The board of directors of the Company has adopted a policy of permitting employees to elect to receive half of the fair market value of any settled awards in cash.

If any restricted share units or performance share units granted under the Long Term Incentive Plan expire, terminate or are cancelled for any reason without the Shares issuable under the restricted share unit or performance share unit having been issued in full, those Shares will become available for the purposes of granting further restricted share units or performance share units under the Long Term Incentive Plan. To the extent any Shares issuable pursuant to restricted share units or performance share units are settled in cash or with Shares purchased in the market, those Shares will become available for the purposes of granting further restricted share units or performance share units.

The Long Term Incentive Plan provides for cumulative adjustments to the number of Shares to be issued pursuant to restricted share units or performance share units on each date that dividends are paid on the Shares by an amount equal to a fraction having as its numerator the amount of the dividends per Share and having as its denominator the fair market value of the Shares on the trading day immediately preceding the distribution payment date. Fair market value is the weighted average price that the Shares trade on the Toronto Stock Exchange for the five trading days on which the Shares traded immediately preceding that date.

In the event of a "Change of Control" (as defined in the Long Term Incentive Plan) of the Company, the vesting provisions attaching to the restricted share units or performance share units are accelerated and all Shares issuable under any outstanding restricted share units or performance share units will be issued immediately before the date upon which the Change of Control is completed.

If a grantee ceases to be an Eligible Person as a result of termination for cause, effective as of the date notice of termination is given all outstanding grant agreements under which restricted share units or performance share units have been granted to such grantee will be immediately terminated and the grantee will forfeit all rights to receive Shares thereunder. Unless otherwise provided in a grant agreement, if a grantee ceases to be an Eligible Person as a result of being terminated other than for cause, effective as of the date that is 60 days after the date notice of termination is given, and notwithstanding any other severance entitlements or entitlement to notice of compensation in lieu thereof, all outstanding grant agreements under which performance share units or restricted share units have been granted to such grantee will be terminated and the grantee will forfeit all rights to receive Shares thereunder. The grant agreements for the Named Executive Officers and any Vice President provide that if such person ceases to be an Eligible Person as a result of being terminated other than for cause, a pro rata portion of the Shares issuable to such person under any outstanding grant agreements will be issued. If a grantee voluntarily ceases to be an Eligible Person for any reason other than the grantee's death, disability or retirement, effective as of the date notice at resignation is given, all outstanding grant agreements under which restricted share units or performance share units have been granted to such grantee will be terminated and the grantee will forfeit all rights to receive Shares thereunder. If a grantee ceases to be an Eligible Person as a result of such grantee's disability, retirement or death, a pro rata portion of the Shares issuable to such grantee under any outstanding grant agreements will be issued as of the date of the grantee's death, disability or retirement.

Other than if a grantee ceases to be an Eligible Person as a result of the grantee's death, the right to receive Shares pursuant to restricted share units or performance share units may only be exercised by the Eligible Person personally. Except as otherwise provided in the Long Term Incentive Plan, no transfer of a restricted share unit or performance share unit vests any interest in the restricted share units or performance share units whatsoever in any transferee and, immediately upon any transfer or attempt transfer, such restricted share units or performance share units will terminate and be of no further force or effect.

The board of directors of the Company reserves the right to amend, modify or terminate the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it at any time without the consent of a grantee if and when it is advisable in the absolute discretion of the board, provided that such amendment cannot materially adversely alter or impair the rights of any grantee except as otherwise permitted under the Long Term Incentive Plan. In addition, the board of directors of the Company may, by resolution, amend the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it without Shareholder approval, provided however, that the board of directors of the Company will not be entitled to amend the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it without Toronto Stock Exchange and Shareholder approval: (i) to increase the maximum number of Shares issuable pursuant to the plan; (ii) to increase the permitted level of insider participation in the plan; (iii) to increase the permitted payout multiplier to greater than two; (iv) to extend the term of any performance share unit or restricted share unit held by an insider; or (v) amend the amendment provisions of the plan. No amendments were made to the Long Term Incentive Plan during the fiscal year ended December 31, 2017.

In 2017, each Named Executive Officer was granted restricted share units and performance share units intended to have an annual value of approximately 25% to 75% of that Named Executive Officer's salary. The 2017 grant of restricted share units provided for the vesting of Shares on December 31, 2017, 2018 and 2019. The 2017 grant of performance share units provided for the vesting of Shares on March 31, 2018, 2019 and 2020 and have a payout multiple of between zero and two depending on whether the Company meets escalating targets in respect of total shareholder returns.

Defined Contribution Plan

The Company offers defined contribution pension plans to the Named Executive Officers: a group registered retirement savings plan ("**RRSP**") in Canada and 401(k) plans in the United States. The Company offers four 401(k) plans in the United States - one is offered to employees at the Company's Paxton business unit, one is offered to employees at the Company's HMI business unit, one is offered to employees at the Company's Rugby business unit, and the other is offered to all other employees (the "**General 401(k) Plan**"). The plans for the Named Executive Officers are identical to the plans offered to all of the Company's employees in the same jurisdiction and business unit. The Compensation, Nominating and Corporate Governance Committee does not believe that the defined contribution plans should represent a significant portion of the Compensation of the Named Executive Officers. In 2017, contributions by the Company to the Company's defined contribution plans represented 1.2% of total compensation for the Named Executive Officers.

The Chief Executive Officer, Senior Vice President and Chief Financial Officer participate in the defined contribution pension plan in Canada. The plan is a group RRSP administered by Sun Life Financial Trust Inc. The Company matches employee contributions up to the lesser of 5% of monthly earnings or the legislated government maximum, and the participating Named Executive Officers can make additional voluntary contributions, for total combined contributions up to the legislated government maximums. The group RRSP account is self-directed, with each participating Named Executive Officer able to choose from among the investment options offered by Sun Life Financial Trust Inc. and any interest and earnings on the investments held in the RRSP account vary in accordance with the terms and performance of the particular investments chosen. Participating Named Executive Officers are eligible to participate in the RRSP plan on the date of hire. Employer contributions to the RRSP plan are subject to a two year vesting period.

The other Named Executive Officers participate in the General 401(k) Plan. The plan is a qualified retirement 401(k) plan administered by Voya National Trust. The Company matches employee contributions up to 4% of monthly earnings and the participating Named Executive Officers can make additional voluntary contributions, for total combined contributions up to the legislated government maximums. The 401(k) account is self-directed, with the participating Named Executive Officers able to choose from among the investment options offered by Voya National Trust and any interest and earnings on the investments held in the 401(k) account vary in accordance with the terms and performance of the particular investments chosen. The participating Named Executive Officers are eligible to participate in the 401(k) plan from their respective date of hire however no matching contributions are made by the employer until six months after the employee joins the plan. Employer contributions to the 401(k) plan are subject to immediate vesting.

Benefits and Perquisites

The Company offers only limited perquisites to the Named Executive Officers, and only where the Company believes such perquisites promote the retention of the Named Executive Officers or promote the efficient performance of the Named Executive Officers' duties. In addition to benefits that are made available to all employees, the Named Executive Officers are provided with either a leased vehicle and reimbursement for vehicle operating expenses, or a vehicle allowance. The Compensation, Nominating and Corporate Governance Committee does not believe that perquisites and benefits should represent a significant portion of the compensation package for Named Executive Officers, and in 2017 perquisites and benefits represented 2.3% of total compensation for the Named Executive Officers.

Severance and Change in Control Arrangements

The Compensation, Nominating and Corporate Governance Committee believes that severance and change of control benefits are necessary in order to attract and retain high calibre executive talent. Severance benefits are appropriate, particularly with respect to a termination without cause since in that scenario, both the Company and the Named Executive Officer have a mutually agreed upon severance package that is in place prior to any termination event which provides certainty and the flexibility to make a changes in executive management if such change is in the Company's best interests. Severance and change in control benefits were negotiated and set with regard to comparable benefits granted to executives with similar positions in the Company's market comparator group, the experience level of the individual, the complexity of the position and other relevant market factors. For more information on severance and change in control arrangements for the Named Executive Officers, see "Termination and Change of Control Benefits" below.

Setting Executive Compensation

Compensation Committee

The Compensation, Nominating and Corporate Governance Committee presently consists of Peter M. Bull, Michelle A. Lewis, Jim C. Macaulay, E. Lawrence Sauder (Chair), William Sauder and Graham M. Wilson. Each member of the committee is "independent", as such term is defined in *National Instrument 52-110 – Audit Committees*.

The (i) direct experience of each Compensation, Nominating and Corporate Governance Committee member that is relevant to the performance of his responsibilities as a committee member and (ii) skills and experience the Compensation, Nominating and Corporate Governance Committee have to make decisions on the suitability of the Company's compensation policies and practices, are described below:

Peter M. Bull – Mr. Bull is the President of Blenheim Realty Ltd., a commercial real estate business, and holds interests in a number of real estate and building material companies. In such roles, Mr. Bull is required to have an understanding of and assess, and supervise others who manage, compensation policies and practices.

Michelle A. Lewis – Ms. Lewis has since 2014 been the Chief Strategy Officer of DistributionNOW Inc., an oil and gas and industrial distributor. Prior to this, from 2008 to 2009, Ms. Lewis was a Principal at Mercer Consulting, a human resource consulting and benefits firm where she managed the Human Resource Effectiveness Practice in the Southwest Market. From 2004 to 2008, Ms. Lewis was a Director at Alvarez & Marsal, in consulting and corporate restructuring, where she served in interim management positions or advised clients on human resource matters. In such roles, Ms. Lewis was responsible for designing compensation plans and was required to have an understanding of and assess, and supervise others who manage, compensation policies and practices.

