

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE *BANKRUPTCY AND***  
***INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A**  
**PROPOSAL OF ROCKSHIELD ENGINEERED WOOD PRODUCTS ULC OF**  
**THE CITY OF COCHRANE IN THE PROVINCE OF ONTARIO**

**PROPOSAL**  
(June 8, 2021)

**ROCKSHIELD ENGINEERED WOOD PRODUCTS ULC** hereby submits the following Proposal under Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3.

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Definitions**

In this Proposal:

- (a) “**Act**” means the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended;
- (b) “**Administrative Fees and Expenses**” means the documented and reasonable fees and expenses of the Trustee and the Company and their respective legal counsel in respect of and incidental to the NOI and the preparation and facilitation of this Proposal and any amendments thereto, including, without limitation, fees incurred before and following the filing, execution, acceptance and approval of the NOI and of this Proposal;
- (c) “**Affected Claims**” means any Claim that is not an Unaffected Claim;
- (d) “**Affected Creditors**” means any Creditor having an Affected Claim and includes the transferee or assignee of a transferred or assigned Affected Claim or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person, and specifically includes the Shareholder Loan Creditors;

- (e) “**Affected Creditors Class**” has the meaning given to it in Section 3.1 of this Proposal;
- (f) “**Applicable Law**” means, with respect to any Person, property, transaction, event or other matter, any Law relating or applicable to such Person, property, transaction, event or other matter, including, where appropriate, any interpretation of the law (or any part) by any Person, court or tribunal having jurisdiction over it, or charged with its administration or interpretation;
- (g) “**Approval Order**” means an order of the Court approving this Proposal, to be granted pursuant to the provisions of the Act;
- (h) “**Bankruptcy Reserve**” means a reserve amount of \$30,000.00 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company, in the event that this Proposal is annulled, and the Company becomes bankrupt;
- (i) “**BNS**” means The Bank of Nova Scotia, a secured lender and the DIP Lender;
- (j) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (k) “**Charges**” means the Administration Charge, the Director's Charge, and the DIP Lender's Charge granted under the Charges Order of Cavanagh, J. dated February 10, 2021;
- (l) “**Charges Order**” means the Order of Cavanagh, J. dated February 10, 2021 approving, *inter alia*, the Charges and the debtor in possession financing by the DIP Lender;
- (m) “**Certificate of Full Performance**” means the certificate that the Trustee issues to the Company and to the Official Receiver pursuant to Section 65.3 of the Act;
- (n) “**Claim**” means any right or claim of any Person against the Company in connection with any indebtedness, liability, or obligation of any kind whatsoever in existence on the Date of Filing (or which has arisen after the Date of Filing as a result of the termination or repudiation by the Company on or after the Date of Filing of any lease or executory contract), and any interest accrued thereon to and including the Date of Filing and costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not such indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any right or ability of any Person to

advance a claim for contribution or indemnity or otherwise against the Company with respect to any matter, cause or chose in action, but subject to any counterclaim, set-off or right of compensation in favour of the Company which may exist, whether existing at present or commenced in the future, which indebtedness, liability or obligation (i) is based in whole or in part on facts that existed prior to the Date of Filing, (ii) relates to a period of time prior to the Date of Filing, or (iii) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the Act;

- (o) “**Common Shares**” means the common shares in the capital of the Company;
- (p) “**Company**” means Rockshield Engineered Wood Products ULC;
- (q) “**Convenience Class Claim**” means any Proven Claim of an Affected Creditor: (i) the aggregate face amount of which is equal or less than \$3,000; or (ii) the aggregate face amount of which is more than \$3,000 but which is reduced, for distribution purposes only, to \$3,000 pursuant to its Convenience Class Election Form delivered to the Trustee in accordance with the Proposal prior to the Convenience Class Election Deadline;
- (r) “**Convenience Class Creditor**” means an Affected Creditor with a Convenience Class Claim;
- (s) “**Convenience Class Election Deadline**” means 24 hours before the start time of the Creditors’ Meeting;
- (t) “**Convenience Class Election Form**” means an election form to be completed by an Affected Creditor with a Proven Claim in excess of \$3,000 that elects to be treated as a Convenience Class Creditor in accordance with Section 3.3 of this Proposal;
- (u) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (v) “**Court Approval Date**” means the date on which the Approval Order is issued;
- (w) “**Creditor**” means any Person having a Claim;
- (x) “**Creditors’ Meeting**” means the meeting of the Affected Creditors called for the purpose of considering and voting upon this Proposal;
- (y) “**Creditors’ Meeting Date**” means the date and time as may be called by the Trustee for the meeting of creditors to consider this Proposal;
- (z) “**Crown Priority Claims**” means Claims of Her Majesty in right of Canada or any province of all amounts of a kind contemplated by Section 60(1.1) of the Act;
- (aa) “**D&O Claim**” means the right of any Person against one or more of the Directors or Officers howsoever arising, whether or not such right or claim is reduced to

judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, including any right of contribution or indemnity, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer;

