

Court File No. 31-2710553
Estate No. 31-2710553

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND 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

SUPPLEMENTARY MOTION RECORD

February 9, 2021

WEISZ FELL KOUR LLP

100 King Street West
Suite 5600
Toronto, ON M5X 1C9

Caitlin Fell

LSO No. 60091H
cfell@wfklaw.ca
Tel: 416.613.8282

Sharon Kour

LSO No. 58328D
skour@wfklaw.ca
Tel: 416.613.8283

Fax: 416.613.8290

Lawyers for Rockshield Engineered Wood
Products ULC

TO: SERVICE LIST

INDEX

Court File No. 31-2710553
Estate No. 31-2710553

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND 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

INDEX

TAB	DOCUMENT	PG. NO.
1	Supplementary Affidavit of Tom Scott, dated February 9, 2021	01
A	Exhibit “A” - DIP Term Sheet, dated February 9, 2021	05

TAB 1

Court File No. 31-2710553
Estate No. 31-2710553

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND 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**

AFFIDAVIT OF TOM SCOTT
(Sworn February 9, 2021)

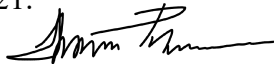
I, **Tom Scott**, of the City of Burns, in the State of Oregon, **MAKE OATH AND SAY:**

1. I am the President and Chief Executive Officer of Rockshield Engineered Wood Products ULC. (“**Rockshield**”) and in that capacity I am responsible for the day to day operations of Rockshield. Accordingly, I have knowledge of the matters set out below. Where I have relied on information from others, I state the source of such information and verily believe it to be true.
2. This Affidavit is sworn as a supplement to my Affidavit dated February 8, 2021 (the “**First Scott Affidavit**”) in support of Rockshield’s motion for an order that approves debtor in possession financing (“**DIP Financing**”) and a corresponding priority charge, among other relief.
3. Unless otherwise stated, all capitalized terms in this Affidavit are defined in the First Scott Affidavit.

4. As described in the First Scott Affidavit, Rockshield has negotiated a DIP Term sheet with Hillmount (the “**Hillmount DIP Term Sheet**”). Since then, its secured creditor, Scotiabank, has indicated interest in providing DIP funding.
5. Accordingly, Rockshield, with the assistance of the Proposal Trustee, has engaged in discussions with Scotiabank in respect of a DIP facility on terms comparable to the Hillmount DIP Term Sheet.
6. As a result of these discussions, Scotiabank has agreed to provide financing to Rockshield, the terms of which are set out in a term sheet dated February 9, 2021 (the “**Scotiabank Term Sheet**”). A copy of the Scotiabank Term Sheet is attached hereto as **Exhibit “A”**.
7. Under the Scotiabank facility, Scotiabank has agreed to provide interim financing on the following terms, among others:
 - (a) an operating line up to a maximum of \$1.5 million;
 - (b) interest at rate of Prime + 6%;
 - (c) no commitment fee;
 - (d) a fee equivalent to 2.5% of outstanding principal that is payable on termination due to an event of default; and
 - (e) conditional on the granting of a priority charge over the assets, property and undertaking of Rockshield ranking ahead of all security interests, liens and encumbrances, and behind only the Administration Charge.

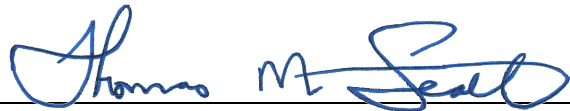
8. Rockshield intends to proceed with Scotiabank as a DIP lender pursuant to the Scotiabank Term Sheet if approved by this Court. The Scotiabank Term Sheet provides substantially the same benefits and financing to Rockshield as the Hillmount DIP Term Sheet, but at a lower rate of interest.
9. Further, Scotiabank is Rockshield's primary secured lender and the execution of the Scotiabank Term Sheet would avoid Scotiabank's security being primed by a third party lender.
10. Further the Scotiabank Term Sheet permits Rockshield to obtain advances as and when needed rather than requiring a minimum draw and avoids the unnecessary accrual of interest on funds.
11. I swear this affidavit in support of Rockshield's motion for the relief requested, and for no other or improper purpose.

SWORN BEFORE ME by
 videoconference from the City of Burns,
 in the State of Oregon, to the City of
 Toronto in the Province of Ontario 9th day
 of February 2021.



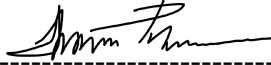
 A Commissioner for taking Affidavits.