Jim C. Macaulay – Mr. Macaulay served from 1994 to 2013 as Vice President of Steelcase Inc., an office furniture, architectural and technology products company. In such role, Mr. Macaulay was responsible for designing compensation plans and was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

E. Lawrence Sauder – Mr. Sauder has since 2008 been the Non-Executive Chairman of, and from 2004 to 2008 was the Non-Executive Vice-Chairman of, International Forest Products Limited, a forest products company. Mr. Sauder also served as president of the Sauder Industries Limited, a manufacturer and distributor of building products, from 1988 to 2005. In such roles, Mr. Sauder is and was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

William Sauder – Mr. Sauder is President of Omax Investments Ltd., a wastewater management, retail plumbing and hardware distribution business. Mr. Sauder also served until 2012 in a variety of operational roles, including, as Executive Vice President, at Sauder Industries Limited, a manufacturer and distributor of building products. In such roles, Mr. Sauder was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

Graham M. Wilson – Mr. Wilson served from 1988 to March 2002 as Chief Financial Officer of Westcoast Energy Inc., a natural gas transmission and energy company. In such role, Mr. Wilson was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

The responsibilities, powers and operation of the Compensation, Nominating and Corporate Governance Committee are set forth in the committee's mandate which is attached to this Information Circular as Appendix C.

Roles and Responsibilities

The Compensation, Nominating and Corporate Governance Committee is responsible for the administration of the Company's compensation programs for the Named Executive Officers. Members of management, including the Chief Executive Officer, are invited to committee meetings from time to time, but excused from discussions and decisions with respect to their particular compensation decisions.

The Chief Executive Officer is actively engaged in the Company's compensation programs (other than with respect to his own compensation package). The Chief Executive Officer conducts an annual evaluation of each of the Named Executive Officer's performance for the previous year, and recommends salary adjustments, annual incentive awards, and Long Term Incentive Plan awards to the Compensation, Nominating and Corporate Governance Committee. The recommendations are reviewed and approved by the committee after discussion and adjustment, if appropriate.

Process

Executive compensation, including any annual incentive cash bonus, is reviewed and set by the board of directors of the Company and the Compensation, Nominating and Corporate Governance Committee at meetings held typically in December of each year. At these meetings, the performance of the Named Executive Officers is also reviewed. The results of the Named Executive Officers' performance and compensation review by the Compensation, Nominating and Corporate Governance Committee is typically communicated to the Named Executive Officers in February of each year. Long Term Incentive Plan awards are typically determined and granted by the Compensation, Nominating and Corporate Governance Committee at meetings in February or March of each year.

Compensation Consultant

The Company does not retain the services of a compensation consultant each year, but rather on a periodic basis to evaluate the market competitiveness of the Company's compensation programs. In 2016, the Compensation, Nominating and Corporate Governance Committee retained Logan HR ("**Logan**") to assist it in determining the appropriated compensation for the board of directors and Named Executive Officers. The mandate of Logan was to conduct a review of the competiveness of compensation levels provided to its executives and independent board of directors. Logan was also engaged to assist the Company in the review, evaluation, and design of the Company's human resource, people strategy, and compensation plans.

Logan has provided no other services to the Company or to its affiliated or subsidiary entities, or to any of its directors or members of management other than or in addition to those described above.

The following table sets forth, by category, the fees billed to the Company by Logan for the financial years ended December 31, 2017 and December 31, 2016:

Fee category	2017	2016
Executive compensation-related fees	-	$24,250
All other fees	-	26,425
Total	-	$50,675

"**Executive compensation-related fees**" is the aggregate fees billed by each consultant or advisor, or any of its affiliates, for services related to determining compensation for any of the Company's directors and executive officers.

"**All other fees**" is the aggregate fees billed for all other services provided by each consultant or advisor, or any of its affiliates, that are not reported in "Executive compensation-related fees".

Except as described above, during the financial years ended December 31, 2017 and December 31, 2016, no fees were billed by any consultant or advisor, or any of affiliates thereof, for services related to determining compensation for any of the Company's directors and executive officers.

Benchmarking

The Company engaged Logan in 2016 to provide market benchmarking data for director and executive compensation which includes retainers and fees, base salaries, short term incentive awards, long term equity awards, benefits and perquisites. Working in conjunction with the Company, Logan developed a North American comparator group of 14 companies involved in the manufacture and distribution of building materials who have annual revenues and market capitalization levels similar to the Company. The majority of the information compiled by Logan reflected 2015 compensation data derived from 2016 proxy circular statements, which represented the most recent publicly available information available at the time Logan prepared its' report. The companies compromising the Company's market comparator group were: CanWel Building Materials Group Ltd., Richelieu Hardware Ltd., Wajax Corp., Uni-Select, Cervus Equipment, Universal Forest Products, BlueLinx Holdings Inc., BMC Stock, Patrick Industries Inc., Armstrong World Industry, Beacon Roofing, DXP Enterprises Inc., Huttig Building Products, and Ply Gem Holdings.

For comparison purposes, at the time of Logan's analysis the Company's annual revenues and market capitalization ranked near the 25th percentile against the comparator group.

The Compensation, Nominating and Corporate Governance Committee targeted total compensation for the Named Executive Officers near the 25th percentile of compensation paid to similarly situated executives within the market comparator group. Variations on this target may occur based on the experience level of the individual, the complexity of the position and other relevant market factors.

Changes to Named Executive Officers' Compensation

At this time, the Company has not determined if it will be making any significant change to its compensation policies and practices in the current financial year.

Recovery of Compensation

The Company has adopted an executive compensation recovery policy which provides that the board of directors may, in its sole discretion, to the full extent permitted by law and to the extent it determines that it is in the Company's best interest to do so, require the reimbursement of all or a portion of any incentive compensation paid or awarded to a Named Executive Officer, if:

(a) the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's financial statements;

(b) the Named Executive Officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and

(c) the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the Named Executive Officer had the financial results been properly reported would have been lower than the amount actually awarded or received.

Share Ownership Guidelines

The Company has adopted Share ownership guidelines to encourage key executives to own Shares at least equal in value to: (i) for the Chief Executive Officer, four times base salary; (ii) for the Senior Vice President and Chief Financial Officer, three times their respective base salaries; and (iii) for Vice Presidents, excluding the Senior Vice President and Chief Financial Officer, two times base salary. Only Shares that have fully vested and are free-trading to the executive count towards satisfaction of the guidelines. Calculation of the value of an executive's Share ownership is based on the fair market value of the Shares held by the executive. In the event that an executive does not meet the Share ownership guidelines, then that executive is required to refrain from selling any Shares held by the executive and any additional Shares that vest to the executive under the Long Term Incentive Plan. Such trading restriction will remain in place until such time as the executive is in compliance with the Share ownership guidelines. The following table provides a summary of the number of Shares held by each Named Executive Officer as at December 31, 2017, the value of such Shares and the value of Shares required to be held pursuant to the Share ownership guidelines:

Name	Number of Shares(1)	Value of Shares Held ($)(2)	Value of Shares Required to be Held ($)
Robert J. Brown	85,054	1,707,884	2,400,000
Lance R. Blanco	102,353	2,055,248	876,000
Faiz H. Karmally	8,575	172,186	675,000
Dan A. Besen	17,984	361,118	650,000
Dan B. Figgins	17,546	352,323	468,000

(1) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.
(2) Calculated by multiplying the total equity by the market value of the Shares, being the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to December 31, 2017, being $20.08.

Financial Instruments

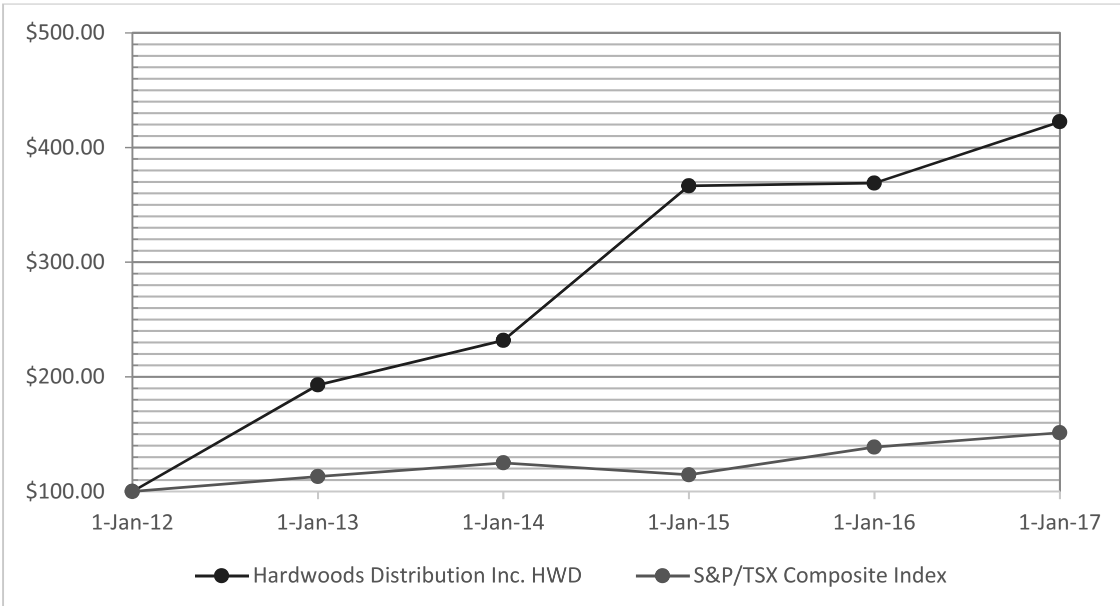
The Company has adopted a policy prohibiting Named Executive Officers from, at any time, purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

Compensation Related Risks

The Compensation, Nominating and Corporate Governance Committee considered the implications of the risks associated with the Company's compensation policies and practices. The Compensation, Nominating and Corporate Governance Committee is responsible for overseeing, and periodically considers, risks associated with the Company's compensation policies and practices. The practices the Company uses to identify and mitigate compensation policies and practices that could encourage a Named Executive Officer or individuals at a principal business unit or division to take inappropriate risks or excessive risks include regular monitoring of the business, regularly meeting with managers throughout the organization, and requiring board of directors' approval of all major corporate decisions. The Company has not identified any risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Performance Graph

The following chart compares the cumulative total Shareholder return, assuming the reinvestment of dividends, on the Shares with the cumulative total return from the S&P/TSX Composite Index for the period from December 31, 2012 to the most recently completed financial year end. The calculations assume an initial investment of $100.