- (bb) **“Date of Filing”** means February 8, 2021, being the date on which the Company filed the NOI;
- (cc) **“DIP Lender”** means BNS for DIP Financing as approved by the Charges Order;
- (dd) **“Director”** means all current and former directors (or their estates) of the Company, in such capacity, and **“Director”** means any one of them;
- (ee) **“Disputed Claim”** means any Claim or D&O Claim which has been received by the Trustee in accordance with the terms of this Proposal and the Act, but has not been accepted as proven in accordance with Sections 109, 121 and 135 of the Act or which is being disputed in whole or in part by the Trustee, or any other Person entitled to do so and has not been resolved by agreement or by order of the Court;
- (ff) **“Employee Priority Claim”** means a Claim by a current or former employee of the Company, or such portion of such Claim, that would be payable in priority under Subsection 136(1) of the Act;
- (gg) **“Equity Claim”** has the meaning ascribed to it in Section 2 of the Act;
- (hh) **“Existing Equity”** means the Common Shares, preferred shares, warrants, stock options and any other similar equity-type securities in the capital of the Company;
- (ii) **“Existing Equity Holders”** means the holders of Existing Equity immediately prior to the Proposal Implementation Time;
- (jj) **“Event of Default”** has the meaning given to it in Article 7 of this Proposal;
- (kk) **“Funded Proposal Payment”** has the meaning given to it in Section 5.3 of this Proposal;
- (ll) **“Inspector”** means any inspector appointed pursuant to Section 4.4 of this Proposal;
- (mm) **“Levy”** means the levy imposed by the Superintendent of Bankruptcy under the Act;

- (nn) “**Maturity Date**” means the date that all of the obligations of the Company pursuant to this Proposal have been completed or satisfied in accordance with Section 11.5, including for greater certainty, the obligation of the Company to remit the Sixth Month Distribution and the Funded Proposal Payments to the Trustee for distribution to Ordinary Creditors based on their Pro Rata Share;
- (oo) “**NOI**” means the Notice of Intention to Make a Proposal filed by the Company on February 8, 2021;
- (pp) “**Officers**” means all current and former officers (or their estates) of the Company, in such capacity, and “**Officer**” means any one of them;
- (qq) “**Official Receiver**” shall have the meaning ascribed thereto in the Act;
- (rr) “**Ordinary Creditors**” means those Affected Creditors with Proven Claims that are not Convenience Class Creditors, Preferred Creditors or Shareholder Loan Creditors;
- (ss) “**Person**” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (tt) “**Preferred Claim**” means any claim that is afforded priority under Section 136(1) of the Act;
- (uu) “**Preferred Creditor**” means any Unsecured Creditor holding a Preferred Claim, solely in respect to that Preferred Claim;
- (vv) “**Proof of Claim**” means the form to be delivered by the Creditors to the Trustee in accordance with the Act;
- (ww) “**Proposal**” means this proposal dated June 8, 2021, together with any amendments or additions thereto;
- (xx) “**Proposal Consideration**” means the lesser of (a) 40% of Proven Claims that are Affected Claims; and (b) \$1,500,000.00 to be funded and remitted by the Company to the Trustee to fund the payments contemplated under this Proposal;
- (yy) “**Proposal Implementation Date**” means the date on which this Proposal is implemented;
- (zz) “**Proposal Implementation Time**” means 12:01 am on the Proposal Implementation Date (or such other time as the Trustee and the Company may designate);
- (aaa) “**Proposal Period**” means the period between the Court Approval Date and the Maturity Date;

- (bbb) “**Proposal Proceedings**” means the proceedings initiated by the Company’s filing of an NOI under the Act;
- (ccc) “**Proposal Resolution**” means the resolution to be considered at the Creditors’ Meeting authorizing, adopting and approving, with or without variation, the Proposal;
- (ddd) “**Pro Rata Share**” means, in respect of an Affected Creditor with a Proven Claim:
  - (a) the face value dollar amount of a Proven Claim of an Affected Creditor held by that Affected Creditor as at the Record Date, divided by
  - (b) the aggregate principal amount of all Proven Claims of Affected Creditors other than the aggregate principal amount of all Proven Claims of the:
    - (i) Shareholder Loan Creditors; and
    - (ii) Convenience Class Creditors;
- (eee) “**Proven Claim**” as used in relation to any Affected Claim means such Affected Claim as finally accepted or determined by the Trustee in accordance with the provisions of the Act and this Proposal, subject to the Creditor’s right of appeal to Court, the Court’s determination of the Affected Claim or any applicable appeal periods having expired and no appeal having been made;
- (fff) “**Record Date**” means 5:00 p.m. on the date that is five (5) Business Days prior to the Proposal Implementation Date;
- (ggg) “**Released Company Claims**” has the meaning ascribed to in Section 6.1 of this Proposal;
- (hhh) “**Released Company Parties**” has the meaning ascribed to in Section 6.1 of this Proposal;
- (iii) “**Released Director Claims**” has the meaning ascribed to in Section 6.2 of this Proposal;
- (jjj) “**Released Parties**” has the meaning ascribed to it in Section 6.3 of this Proposal;
- (kkk) “**Released Third Parties**” has the meaning ascribed to it in Section 6.3 of this Proposal;
- (lll) “**Released Third Party Claims**” has the meaning ascribed to it in Section 6.3 of this Proposal;
- (mmm) “**Required Distributions**” has the meaning ascribed in Section 3.2 of this Proposal;
- (nnn) “**Required Majority**” means the required majority of Affected Creditors entitled to vote on the Proposal as contemplated by Section 54 of the Act;
- (ooo) “**Secured Claim**” means any Claim by a Secured Creditor;

- (ppp) “**Secured Creditor**” means a Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and includes Creditors having Claims secured by the Charges, and specifically includes BNS in its capacity as both operating lender of the Company as well as DIP Lender, but excludes the Canada Revenue Agency to the extent of its Crown Claims;
- (qqq) “**Shareholder Loan Creditor**” means those Affected Creditors with Proven Claims who are also Existing Equity Holders;
- (rrr) “**Sixth Month Distribution**” has the meaning ascribed in Section 5.3 of this Proposal;
- (sss) “**Trustee**” means Dodick Landau Inc. solely in its capacity as proposal trustee of the Company;
- (ttt) “**Unaffected Claims**” means the Administrative Fees and Expenses and any Secured Claims, including the Claims of any Creditor secured by the Charges; and
- (uuu) “**Unsecured Creditors**” means those Persons with Claims in respect of which no security is held, and which is not afforded priority under Section 136(1) of the Act.

## **1.2 Headings**

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

## **1.3 Number, etc.**

In this Proposal, where the context requires, a word importing the singular includes the plural and vice versa, and a word importing gender includes the masculine, feminine and neuter genders.

## **1.4 Date for Action**

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

## **1.5 Accounting Principles**

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

## **1.6 Currency**

All dollar amounts contained herein shall be in Canadian dollars.

**ARTICLE 2**  
**PURPOSE AND EFFECT OF THIS PROPOSAL**

**2.1 Overview & Purpose of Proposal**

The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company in the manner contemplated herein and as permitted by the Act in the expectation that all Affected Creditors will derive a greater benefit from the Proposal than would result from a bankruptcy of the Company.

**2.2 Persons Affected**

At the Proposal Implementation Time, this Proposal will become effective on and, subject to the fulfillment by the Company of its obligations hereunder, shall be binding on the Company, the Directors and Officers, and the Affected Creditors.

**2.3 Proposed Payment to Unsecured Creditors**

On the Proposal Implementation Date, and in accordance with the times, steps and the sequence set forth in this Proposal:

- (a) each Convenience Class Creditor, including for greater certainty, any Affected Creditor with a Proven Claim that submits a Convenience Class Election Form in accordance with the terms herein, shall be paid an amount in cash from the Proposal Consideration equal to the lesser of: (i) \$3,000; and (ii) the value of such Convenience Class Creditor's Proven Claim; and
- (b) each Ordinary Creditor shall receive its Pro Rata Share of the Proposal Consideration, less the aggregate dollar amount of all Convenience Class Claims pursuant to and in accordance with the terms of this Proposal.