Performance Graph Values

	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017
Hardwoods Distribution Inc. (Total Return)	$100.00	$192.93	$231.93	$367.01	$369.64	$423.60
S&P/TSX Composite Index	$100.00	$112.99	$124.92	$114.53	$138.67	$151.28

Actual Values

	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31 2015	Dec. 31 2016	Dec. 31 2017
Hardwoods Distribution Inc. (Total Return)	$5.27	$10.16	$12.22	$19.33	$19.47	$22.31
S&P/TSX Composite Index	35,696.72	40,334.38	44,591.13	40,881.84	49,500.53	54,002.68

From December 31, 2012 to December 31, 2013, total compensation of the Named Executive Officers increased by 1.6%, while total return from an investment in the Shares increased 92.9%. From December 31, 2013 to December 31, 2014, total compensation of the Named Executive Officers increased by 6.5%, while the total return from an investment in the Shares increased 20.2%. From December 31, 2014 to December 31, 2015, total compensation of the Named Executive Officers increased by 55.6% (a portion of which is attributable to naming six officers instead of five in the previous year), while the total return from an investment in the Shares increased 58.2%. From December 31, 2015 to December 31, 2016, total compensation of the Named Executive Officers increased by 13.9%, while total return from an investment in the Shares increased 0.7%. From December 31, 2016 to December 31, 2017, total compensation of the Named Executive Officers increased by 71%, while total return from an investment in the Shares increased 14.6%.

Summary Compensation Table

The following table provides a summary of the compensation earned in respect of the last three financial years by (i) any individual who acted as Chief Executive Officer or Chief Financial Officer of the Company for any part of the most recently completed financial year, (ii) each, if any, of the three most highly compensated executive officers of the Company, including its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation was, individually, more than $150,000 for that financial year, and (iii) each, if any, individual who would have been an executive officer under (ii) but for the fact that the individual was not an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year (the "**Named Executive Officers**"):

					Non-Equity Incentive Plan Compensation ($)				
Name and Principal Position	**Year**	**Salary ($)**	**Share-Based Awards ($)[1]**	**Option-Based Awards ($)**	**Annual Incentive Plans[2]**	**Long-Term Incentive Plans**	**Pension Value ($)**	**All Other Compensation ($)[3]**	**Total Compensation ($)**
Robert J. Brown[4]	2017	600,000	1,350,000	-	600,681	-	-	37,615	2,588,296
President and Chief	2016	516,447	374,941	-	442,624	-	-	39,302	1,373,344
Executive Officer	2015	300,000	370,266	-	188,946	-	-	31,364	890,576
Lance R. Blanco[5]	2017	292,000	418,400	-	175,399	-	-	37,615	923,414
Senior Vice President,	2016	279,058	53,516	-	160,256	-	-	38,805	531,635
Corporate Development	2015	273,000	271,180	-	170,051	-	-	26,870	741,101
Faiz H. Karmally[6]	2017	225,000	333,000	-	135,153	-	-	34,015	727,168
Vice President and Chief	2016	200,625	39,971	-	116,034	-	-	26,880	383,510
Financial Officer	2015	175,692	108,030	-	92,835	-	-	11,044	387,601
Daniel A. Besen[7][8]	2017	325,000	286,000	-	198,640	-	-	48,069	857,709
Vice President	2016	282,023	52,165	-	158,400	-	-	46,575	539,164
United States	2015	239,974	60,000	-	131,950	-	-	57,006	488,931
Dan B. Figgins[7]	2017	234,000	176,800	-	135,720	-	-	41,210	587,730
Vice President	2016	237,600	52,165	-	154,704	-	-	43,296	487,765
Imports	2015	215,184	64,993	-	103,854	-	-	16,445	400,476

(1) The grant date fair value of each restricted share unit and performance share unit granted under the Long Term Incentive Plan is equal to the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to the date of such grant, being $13.00 to $15.82, $17.47 to $18.47 and $16.46 for the grants in 2015, 2016 and 2017, respectively.
(2) Represents amounts earned under an annual incentive plan in the form of cash bonuses.
(3) Represents amounts paid for automobile lease payments, insurance and other automobile operating expenses as well as matching contributions to RRSPs or 401(k) plans.
(4) On January 7, 2016, Mr. Brown was appointed President and Chief Executive Officer of the Company. Prior to that time, Mr. Brown was Chief Operating Officer of the Company.
(5) On January 7, 2016, Mr. Blanco ceased to be President and Chief Executive Officer of the Company and was appointed Senior Vice President, Corporate Development. Mr. Blanco was injured in a cycling accident in July of 2014, requiring a period of recovery that prevented him from performing his regular duties. In March of 2015, Mr. Blanco returned to work and devoted approximately 60% of his working time to the Company in 2015 and approximately 80% in 2016 and 2017.
(6) Mr. Karmally was appointed Vice President and Chief Financial Officer in March 2015.
(7) Mr. Besen and Mr. Figgins are paid in United States dollars. Amounts reported in the table have been translated from United States dollars to Canadian dollars based upon the average Bank of Canada noon rate for that year (2015: US$0.7813 = Cdn$1; 2016: US$0.7576 = Cdn$1, 2017: US$0.7692 = Cdn$1).
(8) Mr. Besen took on additional responsibilities for all of the United States effective September 23, 2016.

The Company has entered into employment agreements with Mr. Brown for his services as Chief Executive Officer, with Mr. Blanco for his services as Senior Vice President, Corporate Development, with Mr. Karmally for his services as Chief Financial Officer, with Mr. Besen for his services as Vice President United States, and with Mr. Figgins for his services as Vice President Imports. Each of the agreements is for an indefinite term. Pursuant to their respective employment agreements, Mr. Brown is entitled to an annual salary of $600,000, Mr. Blanco is entitled to an annual salary of $365,000 (this amount will be adjusted by 80% based upon the time Mr. Blanco is expected to devote to the Company), Mr. Karmally is entitled to an annual salary of $225,000, Mr. Besen is entitled to an annual salary of US$250,000, and Mr. Figgins is entitled to an annual salary of US$180,000.

Incentive Plan Awards

The following table sets forth, for each Named Executive Officer, all option-based and share-based awards outstanding at the end of the most recently completed financial year. All awards have been transferred at fair market value.

	Option-Based Awards				Share-Based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiratio n Date**	**Value of Unexercise d In-the-Money Options ($)(1)**	**Number of Shares or Units of Shares that Have Not Vested (#)(2)**	**Market or Payout Value of Share-Based Awards that Have Not Vested ($)(2)(3)**	**Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed ($)**
Robert J. Brown	-	-	-	-	90,755	1,833,251	-
Lance R. Blanco	-	-	-	-	28,766	581,073	-
Faiz H. Karmally	-	-	-	-	20,709	418,321	-
Daniel A. Besen	-	-	-	-	19,504	393,980	-
Dan B.Figgins	-	-	-	-	13,836	279,487	-

(1) The share-based awards are restricted share units and performance share units granted under the Long Term Incentive Plan. See "Long Term Incentive Plan" above for a description of the restricted share units and performance share units.
(2) Excludes share-based awards for which the entitlement criteria can no longer be met.
(3) Calculated by multiplying the number of share-based awards that may be earned by the closing market price of the Shares on the Toronto Stock Exchange on December 31, 2017, being $20.20 and assuming the multiplier at the time of settlement for performance share units is equal to one (the actual multiplier will vary between nil and two and is contingent upon whether pre-determined escalating performance criteria are achieved).

The following table sets forth the value of option-based and share-based awards and non-equity incentive plan compensation vested or earned by the Named Executive Officers during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the Year ($)	Share-Based Awards – Value Vested During the Year ($)(1)	Non-equity Incentive Plan Compensation – Value Earned During the Year ($)
Robert J. Brown	-	595,888	600,681
Lance R. Blanco	-	365,724	175,399
Faiz H. Karmally	-	136,882	135,153
Daniel A. Besen(2)	-	81,729	198,640
Dan B. Figgins(2)	-	57,146	135,720

(1) The aggregate value of the share-based awards vested during the financial year is based on the closing market price of the Shares on the Toronto Stock Exchange on the date the share-based awards were earned, being $16.34 in the case of performance share units earned and $20.20 in the case of restricted share units earned in 2017.
(2) Amounts reported in the table have been converted from United States dollars to Canadian dollars based upon the average Bank of Canada noon rate for that year, being US$0.7692 = Cdn$1.

Pension Plan Benefits

The Company does not have a defined benefit plan or a deferred compensation plan. The Company does have a defined contribution plan. See " Defined Contribution Plan" above. The following table sets forth information in respect of the Company's defined contribution plan for the Named Executive Officers:

Name	Accumulated Value at Start of Year ($)	Compensatory(1) ($)	Accumulated Value at Year End ($)
Group RRSP - Canada			
Robert J. Brown(2)	173,422	13,115	203,702
Lance R. Blanco	200,937	13,115	246,132
Faiz H. Karmally	55,202	13,115	88,363
401(k) Plan – United States			
Daniel A. Bessen(3)	1,350,634	14,040	1,421,574
Dan B. Figgins(3)	246,540	14,040	311,186

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(1) The amounts in the column entitled "Compensatory" are comprised of employer contributions.

(2) Mr. Brown contributes to a spousal RRSP. The matching contributions by the Company are made to Mr. Brown's RRSP.

(3) Compensatory amounts reported in the table have been converted from United States dollars to Canadian dollars based upon the Bank of Canada average rate for that year, being US$0.7692 = Cdn$1. The accumulated value at the start of the year and accumulated value at the end of the year have been converted from United States dollars to Canadian dollars based upon the year end Bank of Canada closing rate being US$0.7463 = Cdn$1 and US$0.8000 = Cdn$1 respectively.

Termination and Change of Control Benefits

The Company has entered into employment agreements with each of Mr. Brown, Mr. Blanco and Mr. Karmally for their services respectively as Chief Executive Officer, Senior Vice President, Corporate Development and Chief Financial Officer. Each the agreements provides that the employee may terminate the agreement upon three months' notice. The Company may terminate each of the agreements for cause without notice. In the event the Company terminates the employment of Messrs. Brown, Blanco or Karmally without cause, Messrs. Brown, Blanco and Karmally will, subject to compliance with certain non-competition, non-solicitation and confidentiality obligations, be entitled to an amount equal to 1.5 times "Total Remuneration", payable in 36 equal semi-monthly instalments. "Total Remuneration" means total gross salary and bonus earned by each of Messrs. Brown, Blanco and Karmally in respect of the calendar year immediately preceding the year in which the employment ends. Had Messrs. Brown, Blanco and Karmally been terminated on January 1, 2018 they would have received $1,801,022, $701,099, and $540,230, respectively, pursuant to this obligation. In addition, if Messrs. Brown, Blanco, or Karmally are terminated without cause, they will be entitled to continue their employee benefits for a term of 12 months. If, within six months of a change of control, Messrs. Brown, Blanco or Karmally are terminated without cause, then they will be entitled to receive a payment of 1.5 times Total Remuneration, and no additional obligation will be owed to them under their employment agreement. Had Messrs. Brown, Blanco and Karmally been terminated on January 1, 2018 they would have received $1,801,022, $701,099 and $540,230, respectively, pursuant to this obligation.

The Company has entered into an employment agreement with Mr. Besen for his services as Vice President United States. The agreement provides that Mr. Besen may terminate the agreement upon three months' notice. The Company may terminate the agreement at any time. The agreement also provides that in the event that Mr. Besen resigns, or his employment is terminated without cause, Mr. Besen is entitled to an amount equal to 1.5 times the total remuneration, defined as total salary and bonus earned by the employee in the fiscal year immediately preceding the date of the employee's termination, which is intended to reflect the 18 month period during which the employee will be prohibited pursuant to the agreement from competing with the Company. Had Mr. Besen resigned or been terminated without cause on January 1, 2018, he would have received $785,460 pursuant to this obligation. In addition, Mr. Besen will be entitled to continue his employee benefits for a term of 18 months.

The Company has entered into an employment agreement with Mr. Figgins for his services as Vice President Imports. The agreement provides that Mr. Figgins may terminate the agreement upon three months' notice. The Company may terminate the agreement at any time. The agreement also provides that in the event that Mr. Figgins is terminated without cause, Mr. Figgins is entitled to an amount equal to one-half times the total remuneration, defined as total salary and bonus earned by the employee in the fiscal year immediately preceding the date of the employee's termination. Had Mr. Figgins been terminated without cause on January 1, 2018, he would have received $184,860 pursuant to this obligation. In addition, Mr. Figgins will be entitled to continue his employee benefits for a term of 6 months.

Except as described above, there are no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or its subsidiaries or a change in a Named Executive Officer's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than $50,000).

Compensation of Directors

During the most recently completed financial year, each director of the Company, who is not also a Named Executive Officer, was paid an annual retainer as follows:

Position	**Annual Retainer Amount ($)**
Chair	135,000
Director (excluding the chair)	90,000
Audit Committee chair	10,000
Compensation, Nominating and Governance Committee Chair	5,000

A minimum of 50% of the annual retainer relating to the chair and director position is required to be paid in restricted share units pursuant to the Long Term Incentive Plan and the balance in cash. Directors may elect to receive more than 50% of their retainer in restricted share units.

The following table provides a summary of compensation provided to each director of the Company, who is not also a Named Executive Officer, for the most recently completed financial year:

Name	**Fees Earned ($)**	**Share-Based Awards ($)(2)**	**Option-Based Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Pension Value ($)**	**All Other Compensation ($)**	**Total ($)**
Peter M. Bull	-	90,000	-	-	-	-	90,000
Michelle A. Lewis(1)	27,940	27,940	-	-	-	-	55,880
Jim C. Macaulay	45,000	45,000	-	-	-	-	90,000
E. Lawrence Sauder	72,500	67,500	-	-	-	-	140,000
William Sauder	45,000	45,000	-	-	-	-	90,000
Graham M. Wilson	55,000	45,000	-	-	-	-	100,000

(1) Ms. Lewis was appointed a director on May 19, 2017.

(2) Share based awards consist of restricted share units granted to directors in 2017. These restricted share units vested on December 31, 2017 and were converted to Shares on that date.

The following table sets forth the value of option-based and share-based awards and non-equity incentive plan compensation vested or earned by each director of the Company, who is not also a Named Executive Officer, during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the Year ($)	Share-Based Awards – Value Vested During the Year ($)[(1)(2)]	Non-equity Incentive Plan Compensation – Value Earned During the Year ($)
Peter M. Bull	-	111,565	-
Michelle A. Lewis[(3)]	-	29,856	-
Jim C. Macaulay	-	55,772	-
E. Lawrence Sauder	-	83,668	-
William Sauder	-	55,772	-
Graham M. Wilson	-	55,772	-

(1) The share-based awards are restricted share units granted under the Long Term Incentive Plan and are received by the directors in lieu of all or part of their annual retainer. Restricted share units granted to directors vested on December 31, 2017. The number of restricted share units received was equal to the amount of the annual retainer paid in restricted share units divided by the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to the grant date, being $16.46 for Messrs. Bull, Macaulay, E. L. Sauder, W. Sauder and Wilson. For Ms. Lewis, the number of restricted share units received was equal to the amount of the annual retainer paid in restricted shares divided by the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to the grant date, being $19.02.
(2) The aggregate value of the share-based awards vested during the financial year is based on the closing price of the Shares on December 31, 2017 on the Toronto Stock Exchange, being $20.20.
(3) Ms. Lewis was appointed a director on May 19, 2017.

The Company maintains Share ownership guidelines encouraging each non-executive director to own Shares and restricted share units at least equal in value to three times the current base annual retainer received by the director for serving as a member of the board of directors or chairing the board of directors. In determining whether a director has met the minimum shareholding requirement, the total number of Shares and restricted share units held by the director is valued at the greater of the: (i) actual cost of shares or the grant date market value of restricted share units awarded; and (ii) market value, being the weighted average trading price of the Shares on the Toronto Stock Exchange for the five trading days preceding the applicable valuation date for such Shares and restricted share units. In the event that a director does not meet the Share ownership guidelines, then that director is required to refrain from selling any Shares held by the director until such time as the director is in compliance with the Share ownership guidelines. The following table provides a summary of the number of Shares held by each director, who is not also a Named Executive Officer, as at December 31, 2017, the number of restricted share units held as at December 31, 2017, the total equity held, the value of such equity and the value of equity required to be held pursuant to the Share ownership guidelines:

Name	Number of Shares[(1)]	Number of Restricted Share Units	Total Equity Units[(2)]	Value of Equity Held ($)[(3)]	Value of Equity Required to be Held ($)
Peter M. Bull	4,127,539	-	4,127,539	82,880,983	270,000
Michelle A. Lewis[(4)]	1,478		1,478	29,678	270,000
Jim C. Macaulay	3,548	-	3,548	71,243	270,000
E. Lawrence Sauder	207,992	-	207,992	4,176,479	405,000
William Sauder	284,239	-	284,239	5,705,519	270,000
Graham M. Wilson	36,488	-	36,488	732,679	270,000

(1) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca.
(2) Represents number of Shares plus number of restricted share units.
(3) Calculated by multiplying the total equity by the market value of the Shares, being the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to December 31, 2017, being $20.08.
(4) Ms. Lewis was appointed a director on May 19, 2017.

Directors' and Officers' Liability Insurance

The Company and certain of its subsidiaries maintain policies of insurance for their directors and officers. Under the policies, each entity has reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a deductible of $100,000. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Company and its subsidiaries. The total limit of liability is shared among the insured entities and their respective directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective trustees, directors and officers. The annual premium in the current financial year is $68,590. The premiums for the policy are not allocated between the insured directors and officers as separate groups.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER SHARE COMPENSATION PLANS

The following table sets forth the compensation plans under which Shares of the Company are authorized for issuance, as of December 31, 2017, the Company's most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding option, warrants and rights(2)	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	238,156	Nil	298,184
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	238,156	Nil	298,184

(1) Includes restricted share units and performance share units issuable pursuant to the Long Term Incentive Plan, and assumes the payout multiplier applicable at the time of settlement of the performance share units is at the target one times.
(2) Excludes restricted share units and performance share units issuable pursuant to the Long Term Incentive Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Aggregate Indebtedness

The following table provides the aggregate indebtedness of all present and former directors, executive officers and employees of the Company and its subsidiaries outstanding as of the date hereof in connection with (i) the purchase of securities, and (ii) all other indebtedness, other than routine indebtedness. The table reports separately indebtedness owed to (i) the Company and any of its subsidiaries, and (ii) another entity where that indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Purpose	To the Company or its Subsidiaries	To Another Entity
Share purchases	-	-
Other	$0.3 million (1)	-

(1) Represent loans made to employees to purchase homes as a result of job relocations.