On the Proposal Implementation Date, Affected Claims shall, and shall be deemed to have been, irrevocably and finally extinguished, discharged and released, and each Affected Creditor shall have no further right, title or interest in or to its Affected Claim.

**2.4 Effect of Proposal**

During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Affected Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company or any of its property or assets in respect of an Affected Claim including, without limitation, any proceeding or remedy to recover payment of any monies, to recover or enforce any judgment against the Company in respect of an Affected Claim or to commence any formal proceedings against it other than as provided for under this Proposal.

**2.5 Unaffected Claims**

Unaffected Claims will not be affected by this Proposal and are to continue in the ordinary course under their present arrangements unless otherwise agreed to by an Unaffected Creditor.



## 2.6 Existing Equity Holders

Existing Equity Holders and holders of Equity Claims shall not be entitled to vote in respect of their Existing Equity and/or Equity Claims at the Creditors' Meeting and shall not receive any distribution under this Proposal on account of their Existing Equity or Equity Claims, but this does not include the claims of the Shareholder Loan Creditors.

## ARTICLE 3 CLASSIFICATION & TREATMENT OF CREDITORS

### 3.1 Classes of Creditors

For the purposes of voting on the Proposal, there shall only be one class of creditors, being the Affected Creditor Class. For the purposes of voting on the Proposal, each Convenience Class Creditor shall be deemed to be in and vote in and as part of, the Affected Creditors Class.

### 3.2 Proposed Distributions

- (a) All distributions made pursuant to this Proposal shall be without interest or penalty and subject to deduction for the Levy and the Trustee shall remit in cash the amount of the Levy to the Superintendent of Bankruptcy contemporaneously with the distributions to Affected Creditors with Proven Claims.
- (b) Subject to the terms and conditions of this Proposal, and the payment of the Levy (as applicable), the Trustee shall make the following payments:
  - (i) **Administrative Fees and Expenses:** the Administrative Fees and Expenses, on and incidental to the proceedings arising out of the Proposal, or in a bankruptcy, if any, shall be paid in priority to the Bankruptcy Reserve, the Crown Priority Claims, the Employee Priority Claims, the Preferred Claims, the Convenience Class Claims and the Claims of Ordinary Creditors. The Trustee will be at liberty to withdraw and pay such Administrative Fees and Expenses at any time and from time-to-time subject to final approval by the Registrar in Bankruptcy upon completion of the Proposal. The Trustee's disbursements will be charged in addition to its fees based on the actual costs incurred and/or as allowed by tariff;
  - (ii) **Bankruptcy Reserve:** amounts sufficient to establish the Bankruptcy Reserve shall be paid in priority to the Crown Priority Claims, the Employee Priority Claims, the Preferred Claims, the Convenience Class Claims and the Claims of Ordinary Creditors, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled, and the Company becomes bankrupt, failing which such amount shall be distributed in accordance with this Section 3.2 of this Proposal;

- (iii) **Crown Priority Claims:** All Crown Priority Claims that were outstanding as at the Filing Date, if any, shall be paid in full to Her Majesty in right of Canada or a Canadian province or territory, as applicable, within three months after the issuance of the Approval Order;
- (iv) **Employee Priority Claims:** All Employee Priority Claims, if any, will be paid in full in amounts determined by the Trustee pursuant to Section 135 of the Act;

The above 3.2(b)(i) to (iv), collectively, the “**Required Distributions**”.

- (v) **Preferred Claims:** means that portion of a Claim that is accepted by the Trustee as entitling the Preferred Creditor to receive payment in priority to other Affected Creditors with Proven Claims as provided in Section 136 of the Act;
- (vi) **Convenience Class Claims:** Each Convenience Class Creditor, including, for clarity, any Affected Creditor with a Proven Claim that submits a Convenience Class Election Form, will be paid by the Trustee an amount in cash, from the Proposal Consideration, equal to the lesser of (a) \$3,000; or (b) the value of such Convenience Class Creditor’s Proven Claim;
- (vii) **Ordinary Creditors:** Each Ordinary Creditor shall receive its Pro Rata Share of the Proposal Consideration less the aggregate dollar amount of all Convenience Class Claims and Preferred Claims, pursuant to and in accordance with the mechanics provided in Article 5. For greater certainty, the Shareholder Loan Creditors shall not receive any distribution under this Proposal but shall be entitled to vote on the Proposal.