Indebtedness of Directors and Executive Officers under Securities Purchase and Other Programs

No individual who is, or at any time during the Company's most recently completed financial year was, a director or executive officer of the Company, no proposed nominee for election as a director of the Company, and no associate of any such director, executive officer or proposed director is, or at any time during the Company's most recently completed financial year was, indebted to (i) the Company or any of its subsidiaries, or (ii) another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than routine indebtedness or indebtedness that has been entirely repaid on or before the date of this Information Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no informed person of the Company, nor any proposed director, nor any associate or affiliate of any informed person or proposed director, has any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries and that, directly or indirectly, involves remuneration for services.

MANAGEMENT CONTRACTS

There are no management functions of the Company or any of its subsidiaries which are to any substantial degree performed by a person other than the directors or executive officers of the Company or a subsidiary, other than management functions performed by a subsidiary for another subsidiary.

STATEMENT OF CORPORATE GOVERNANCE

A discussion of the Company's governance system within the context of *National Instrument 58-101 - Disclosure of Corporate Governance Practices* is attached to this Information Circular as Schedule "A".

APPOINTMENT OF AUDITORS

At the Meeting, the Shareholders will be called upon to appoint KPMG LLP, Chartered Professional Accountants, as auditors of the Company, to hold office until the next annual general meeting of the Company, at a remuneration to be fixed by the directors. KPMG LLP has acted as the auditors of the Company and its predecessor, the Fund, since January 30, 2004.

The board of directors recommend that the Shareholders vote for the appointment of KPMG LLP, Chartered Professional Accountants, as auditors of the Company, at a remuneration to be fixed by the directors.

Unless such authority is withheld, the management representatives named in the accompanying Form of Proxy intend to vote for the appointment of KPMG LLP, Chartered Professional Accountants, as auditors of the Company, to hold office until the next annual general meeting of the Company, at a remuneration to be fixed by the directors.

INCREASE IN SHARES ISSUABLE PURSUANT TO LONG TERM INCENTIVE PLAN

At the Meeting, the Shareholders will be called upon to consider an ordinary resolution to increase the number of Shares issuable pursuant to the Company's Long Term Incentive Plan.

The Long Term Incentive Plan was approved by unitholders of Hardwoods Distribution Income Fund, the predecessor of the Company, on May 20, 2010. In connection with the conversion of the Fund to a corporate structure, the Company assumed the obligations of the Fund under the Long Term Incentive Plan and the Plan was amended accordingly. The terms of the Long Term Incentive Plan are summarized under the heading "Executive

Compensation – Compensation Discussion and Analysis – Elements of Compensation – Long Term Incentive Plan". The Long Term Incentive Plan is the sole share-based compensation plan of the Company.

The Long Term Incentive Plan provides for the issuance of a maximum of 1,650,000 Shares (representing approximately 7.7% of the outstanding Shares of the Company). There are presently awards outstanding under the Long Term Incentive Plan pursuant to which a maximum of 359,662 Shares (assumes the payout multiplier applicable at the time of settlement of the performance share units is two) may be issued (representing approximately 1.7% of the outstanding Shares of the Company). Without amending the Long Term Incentive Plan, if the maximum payout multiplier is applicable at the time of settlement of the performance share units, then there are 176,678 remaining Shares that may be reserved for issuance pursuant to future awards (representing approximately 0.8% of the outstanding Shares of the Company). Management believes it is necessary to reserve additional Shares for issuance under the Long Term Incentive Plan to assist the Company in attracting and retaining qualified directors, officers, employees and consultants and to further align the interests of persons to whom awards may be granted with those of the Shareholders.

Under the rules of the Toronto Stock Exchange, an amendment to increase the number of Shares issuable under the Long Term Incentive Plan requires approval of the Shareholders. Accordingly, Shareholders will be called upon at the Meeting to consider an ordinary resolution (the "**Plan Amendment Resolution**") to amend the Long Term Incentive Plan to increase the number of Shares issuable pursuant to awards thereunder by 450,000 Shares (representing approximately 2.1% of the outstanding Shares of the Company) to a total of 2,100,000 Shares (representing approximately 9.8% of the outstanding Shares of the Company). The full text of the Plan Amendment Resolution is set forth below:

> "BE IT RESOLVED, as an ordinary resolution, THAT:
>
> 1. subject to the approval of the Toronto Stock Exchange, the amendment to the Company's Long Term Incentive Share Plan to increase the number of common shares of the Company issuable pursuant to awards thereunder by 450,000 common shares be authorized and approved;
>
> 2. notwithstanding that this resolution has been passed by the shareholders of the Company, the board of directors may revoke such resolution at any time before it is effected without further action by the shareholders; and
>
> 3. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver all documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action."

To be effective, the Plan Amendment Resolution must be approved by a majority of the votes cast in person or by proxy at the Meeting on the resolution.

The board of directors recommend that the shareholders vote for the Plan Amendment Resolution.

Unless such authority is withheld, the management representatives named in the accompanying Form of Proxy intend to vote for the Plan Amendment Resolution.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of management representatives named in the Form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

SHAREHOLDER PROPOSALS

Any Shareholder who intends to present a proposal at the Company's 2019 annual general meeting of Shareholders must send the proposal to the Secretary of the Company at #306 – 9440 202nd Street, Langley, British Columbia, V1M 4A6. In order for the proposal to be included in the information circular that management of the Company sends to Shareholders for that meeting, the proposal:

- must be received by the Company no later than December 20, 2018; and
- must comply with the requirements of section 137 of the *Canada Business Corporations Act*.

The Company is not obligated to include any shareholder proposal in its information circular for the 2019 annual general meeting of Shareholders if the proposal is received after the December 20, 2018 deadline.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the Company's most recently completed financial year. A copy of the Company's financial statements and management's discussion and analysis is available upon written request to the Secretary of the Company at #306 – 9440 202nd Street, Langley, British Columbia, V1M 4A6.

APPROVAL OF CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Company.

DATED at Vancouver, British Columbia, this 15th day of March, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

"E. Lawrence Sauder"
Director

APPENDIX "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

		CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	**OUR CORPORATE GOVERNANCE PRACTICES**
1.		**Board**	
	(a)	Disclose the identity of directors who are independent.	The Board has determined that each of Peter Bull, Michelle Lewis, Jim Macaulay, Lawrence Sauder, William Sauder and Graham Wilson are "independent". In this Appendix "A", references to "independent" have the meaning ascribed thereto in *National Instrument 52-110 - Audit Committees* of the Canadian Securities Administrators.
	(b)	Disclose the identity of directors who are not independent, and describe the basis for that determination.	The Board has determined that none of the directors are not independent other than Rob Brown, who is not independent by virtue of being the President and Chief Executive Officer of the Company.
	(c)	Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the "Board") does to facilitate its exercise of independent judgement in carrying out its responsibilities.	A majority of the directors are independent.
	(d)	If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the trustee/director and the other issuer.	Directors who are presently a director of another reporting issuer are as follows: *Director* — *Name of Reporting Issuer* Peter Bull — Tree Island Steel Ltd. Lawrence Sauder — Interfor Corporation

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT		OUR CORPORATE GOVERNANCE PRACTICES
(e)	Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	Non-independent directors and members of management are excluded from a portion of each regularly scheduled meeting of the Board. The Board held a total of seven meetings since January 1, 2017, the beginning of the Company's most recently completed year, at which non-independent directors and members of management were excluded from a portion of the meeting.
(f)	Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	Lawrence Sauder is the chair of the Board and is an independent director.
(g)	Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.	The Board held a total of seven meetings since January 1, 2017, the beginning of the Company's most recently completed financial year, which were attended by all directors.
2.	**Board Mandate**	
	Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The text of the mandate of the Board (called "Terms of Reference for the Board of Directors") is attached to this Information Circular as Appendix "B".

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT			OUR CORPORATE GOVERNANCE PRACTICES
3.	**Position Descriptions**		
(a)	Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.		The Board has developed a written position description for the chair of the Board, and the mandate for each committee of the Board contains written position descriptions for the chair of each committee.
(b)	Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.		The Board and the Chief Executive Officer have developed a written position description for the Chief Executive Officer.
4.	**Orientation and Continuing Education**		
(a)	Briefly describe what measures the Board takes to orient new directors regarding:		
	(i)	the role of the Board, its committees and its directors, and	The Board have adopted a Directors Information Manual which contains, among other things, the mandates of the Board and each of the committees of the Board. This manual has been reviewed by the directors, and a copy of the manual has been provided to each of the directors.
	(ii)	the nature and operation of the issuer's business.	The Chief Executive Officer reviews with the Board at each Board meeting the nature and operations of the business of the Company. The Board meet with other members of senior management of the Company periodically to review each of their specific operations.
(b)	Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.		Members of the Board are encouraged to participate in seminars and other continuing education programs for directors. The auditors periodically review at meetings of the Audit Committee of the Board the emerging standards for corporate governance, and the Board meet with independent counsel to the Company to review the governance practices of the directors and the obligations of the Board.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT			OUR CORPORATE GOVERNANCE PRACTICES
5.	**Ethical Business Conduct**		
(a)	Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:		
	(i)	disclose how a person or company may obtain a copy of the code;	The code is available at the Canadian Securities Administrator's System for Electronic Dissemination and Retrieval (SEDAR) at www.sedar.com.
	(ii)	describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	A copy of the code of ethical business conduct is provided to each of the directors, officers and employees of the Company, and each is requested to certify that he/she has read the code and that, to the best of his or her knowledge, information or belief, no breach of the code has occurred except those instances reported by him or her for remedial action. This certification is to be provided annually. A copy of the code will be provided to each new director, officer or employee.
	(iii)	provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change reports have been filed by the Company since January 1, 2017, the beginning of the Company's most recently completed financial year, that pertain to any conduct of a director or executive officer that constitutes a departure from the code.
(b)	Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.		Each director and executive officer is required to disclose to the Board information regarding any transaction or agreement in respect of which that director or executive officer has a material interest and, in the case of a director, to abstain from voting on any matter in respect of such transaction or agreement. The Board may request the director to excuse himself of herself from the portion of any Board meeting at which such transaction or agreement is discussed.
(c)	Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.		The Board encourages and promotes a culture of ethical business conduct through setting the "tone at the top" and requires the Chief Executive Officer to conduct himself in a manner that exemplifies ethical business conduct. Each director is entitled to engage outside advisors at the Company's expense in appropriate circumstances.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT			OUR CORPORATE GOVERNANCE PRACTICES
6.		**Nomination of Directors**	
	(a)	Describe the process by which the Board identifies new candidates for Board nomination.	The Compensation, Nominating and Corporate Governance Committee of the Board is mandated to identify new candidates for Board nomination, should the need arise.
	(b)	Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	The Compensation, Nominating and Corporate Governance Committee of the Board, which has the mandate of a nominating committee, is composed entirely of independent directors.
	(c)	If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The mandate of the Compensation, Nominating and Corporate Governance Committee of the Board delineates the responsibilities, powers and operation of the committee when discharging its duties as nominating committee, and is attached to this Information Circular as Appendix "C". The committee meets regularly.
7.		**Compensation**	
	(a)	Describe the process by which the Board determines the compensation for the issuer's directors and officers.	The written mandate of the Compensation, Nominating and Corporate Governance Committee of the Board includes responsibility to review and recommend adjustments for compensation to directors as warranted in the future. Compensation for officers is reviewed annually by the Compensation, Nominating and Corporate Governance Committee of the Board. See this Information Circular under the heading "Executive Compensation – Compensation Discussion and Analysis" for a discussion on the process by which the compensation for officers is determined.
	(b)	Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.	The Compensation, Nominating and Corporate Governance Committee of the Board is composed entirely of independent directors.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT		OUR CORPORATE GOVERNANCE PRACTICES
(c)	If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The mandate of the Compensation, Nominating and Corporate Governance Committee of the Board delineates the responsibilities, powers and operation of the committee when discharging its duties as a compensation committee, and is attached to this Information Circular as Appendix “C”.
8.	**Other Board Committees**	
	If the Board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.	The Compensation, Nominating and Corporate Governance Committee of the Board is also responsible for the corporate governance of the Company. The mandate of the Compensation, Nominating and Corporate Governance Committee delineates the responsibilities, powers and operation of the committee when discharging its duties as a corporate governance committee, and is attached to this Information Circular as Appendix “C”.
9.	**Assessments**	
	Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	The Board and its committees have adopted a procedure to assess the effectiveness and contribution of the directors. The chair of the Board annually reviews written assessments received from each director to assess the effectiveness and contribution of the directors.
10.	**Director Term Limits and Other Mechanisms of Board Renewal**	
	Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted those director term limits or other mechanisms of board renewal, disclose why it has not done so.	The Company has not adopted term limits for directors because the Board believes the imposition of arbitrary term limits may result in an effective director being disqualified and discounts the value of experience and continuity. The Compensation, Nominating and Corporate Governance Committee of the Board is responsible for assessing the effectiveness of the Board and board renewal is one of the factors the Committee utilizes in its evaluation.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT			OUR CORPORATE GOVERNANCE PRACTICES
11.		**Policies Regarding the Representation of Women on the Board**	
	(a)	Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.	The Company has not adopted a written policy relating to the identification of women directors. The Compensation, Nominating and Corporate Governance Committee of the Board is required to annually develop and update a long term plan for the composition of the Board and one of the factors that it considers is diversity, including gender diversity. Other factors that the Committee takes into consideration are the current strengths, skills and experience on the Board, any planned retirement dates and the strategic direction of the Company. Accordingly, the Board does not believe a written policy relating solely to the identification of directors based upon gender is necessary.
	(b)	If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:	
		(i) a short summary of its objectives and key provisions,	
		(ii) the measures taken to ensure that the policy has been effectively implemented,	
		(iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and	
		(iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT		OUR CORPORATE GOVERNANCE PRACTICES
12.	**Consideration of the Representation of Women in the Director Identification and Selection Process**	
	Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	The Compensation, Nominating and Corporate Governance Committee of the Board considers the diversity of the Board, including the level of representation of women, as one of the factors in identifying and nominating candidates for election or re-election to the Board. The other factors that the Committee considers are: the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; the competencies and skills that the Board considers each existing director to possess; the competencies and skills each new nominee will bring to the Board; the time and energy of the proposed nominee to devote to the tasks; and, the understanding by the proposed nominee of the nature of the business and operations of the Company.
13.	**Consideration Given to the Representation of Women in Executive Officer Appointments**	
	Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	The Company considers diversity in its executive officer positions, including the level of representation of women, as one of the factors in making executive officer appointments. The Company also considers the skills and experience necessary for the position.
14.	**Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**	
(a)	For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.	

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT		OUR CORPORATE GOVERNANCE PRACTICES
(b)	Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.	The Company has not adopted a target regarding women on the Board. Diversity, including gender diversity, is one of the factors that the Compensation, Nominating and Corporate Governance Committee of the Board considers in identifying and nominating candidates for election or re-election to the Board. The other factors that the Committee considers are described in part 12 above. The Compensation, Nominating and Corporate Governance Committee of the Board believes all of these factors are relevant to ensure high functioning Board members and that establishing targets based upon only gender may disqualify desirable director candidates.
(c)	Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.	The Company has not adopted a target regarding women in executive officer positions of the Company. Diversity, including gender diversity, is one of the factors that the Company considers in identifying executive officers. The other factors that the Company considers are described in part 13 above. The Company believes all of these factors are relevant to ensure appropriate executive officers and that establishing targets based upon only gender may disqualify desirable executive officer candidates.
(d)	If the issuer has adopted a target referred to in either (b) or (c), disclose:	
	(i) the target, and	
	(ii) the annual and cumulative progress of the issuer in achieving the target.	
15.	**Number of Women on the Board and in Executive Officer Positions**	
(a)	Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.	One of the directors of the Company is a woman (14%).
(b)	Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	None of the executive officers of the Company are women.

APPENDIX "B"

HARDWOODS DISTRIBUTION INC.
(the "Corporation")

TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

I. PURPOSE

These terms of reference are for the board of directors (the "Board") of the Corporation.

The Board acknowledges that the Corporation is the sole shareholder of the general partner of Hardwoods Specialty Products LP ("Hardwoods LP") and Hardwoods Specialty Products US LP ("Hardwoods USLP"), which carry on the business of the Corporation.

The primary responsibility of the Board is to foster the long-term success of the business of the Corporation consistent with the Board's fiduciary responsibilities to the Corporation.

The Board has the responsibility to oversee the conduct of the business of the Corporation, the indirect responsibility to oversee the conduct of the business of Hardwoods LP and Hardwoods USLP and to supervise management which is responsible for the day-to-day conduct of business. In addition to the Board's fundamental objective to maximize dividends made to its shareholders while preserving long-term value, in performing its functions the Board also considers the legitimate interests that other stakeholders such as employees, suppliers, customers and communities may have in the Corporation. In supervising the conduct of the business, the Board through the CEO shall set the standards of conduct for the Corporation.

II. PROCEDURES AND ORGANIZATION

The Board is to be composed of a majority of individuals who are "independent" within the meaning of National Instrument 52-110, as amended and referenced in Tab 11 of the Directors' Information Manual. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the director's independent judgment.

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The capital and maintenance authority levels are outlined in Administrative Guidelines for the Board.

The Board retains the responsibility for managing its own affairs including by:

(a) selecting its Chair;

(b) if the Chair is not independent, develop a procedure to provide leadership for its independent directors;

(c) nominating candidates for election to the Board, after considering the recommendations of the Compensation, Nominating and Corporate Governance Committee;

(d) constituting committees of the Board;

(e) determining director compensation; and

(f) holding regularly scheduled meetings at which members of management are not in attendance.

Subject to the by-laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

III. DUTIES AND RESPONSIBILITIES

Selection of Management

The Board has the responsibility:

(a) to appoint and replace the CEO;

(b) to monitor the CEO's performance;

(c) to approve the CEO's compensation;

(d) to provide advice and counsel in the execution of the CEO's duties; and

(e) to the extent feasible, to satisfy itself as to the integrity of the CEO and other executive officers in order to create a culture of integrity throughout the organization.

Acting upon the advice of the CEO, and the recommendation of the Compensation, Nominating and Corporate Governance Committee, the Board has the responsibility for approving the appointment and remuneration of all corporate officers.

The Board has the responsibility for ensuring that plans have been made for management succession for executive management, including appointing, training and monitoring senior management.

Orientation and Continuing Education

The Board shall ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its Committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and energy that the Board expects from its directors); and

The Board shall provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.

Compliance Reporting and Corporate Communications

The directors have the responsibility:

(a) to ensure that the financial performance of the Corporation is adequately reported to its shareholders and regulators on a timely and regular basis;

(b) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;

(c) to ensure that the Corporation has appropriate disclosure controls and procedures that enable information to be recorded, processed, summarized and reported within the time periods required by law;

(d) to approve and monitor compliance with all significant policies and procedures by which Hardwoods is operated;

(e) to direct management to implement systems which are designed to ensure that Hardwoods operates at all times within applicable laws and regulations, and to the highest ethical and moral standards;

(f) to ensure the timely reporting of any developments that are required to be disclosed by applicable law;

(g) to report annually to its shareholders on the stewardship of the Board for the preceding year (the Annual Report);

(h) to assist the Corporation to enable it to communicate effectively with its shareholders, stakeholders and the public generally;

(i) to direct to management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained, including the following requirements identified in the Canada Business Corporations Act:

- (i) to manage the affairs and business of the Corporation;
- (ii) to act honestly and in good faith with a view to the best interests of the Corporation;
- (iii) to exercise the care, diligence and skill of a reasonably prudent person; and
- (iv) in particular, it should be noted that the following matters must be considered by the Board as a whole:
  - (A) to submit to the shareholders any question or matter requiring the approval of the shareholders;
  - (B) to fill a vacancy among the directors or in the office of the auditor;
  - (C) to issue securities except in the manner and on the terms authorized by the directors;
  - (D) to declare dividends;
  - (E) to purchase, redeem or otherwise acquire shares issued by Hardwoods;
  - (F) to pay a commission to any person in consideration of that person purchasing or agreeing to purchase shares of Hardwoods from Hardwoods or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (G) to approve a management proxy circular;
  - (H) to approve a take-over bid circular or directors' circular;
  - (I) to approve any financial statements; and
  - (J) to adopt, amend or repeal by-laws of Hardwoods

IV. TERMS OF REFERENCE FOR A DIRECTOR

Goals and Objectives

As a member of the Board, each director shall:

(a) fulfill the legal requirements and obligations of a director which includes a comprehensive understanding of the statutory and fiduciary roles;

(b) represent the interests of all shareholders in the governance of the Corporation ensuring that the best interests of the Corporation are paramount; and

(c) participate in the review and approval of Corporation policies and strategy and in monitoring their implementation.