### **3.3 Election to be Treated as a Convenience Class Claim**

Affected Creditors, excluding Shareholder Loan Creditors, with Proven Claims in excess of \$3,000 that wish to elect to have their Proven Claim treated as Convenience Class Claim must deliver a duly completed and executed Convenience Class Election Form to the Trustee prior to the Convenience Class Election Deadline, in which case such Proven Claim shall be treated for all purposes as a Convenience Class Claim in the amount of \$3,000.

### **3.4 Full Satisfaction of All Affected Claims**

All Affected Creditors with Proven Claims shall accept the consideration set out in Section 3.2 hereof in full and complete satisfaction of their Affected Claims, and all liens, certificates of pending litigation, executions, or other similar charges or actions or proceedings in respect of such Affected Claims will have no effect in law or in equity against the property, assets and undertaking of the Company. Upon the implementation of this Proposal, any and all such registered liens, certificates of pending litigation, executions or other similar charges or actions brought, made or claimed by Affected Creditors will be and will be deemed to have been discharged, dismissed or vacated without cost to the Company and the Company will be released from any and all Affected

Claims of Affected Creditors, subject only to the right of Affected Creditors to receive Required Distributions as and when made pursuant to this Proposal.

## **ARTICLE 4 MEETING OF AFFECTED CREDITORS**

### **4.1 Meeting of Affected Creditors**

On the Creditors' Meeting Date, the Company shall hold the Creditors' Meeting in order for the Affected Creditors to consider and vote upon the Proposal Resolution.

### **4.2 Time and Means of Creditors' Meeting**

The Creditors' Meeting shall take place on the date and the time approved by the Office of the Superintendent of Bankruptcy after the filing of this Proposal. Due to COVID-19, the Creditors' Meeting shall be held online at a website address to be established after the date of the approval of the date and time of the Creditors' Meeting by the Office of the Superintendent of Bankruptcy.

### **4.3 Quorum and Conduct of Creditors' Meeting**

A quorum shall be constituted for the Creditors' Meeting or any adjournment thereof if there is one Affected Creditor, entitled to vote, present in person (by videoconference) or by proxy, or if one Affected Creditor, entitled to vote, has submitted a voting letter in accordance with the provisions of the Act and this Proposal. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Trustee to such date, time and place or online meeting platform as determined by the Trustee. For greater certainty, the Creditors' Meeting may be adjourned one or more times.

### **4.4 Appointment of Inspectors**

At the Creditors' Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five Inspectors in total.

### **4.5 Powers of Inspectors**

The Inspectors, by way of majority, will have the following powers, but will have no personal liability to the Company or other Affected Creditors:

- (a) the power to extend the dates the Funded Proposal Payments are due under this Proposal;
- (b) the power to waive any default in the performance of any provision of this Proposal; and
- (c) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee.

#### **4.6 Claims Process and Voting on the Proposal**

- (a) In order to vote at the Creditors' Meeting, a Proof of Claim must be submitted to the Trustee no later than 5:00 p.m. (Toronto time) on the day that is one Business Day prior to the commencement of the Creditors' Meeting and shall specify every Claim and every D&O Claim it asserts against the Company and/or the Directors and Officers, as applicable.
- (b) The only Persons entitled to attend and speak at the Creditors' Meeting are representatives of the Company and their respective legal counsel and advisors, the Trustee and its legal counsel and advisors, and all other Persons entitled to vote at the Creditors' Meeting and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meeting on invitation of the Trustee.
- (c) The provisions of Sections 109, 121 and 135 of the Act will apply to all Proofs of Claim submitted by Affected Creditors, including in respect of Disputed Claims.
- (d) Notwithstanding anything contained herein, each Convenience Class Creditor with a Proven Claim shall be deemed to vote in favour of this Proposal in respect of its Convenience Class Claim which vote shall have a dollar value equal to the lesser of \$3,000 and the actual dollar value of such Convenience Class Creditor's Proven Claim.

#### **4.7 Disputed Claims**

Any Affected Creditor with a Disputed Claim shall not be entitled to receive any distributions hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim.

#### **4.8 Set-Off**

Subject to Section 4.9 of this Proposal, the law of set-off applies to all Claims.