Duties and Responsibilities

<u>Board Activity</u>

As a member of the Board, each director shall:

(a) exercise good judgment and act with integrity;

(b) use his abilities, experience and influence constructively;

(c) be an available resource to management and the Board;

(d) respect confidentiality;

(e) advise the CEO and/or Chair when introducing significant and/or previously unknown information or material at a Board meeting;

(f) understand the difference between governing and managing, and not encroach on management's area of responsibility;

(g) identify potential conflict areas - real or perceived - and ensure they are appropriately identified and reviewed;

(h) when appropriate, communicate with the Chair and CEO between meetings;

(i) demonstrate a willingness and availability for one on one consultation with the Chair and CEO; and

(j) evaluate the performance of the CEO and the Corporation.

Preparation and Attendance

To enhance the effectiveness of Board and committee meetings, each director shall:

(a) prepare for Board and committee meetings by reading reports and background materials prepared for each meeting;

(b) maintain an excellent Board and committee meeting attendance record[1]; and

(c) have acquired adequate information necessary for decision making.

Communication

Communication is fundamental to Board effectiveness and therefore each director shall:

(a) participate fully and frankly in the deliberations and discussions of the Board;

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[1] The target is 100% attendance. Anything less than 75% without extenuating circumstances, would create considerable concern for the Board.

(b) encourage free and open discussion of the affairs of the Corporation by the Board; and

(c) ask probing questions, in an appropriate manner and at proper times.

Independence

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director shall:

(a) be a positive force with a demonstrated interest in the success of the Corporation;

(b) establish an effective, independent and respected presence and a collegial relationship with other Board members; and

(c) speak and act independently.

Committee Work

In order to assist Corporation committees in being effective and productive, each director shall:

(a) participate on committees and become knowledgeable with the purpose and goals of the committee; and

(b) understand the process of committee work, and the role of management and staff supporting the committee.

Business, Corporation and Industry Knowledge

Recognizing that decisions can only be made by well informed directors, each director shall:

(a) become generally knowledgeable of the Corporation's products and industry;

(b) develop an understanding of the unique role of the Corporation within its various communities;

(c) maintain an understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates;

(d) become acquainted with the officers of the Corporation;

(e) remain knowledgeable about the Corporation's facilities and visit them when appropriate; and

(f) be an effective ambassador and representative of the Corporation.

V. ADMINISTRATIVE GUIDELINES FOR THE BOARD

1. The Board assumes the responsibility for the stewardship of the Corporation. While, in law, the Board is called upon to manage the business, this is done by proxy through the President and Chief Executive Officer ("CEO") who is charged with the day-to-day leadership and management of the Corporation.

2. The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation in the interest of all stakeholders. Although directors are elected by the shareholders to bring special expertise or a point of view to Board deliberations, the best interest of the Corporation must be paramount at all times.

3. The capital and maintenance expenditure authority levels are outlined below.

4. Terms of reference for the Board, the Chair, committees and the CEO are annually reviewed by the Compensation, Nominating and Corporate Governance Committee and any changes are recommended to the Board for approval.

5. Every year the Board review and approve a long range strategic plan and one-year operating and capital plans for the Corporation.

6. The Board has concluded that the appropriate size for the Board is seven members.

7. All directors stand for election every year.

8. The Board does not believe that directors who retire from or otherwise change their current position responsibilities should necessarily retire from the Board. There should, however, be an opportunity for the Board, through the Compensation, Nominating and Corporate Governance Committee, to review the appropriateness of continued Board membership.

9. The Board believes there should be a majority of independent directors on each board and no more than two directors who are not independent on the Board.[2]

10. The Board currently supports the concept of the separation of the role of Chair from that of the CEO. The Board is able to function independently of management when necessary and the Chair's role is to effectively manage and provide leadership to the Board and to interface with the CEO.

11. The Board will evaluate the performance of the CEO at least annually. The evaluation will be based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.

12. The CEO has the special responsibility to manage and oversee the required interfaces between Hardwoods Specialty Products LP, Hardwoods Specialty Products US LP and the public and to act as the principal spokesperson for the Corporation. This includes the responsibility for managing the equity and other financial market interfaces on behalf of the Corporation.

13. The Chair of the Board, with the assistance of the CEO, will establish the agenda for each Board Meeting. Each Board member is free to suggest the inclusion of items on the agenda.

14. The Board will meet at least four times per year and schedule meetings one year in advance.

15. Materials will be delivered at least three days in advance of meetings for items to be acted upon. Presentations on specific subjects at Board meetings will only briefly summarize the material sent to directors so that discussion can be focused on issues relevant to the material.

16. The Board encourages the CEO to bring employees into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, and/or employees who represent future potential who the CEO.

17. The Board is responsible, in fact as well as in procedure, for selecting candidates for Board membership. The Board delegates the screening process to the Compensation, Nominating and Corporate Governance Committee of the Corporation.

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[2] A director is independent if he or she has no direct or indirect material relationship with the Corporation or any of its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The meaning of independence, as contained in National Instrument 52 – 110 as amended and referenced in Tab 11 of the Directors' Information Manual.

18. The Compensation, Nominating and Corporate Governance Committee will annually assess the effectiveness of the Board and their respective committees.

19. Committees established by the Board analyze in depth policies and strategies, usually developed by management, which are consistent with their terms of reference. They examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.

20. The current committees of the Board are the Audit Committee and the Compensation, Nominating and Corporate Governance Committee. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.

21. Committee members and Committee Chairs are appointed by the directors and the Board respectively, and where possible, consideration is given to having directors rotate their committee assignments.

22. Committees annually review their terms of reference and changes are recommended to the Board through the Compensation, Nominating and Corporate Governance Committee for approval.

23. Succession and management development plans will be reviewed by the Compensation, Nominating and Corporate Governance Committee and reported annually by the CEO to the Board.

24. The Board ensures new directors are appropriately introduced to the Corporation and its industry and that those directors receive the necessary ongoing industry training and development.

25. The Board meets during each meeting on an "in camera" basis without management present.

26. The Board and committees may engage separate independent counsel and/or advisors at the expense of the Corporation. An individual director may engage separate independent counsel and/or advisors at the expense of the Corporation in appropriate circumstances with the approval of the Chair.

27. Attached to these Administrative Guidelines is the Forward Agenda for the Board of Directors.

28. These Guidelines are reviewed and approved annually by the Board.

Capital and Maintenance Expenditure Authority Levels

President and Chief Executive Officer Authority Level in Excess of Amount in Approved Budget
$250,000.00

HARDWOODS DISTRIBUTION INC.

BOARD OF DIRECTORS FORWARD AGENDA

Meeting Timing ***Agenda Items*:**	**Q1**	**Q2**	**Q3**	**Q4**
A. Governance				
Annual Meeting		X		
Director/Board Performance Review	X			
CEO Performance Review	X			
Director Nominating Report	X			
Appoint Officers		X		
Appoint Committees		X		
Set Record Date for AGM	X			
Review Committee Terms of Reference	X			
Review disclosure controls and procedures.				X
B. Financial				
Quarterly Results	X	X	X	X
Year End Results	X			
Audit Committee Report	X	X	X	X
C. Plans and Strategies				
Strategic Plan	X			X
Operating Plan, Capital Budgets				X
Succession Plan	X			
Compensation Plans	X			X
D. Operations				
CEO Report	X	X	X	X
Review of Key Corporate Policies		X		
E. Other				
Director Consents/Disclosure Letters	X			
Annual Statutory Disclosure Documents	X			

APPENDIX "C"

HARDWOODS DISTRIBUTION INC.
(the "Corporation")

TERMS OF REFERENCE FOR THE
COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

I. PURPOSES

The purpose of the Compensation, Nominating and Corporate Governance Committee (the "Committee") is to provide a focus on board of directors (the "Board) governance that will enhance performance, to assess and make recommendations regarding Board effectiveness, and to establish a process for identifying, recruiting and re-commending candidates for membership on the Board. Ultimately the full Board recommends the election of directors.

The purpose of the Committee is also to establish a plan of continuity for executives and other key employees, and to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, hold and inspire the Executive Management and other key employees and to oversee compliance by Executive Management with the Corporation's Code of Corporate Behaviour.

For the purposes hereof, "Executive Management" means all members of the Executive of the Corporation and its subsidiaries (collectively, "Hardwoods") and such other officers of subsidiaries of Hardwoods as may be designated by the Board.

II. COMPOSITION AND TERMS OF OFFICE

Following each annual meeting of shareholders of the Corporation, the Board shall appoint not less than three members to the Committee. Unless otherwise approved by the Board, each member of the Committee shall meet all applicable independence[2] and other requirements of law.

The Committee Chair shall be appointed by the Board who, unless otherwise approved by the Board shall be an independent director.

If the Committee is not composed entirely of independent directors, develop procedures to ensure an objective process for determining compensation and nominee, and otherwise discharging the duties of the Committee.

Any Committee member may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced, whichever first occurs.

The Committee shall meet at least annually per year. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any member.

A quorum for the transaction of business at all meetings of the Committee shall be a majority of the authorized number of members. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes the Chair shall have a second casting vote.

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[2] A director is independent if he or she has not direct or indirect material relationship with the Corporation or any of its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonable expected to interfere with the exercise of a director's independent judgment. The meaning of independence, as contained in National Instrument 52 – 110 as amended and referenced in Tab 11 of the Directors' Information Manual.

The Committee may invite such directors, officers and employees of the Corporation as it may see fit from time to time to attend meetings and assist in the discussion and consideration of the business of the Committee, but without voting rights.

A resolution approved in writing by all the members shall be as valid and effective as if it had been passed at a meeting duly called and constituted. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated on any counterpart.

The Committee shall keep regular minutes of proceedings and shall cause them to be. recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

The Secretary of the Committee shall be such person as it deems appropriate.

The Committee shall have the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The Committee shall have the authority to delegate any of its duties and responsibilities to individual members or subcommittees.

III. CHAIR OF THE COMMITTEE

The Chair of the Committee shall:

(a) call and conduct the meetings of the Committee;

(b) be entitled to vote to resolve any ties;

(c) prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;

(d) review with the CEO the Corporation's policies and strategies in determining the compensation of its executive officers and employees;

(e) engage, on behalf of the Committee and the Board, independent consultants to advice the Committee on the compensation strategies and policies of the Corporation;

(f) appoint a secretary to take minutes of the meetings of the Committee; and

(g) act in a manner that the Committee meetings are conduced in an efficient, effective and focused manner.

IV. DUTIES AND RESPONSIBILITIES

Nominations

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

(a) annually develop and update a long term plan for the composition of the Board that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of Hardwoods;

(b) prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:

(i) considering what competencies and skills the board, as a whole, should possess; and

(ii) assessing what competencies and skills each existing director possesses, by considering the Board as a group and paying attention to the personality and other qualities of each director.

(c) in consultation with the Chair of the Board recommend to the Board nominees for election and re-election as members of the Board, considering the following:

(i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;

(ii) the competencies and skills that the Board considers each existing director to possess;

(iii) the competencies and skills each new nominee will bring to the Board; and

(iv) the time and energy of the proposed nominee to devote to the task and who understands the nature of the business and operation of Hardwoods.

(d) review, monitor and make recommendations regarding new director orientation and the ongoing development of existing members of the Board.

<u>Corporate Governance</u>

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

(a) develop and monitor Hardwoods' overall approach to corporate governance issues and, subject to approval by the Board, implement and administer the system;

(b) advise the Board or any of the committees of the Board of any corporate governance issues, which the Committee determines ought to be considered by the Board or any such committees;

(c) assess the independence and qualifications of the members of each of the Committees of the Board as required by applicable law and make recommendations to the Board regarding the composition of such committees;

(d) review with the Board, on a regular basis, but not less than annually, the role of the Board, the terms of reference for each of the committees of the Board, the Chair and the CEO;

(e) review with the Board, on a regular basis, the methods and processes by which the Board fulfils its duties and responsibilities, including without limitation:

(i) the size of the Board, with a view to facilitating effective decision making;

(ii) the number and content of meetings;

(iii) the annual schedule of issues to be presented to the Board at its meetings or those of its committees;

(iv) material which is to be provided to the directors generally and with respect to meetings of the Board or its committees;

(v) resources available to the directors; and

(vi) the communication process between the Board and management;

(f) be responsible for the management and administration of a system, which enables a committee or an individual director to engage separate independent counsel and/or advisors at the expense of Hardwoods in appropriate circumstances;

(g) make recommendations to the Board regarding changes or revisions to the Board Manual;

(h) establish and administer a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole and committees of the Board;

(i) monitor compliance by Executive Management with Hardwoods' Code of Corporate Behaviour, including reviewing with legal counsel the adequacy and effectiveness of Hardwoods' procedures to ensure proper compliance. The Committee shall also recommend amendments to the Hardwoods' Code of Corporate Behaviour to the Board, as the Committee deems appropriate;

(j) recommend to the Board an appropriate evaluation process for the Board as a whole and, at the appropriate time, directors individually;

(k) recommend the directors' compensation plan to the Board;

(l) when/if the Chair of the Board and the CEO are combined, function as a forum for concerns of individual directors about matters that are not readily or easily discussed at full meetings of the Board;

(m) prepare recommendations for the Board regarding any reports required or recommended on corporate governance (e.g. public reports required to meet the TSX or securities commission guidelines);

(n) annually review and set the Board Forward Agenda; and

(o) have such other powers and duties as delegated to it by the Board.

Compensation/ Human Resources

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

(a) review the organizational structure and report any significant organizational changes, along with the Committee's recommendations, to the Board;

(b) review and approve corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;

(c) review management's succession plans for Executive Management, including specific development plans and career planning for potential successors prior to their presentation to the Board by the CEO;

(d) review the compensation philosophy and guidelines for Executive Management, for recommendation to the Board for its consideration and approval;

(e) review and recommend the compensation of each member of Executive Management, and report its broad conclusions to the Board for its consideration and approval;

(f) recommend to the Board for consideration and approval any long term incentive plan, stock option plan, pension plan or employee benefit plan to be granted to Executive Management and guidelines with respect thereto;

(g) with respect to long term incentive plans or the granting of stock options to Executive Management:

    (i) in conjunction with management, administer such long term incentive plan, stock option plans or other benefit plans as determined and established by the Board to be granted to Executive Management;

    (ii) review management's recommendations for and, subject to confirmation by the Board, approve the granting of stock options or awards under a long term incentive plan to Executive Management and other key employees of Hardwoods and its subsidiaries; and

    (iii) suggest and review any amendments which the Committee considers necessary to any employee stock option plan or long term incentive plan and make recommendations to the Board with respect to those amendments; provided however, that all amendments to such plans shall be subject to the consideration and approval of the Board;

(h) within any guidelines established by the Board:

    (i) in conjunction with management, administer the matching contribution plan;

    (ii) suggest and review any amendments which the Committee considers for the matching contribution plan and make recommendations to the Board for the consideration and approval of the Board; provided however, that all amendments to such plans be subject to the consideration and approval of the Board;

(i) subject to the approval of the Board, review and approve benefits other than those applicable to employees generally to be granted to Executive Management including levels and types of benefits;

(j) approve and recommend to the Board any changes in the benefit provisions of any pension plan;

(k) consider and make recommendations to the Board for its approval all matters concerning incentive awards, perquisites and other remuneration matters with respect to Executive Management;

(l) oversee the selection of and terms of reference for outside consultants to review the Executive Management compensation program as appropriate;

(m) with respect to boards of directors of unrelated corporations which operate for profit and which compensate members of their boards and/or significant commitments with respect to non-profit organizations:

    (i) review a limit on the number of such boards on which individual members of senior management may participate;

(ii) receive notice of proposed membership by a member of senior management and upon consultation with the CEO have a right to object to such membership; and

(iii) confirm in writing, through the CEO, to such member of senior management that Hardwoods shall not indemnify the employee nor be exposed to liability with respect to the employee's participation on such board;

(n) lead and implement the CEO's review process and report the results of the process to the Board;

(o) review and approve the Compensation Committee Report for publication in the annual information circular and other applicable regulatory reports; and

(p) have such other powers and duties as delegated to it by the Board.

V. ACCOUNTABILITY

The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.

The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external advisors, senior management, legal counsel or anyone else it considers to be able contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of Hardwoods.

VI. REGULAR BOARD ASSESSMENTS

The Board, its Committees and each individual director should be assessed regarding his, her or its effectiveness and contribution. An assessment should consider:

(a) in the case of the Board or a Committee, its mandate or charter, and

(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each director is expected to bring to the Board.

VII. FORWARD AGENDA

A. The attached forward agenda pages outline the Committee's schedule of activities during the year.

HARDWOODS DISTRIBUTION INC.

Compensation, Corporate Governance and Nominating Committee Forward Agenda

Governance Timetable:

Meeting Timing *Agenda Item*	**Q1**	**Q2**	**Q3**	**Q4**
1. Board Composition (a) Review Board composition and succession	X			
(b) Recommend nominees for election and re-election	X			
2. Review independence and qualifications of Committee members	X			
3. Review director orientation program	X			
4. Review Board Manual	X			
5. Set forward agendas for the Board	X			
6. Review Committee Terms of Reference	X			
7. Review Code of Corporate Behaviour	X			
8. Review Board, Chair and committee performance	X			
9. Review Board compensation	X			
10. Approve statutory disclosure re: governance	X			

Compensation Timetable:

Meeting Timing *Agenda Item*	**Q1**	**Q2**	**Q3**	**Q4**
A. Human Resource Systems				
1. Review compensation philosophy				X
2. Review organization structure				X
3. Review succession and development plans				X
4. Select and retain outside review of compensation				X
5. Conduct CEO's review process	X			

Meeting Timing ***Agenda Item***	**Q1**	**Q2**	**Q3**	**Q4**
B. Reports				
1. Review and approve compensation report for annual information circular	X			
C. Executive Compensation Policies				
1. Consider new long term incentive plan, stock option, pension or benefit plans for Executive Management				X
2. Consider amendments to existing, pension or benefit plans for Executive Management			-	X
3. Approve benefits other than those applicable to employees generally, to be granted to Executive Management				X
D. Policy Administration				
1. Recommend compensation of each Member of Executive Management				X
2. Administer Matching Contribution Plan				X
3. Review key human resources policies				X
E. Other				
1. Review limits for senior management participation on outside Board				X
2. Receive notice of proposed memberships on outside Board				X
3. Confirm in writing non-indemnification of senior management on outside Board				X