#### **4.9 Assignment of Claims Subsequent to the Meeting**

After the Creditors' Meeting, a Creditor with a Proven Claim may transfer or assign the whole, but not part, of its Claim, provided that the Company shall not be obliged to make distributions to any transferee or assignee of a Creditor's Claim or otherwise deal with such transferee or assignee as a Creditor in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received by the Trustee prior to the Convenience Class Election Deadline. For greater certainty, the Company shall not recognize partial transfers or assignments of Creditors' Claims. A transferee or assignee of a Creditor's Claim shall not be entitled to set-off, apply, merge, consolidate, or combine any such Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such transferee or assignee to the Company.

## **ARTICLE 5 IMPLEMENTATION**

### **5.1 Corporate Authorizations**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Proposal involving corporate action of the Company will occur and be effective as of the Proposal Implementation Date (or such other date as may be expressly set forth in this Proposal or as the Company and Trustee may agree), and will be authorized and approved under this Proposal and by the Court, where appropriate, as part of the Approval Order, in all respects and for all purposes without any requirement of further action by shareholders, the Directors or the Officers. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of the Company, as applicable.

### **5.2 Proposal Implementation Date Transactions**

Commencing at the Proposal Implementation Time, the following events or transactions will occur, or be deemed to have occurred and be taken and effected, in the following order in five minute increments (unless otherwise indicated) and at the times and in the order set out in this Section 5.2 (or in such other manner or order or at such other time or times as the Company and Trustee may agree, each acting reasonably), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) The following shall occur concurrently:
  - (i) the full and final settlement of all Affected Claims;
  - (ii) the payment in full amount of all Required Distributions;
  - (iii) all Affected Claims (including without limitation all the Shareholder Loan Creditors and Convenience Class Creditors) shall, and shall be deemed to be, irrevocably and finally extinguished and the Affected Creditors shall have no further right, title or interest in and to their respective Affected Claims; and
  - (iv) the releases referred to in Article 6 shall become effective.

### **5.3 Post Proposal Implementation Date Transactions**

- (a) On or before the date that is six months from the Proposal Implementation Date, the Company shall remit to the Trustee the amount of \$500,000.00, which amount shall be used by the Trustee to distribute to Preferred Creditors on account of their Preferred Claims and to distribute to all Convenience Class Creditors in full and final satisfaction of their Convenience Class Claims. After payment of any Preferred Claims and all Convenience Class Claims, the Trustee shall distribute the remaining amount to Ordinary Creditors, if any, based on their Pro Rata Share (the “**Sixth Month Distribution**”).

- (b) Beginning on the date that is one year from the Proposal Implementation Date, the Company shall remit to the Trustee on a semi-annual basis for two additional years, five cash installments of equal amounts necessary in order to satisfy the payment by the Company of the Proposal Consideration less the Sixth Month Distribution (the “**Funded Proposal Payments**”).
- (c) Interim distributions of the Funded Proposal Payments will be made by the Trustee to Ordinary Creditors based on their Pro Rata Share on a semi-annual basis over the period of three years from the Proposal Implementation Date. The Trustee shall remit the Bankruptcy Reserve on a Pro Rata Basis to Ordinary Creditors to the extent that the Company has fulfilled its obligations under this Proposal, including the funding by the Company of the Funded Proposal Payments.

#### **5.4 Prepayment**

The Company is at liberty to prepay, and to accelerate without penalty, any amounts payable under this Proposal, including the Sixth Month Distribution and the Funded Proposal Payments.

### **ARTICLE 6 RELEASES**

#### **6.1 Company Release**

At the Proposal Implementation Time, the Company, the Trustee and each of their present and former employees and contractors and each of their respective financial advisors, legal counsel and agents (all in such capacities herein referred to as the “**Released Company Parties**”) shall be released and discharged from any and all rights and Affected Claims of any Person against a Released Company Party (“**Released Company Claims**”), including any Affected Claim arising under Sections 95-101 of the Act and any provincial statute related to preference, fraudulent conveyance, transfer at undervalue, or the like, whether or not any such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, where such right or claim is based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place (a) on or prior to the Proposal Implementation Time, or (b) after the Proposal Implementation Time in furtherance of the Proposal and that is in any way relating to, arising out of, or in connection with: (i) the Proposal Proceedings; or (ii) this Proposal; provided, however, that nothing in this Section 6.1 will release or discharge the Company of, or from, any obligation under this Proposal or Order implementing this Proposal or any particular debt or liability referred to in Section 178(1) of the Act except to the extent that the Person voted for the acceptance of this Proposal.

#### **6.2 Director Release**

In accordance with Section 50(13) of the Act, effective on the Proposal Implementation Time, the Proposal shall be deemed, for all purposes whatsoever, to constitute the complete compromise, release and discharge of all claims, of any nature or source whatsoever, of all Affected Claims against the Directors and Officers of the Company, which arose before the Filing Date and which relate to obligations of the Company where such director is by law liable in its capacity as director

for payment of such obligations, provided however that nothing in this Section 6.2 shall release or discharge or be deemed to have released or discharged any claims against the director that cannot be released or discharged pursuant to Section 50(14) of the Act, and any such claim against a current or former director of the Company is permitted recourse, and sole recourse, to the Proposal Consideration (the “**Released Director Claims**”).

### **6.3 Third Party Release**

At the Proposal Implementation Time, the Shareholder Loan Creditors (the “**Released Third Parties**”, and together with the Released Company Parties, and the Released Director Claims, the “**Released Parties**”) shall be released and discharged from any rights and Affected Claims of any Person (“**Released Third Party Claims**”, and together with the Released Company Claims, the “**Released Claims**”).

### **6.4 Injunctions**

All Affected Creditors are permanently and forever barred, estopped, stayed and enjoined, on and after the Proposal Implementation Time, with respect to any and all Released Claims, from:

- (a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever against the Released Parties, as applicable;
- (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties;
- (c) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or
- (d) taking any actions to interfere with the implementation or consummation of this Proposal; provided, however, that the foregoing shall not apply to the enforcement of any obligations under this Proposal.

For greater certainty, each Affected Creditor agrees not to make or join in any claim or demand or to take any proceedings whatsoever against any Person that does or could result in a claim over against any or all of the Released Parties for any form of contribution, indemnity or other relief over, whether arising at law, equity or under the provisions of the Act or otherwise, in respect of, by reason of or in any way related to Released Claims, and the Affected Creditors hereby irrevocably release and consent to an order dismissing any such action to the extent of such claim over, and, irrevocably authorizes each of the Released Parties to endorse a consent to such an order.

## **6.5 Timing of Releases and Injunctions**

All releases and injunctions set forth in this Article shall become effective on the Proposal Implementation Date.

## **6.6 Knowledge of Claims**

Each Person to which Sections 6.1 and 6.2 hereof applies shall be deemed to have granted the releases set forth in Sections 6.1 and 6.2 notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any Applicable Law which would limit the effect of such releases to those claims, including claims or causes of action known or suspected to exist at the time of the granting of the release.

## **ARTICLE 7 EVENTS OF DEFAULT**

### **7.1 Events of Default**

The following events will constitute Events of Default for purposes of Section 63 of the Act and otherwise under this Proposal:

- (a) the nonpayment by the Company of any of its obligations hereunder within thirty (30) days after written notice has been given by the Trustee that such payment is past due; and
- (b) the breach or failure by the Company to observe and perform any other covenant and provision of this Proposal, which is not remedied within thirty (30) days after written notice thereof has been given to the Company by the Trustee.

## **ARTICLE 8 TRUSTEE**

### **8.1 Status of Trustee**

The Trustee is acting solely in its capacity as proposal trustee under the Act and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of the Company.

### **8.2 Payments made by Trustee**

Any payments made by the Trustee to Creditors hereunder shall be made by the Trustee net of the Levy payable or due under the Act.



**ARTICLE 9  
CONVERSION OF ULC**

**9.1 Conversion of ULC**

Following the Proposal Implementation Time, the Company may at its discretion, take such steps, including, but not limited to, the amendment of its constating documents, to convert from an unlimited liability company to a limited corporation.

**ARTICLE 10  
IMPLEMENTATION OF PROPOSAL**

**10.1 Conditions Precedent to Implementation**

The implementation of this Proposal shall be conditional upon the fulfillment, satisfaction or waiver (to the extent permitted by this Proposal) of the following conditions:

- (a) The Trustee shall have made the Required Distributions and set aside sufficient funds in respect of the Levy and the Bankruptcy Reserve;
- (b) the Proposal shall have been approved by the Required Majority at the Creditors' Meeting;
- (c) the Court shall have granted the Approval Order, the operation and effect of which shall not have been stayed, reversed or amended, or in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (d) no Applicable Law shall have been passed and become effective, the effect of which makes the consummation of this Proposal illegal or otherwise prohibited;
- (e) all documents necessary to give effect to all material provisions of this Proposal shall have been executed and/or delivered by all relevant Persons; and
- (f) all required stakeholder, regulatory and Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated.

**10.2 Approval Order**

The Approval Order shall be in form and substance satisfactory to the Released Parties and, among other things, declare that:

- (a) the Proposal is fair and reasonable;
- (b) the Proposal has been approved pursuant to Section 60 of the Act and will be binding and effective as herein set out on the Company and all Affected Creditors

and any other Person to the extent provided for in this Proposal or in the Approval Order;

- (c) grant to the Trustee in addition to its rights and obligations under the Act and any other Court Order, the powers, duties and protections contemplated by and required under the Proposal;
- (d) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgment, or other remedy or recovery as described in Section 6.4 hereof shall be permanently enjoined; and
- (e) compromise, discharge and release the Released Parties from any and all claims of any nature in accordance with the Proposal, and declare that the ability of any Person to proceed against the Released Parties in respect of or relating to any such claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such claims be permanently stayed.

### **10.3 Reporting by the Company**

During the Proposal Period, the Company shall provide to the Trustee every three months commencing on first day of the month following the month in which the Approval Order is issued, a report containing the information set out below:

- (a) a cash flow statement for the Company's business and affairs for the prior three months; and
- (b) evidence of Company's filing and remittance of source deductions and HST.

## **ARTICLE 11 MISCELLANEOUS**

### **11.1 Preferential Payments**

Sections 95 to 101 of the Act shall not apply to any dealings by the Company at any time prior to the Date of Filing unless the Company becomes bankrupt before the terms of the Proposal are fully performed. The releases contemplated in Article 6 of this Proposal include releases from all claims, actions, or remedies available to Creditors or others pursuant to Sections 95 to 101 of the Act, provided that nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

### **11.2 Consents, Waivers and Agreements**

As of the Proposal Implementation Time, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Creditor will be deemed to have waived any default by the Company in any provision, express or implied, in any agreement existing between the Creditor and the Company that has occurred on or

prior to the Date of Filing, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of this Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

### **11.3 Modifications to Proposal**

Subject to the consent of the Trustee, the Company reserves the right at any time prior to the Creditors' Meeting to file any modification of, or amendment or supplement to the Proposal by way of supplementary proposal. Any such amended or supplementary proposal shall forthwith be posted on the Trustee's website and filed with the Official Receiver as soon as practicable, in which case any such amended or supplementary proposal or proposals shall, for all purposes, be and be deemed to be a part of and incorporated into this Proposal. At the Creditors' Meeting, the Company and/or the Trustee shall provide all Affected Creditors in attendance with details of any modifications or amendments prior to the vote being taken to approve the Proposal. Subject to the provisions of the Act, after the Creditors' Meeting (and both prior to and subsequent to the Approval Order) and subject to the consent of the Trustee and the terms of the Company may at any time and from time to time vary, amend, modify or supplement the Proposal.

### **11.4 Further Actions**

The Company and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions hereby contemplated.

### **11.5 Performance**

All obligations of the Company under this Proposal will commence as of the Proposal Implementation Time. All obligations of the Company under this Proposal will be fully performed for the purposes of Section 65.3 of the Act only upon the Company having made the payments to the Trustee provided for herein and a Certificate of Full Performance is issued by the Trustee to the Company and the Office of the Superintendent of Bankruptcy.

### **11.6 Binding Effect**

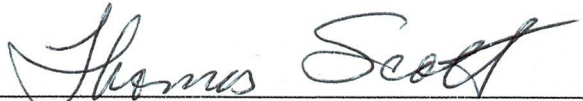
The provisions of this Proposal will be binding on the Creditors and the Company, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Approval Order after all appeal periods have expired.

*[The Remainder of this Page Intentionally Left Blank]*

*[Signature Page of the Proposal of Rockshield Engineered Wood Products ULC]*

**DATED** at the City of Toronto, in the Province of Ontario, as of this 8<sup>th</sup> day of June 2021.

**ROCKSHIELD ENGINEERED WOOD  
PRODUCTS ULC**

Per: 

Name: Thomas Scott

Title: President, CEO and Director