Name:



 TOM SCOTT

THIS IS **EXHIBIT “A”** REFERRED TO IN THE AFFIDAVIT
OF TOM SCOTT SWORN BEFORE ME, THIS 9TH DAY OF
FEBRUARY, 2021



A COMMISSIONER FOR TAKING AFFIDAVITS



The Bank of Nova Scotia
 40 King Street West
 26TH Floor
 Toronto, Ontario, Canada
 M5H 1H1

February 9, 2021

Rockshield Engineered Wood Products ULC.
 4 Boisvert Crescent
 Cochrane, ON P0L 1C0

Attention: Tom Scott, President

Dear Sir:

Re: Interim Financing

The Borrower (as defined below) will be filing a Notice of Intention to Make a Proposal (“**NOI**”) to restructure its debts and affairs under the *Bankruptcy and Insolvency Act* (“**BIA**”). Dodick Landau Inc. is to act as the proposal trustee (the “**Proposal Trustee**”).

In connection with the proposed restructuring, The Bank of Nova Scotia, as lender, (the “**Lender**”) has agreed to provide an interim financing facility in accordance with the terms and conditions herein during the pendency of the Borrower’s proceedings under the *BIA* (the “**BIA Proceedings**”):

Borrower: Rockshield Engineered Wood Products ULC (the “**Borrower**”)

Interim Facility: A super-priority, debtor-in-possession, revolving credit facility (the “**Interim Facility**”) up to a maximum principal amount of \$1,500,000, subject to the terms and conditions contained herein.

Purpose: To provide interim financing to facilitate the restructuring pursuant to the *BIA Proceedings* in accordance with the Projection (as defined below). The Borrower shall use the Interim Facility solely for the following purposes and in the following order, in each case during and for the purposes of the Borrower’s pursuit of the *BIA Proceedings*:

- (a) to fund professional fees (including fees of the Proposal Trustee and the legal fees of counsel to the Proposal Trustee, the Borrower and the Lender). It is agreed to and acknowledged by the Borrower and the Lender that those fees and expenses incurred to the date hereof and those provided for in the Projection as of the date hereof are reasonable;
- (b) to fund the payment of interest and other amounts payable under the Interim Facility and under this Term Sheet in accordance with the terms hereof;
- (c) to fund operating expenses, restructuring costs in the *BIA Proceedings*, and for and for general corporate purposes of the

Borrower, all in accordance with the Projection; and

- (d) to fund such other costs and expenses as agreed to by the Lender, in writing.

For greater certainty, the Borrower may not use the proceeds of the Interim Facility to pay any pre-filing obligations of the Borrower without the prior written consent of the Lender, it being agreed by the Lender that such consent is not required for the Borrower to pay: (i) legal fees and disbursements for the pre-filing period incurred in contemplation of the BIA Proceedings owing to counsel to the Borrower and the Proposal Trustee, (ii) amounts due to critical suppliers, as consented to by the Proposal Trustee, (iii) trade creditors in the ordinary course of business, (iv) taxes, accrued payroll and other ordinary course liabilities, and (v) any other amounts owing by the Borrower to the extent specifically identified in the Projection, provided in each case that such amounts under items (ii), (iii) and (iv) are included in the Projection or the DIP Order (as defined below);

Advances under the Interim Facility may not be used to (a) investigate, object to challenge in any way any claims of the Lender against the Borrower under the Existing Security (as defined below) or the Existing Credit Facilities (as defined below), or (b) investigate, object to or challenge in any way the Interim Lender Charge (as defined below)

Availability:

Available by way of an operating credit line which may be utilized by the Borrower by way of direct advances to be deposited to an account in the name of the Borrower maintained with the Lender.

The amount outstanding on the Interim Facility at any time (the “**Limit**”) shall not exceed the lesser of:

- (a) \$1,500,000;
- (b) the amount shown on the Projection for the Interim Facility; and
- (c) the Borrowing Base Limit.

The Borrowing Base Limit shall be an amount equal to the following, calculated weekly:

50% of the appraised forced liquidation value (to a maximum of \$1,000,000) of eligible equipment and machinery as determined by the Lender;

PLUS

50% of the Lender’s estimated value of the real property (to a maximum of \$600,000) owned by the lender and located at 4 Boisvert Crescent, Cochrane, Ontario (the “**Real Property**”);

PLUS

35% of the Lender's estimated worth of good quality Canadian domiciled accounts receivable after deducting accounts more than 90 days old (or 60 days past due), accounts in dispute, inter-company accounts, holdbacks, contra accounts, foreign accounts, progress billings and any other accounts deemed inappropriate by the Lender;

PLUS

35% of the Lender's estimated worth of raw materials and finished goods inventory;

LESS

an amount equal to all prior claims, including amounts secured under any charges created by the DIP Order in priority to the Interim Lender Charge (as defined below)

Overdrafts:

Overdrafts are not permitted.

Interest Rates and Fees:

Lender Prime Rate plus 6% per annum, calculated monthly and payable in arrears on the 22nd day of each month. Lender Prime Rate means the floating annual rate of interest established from time to time by the Lender as the base rate it will use to determine the rate of interest payable to the Lender by borrowers from the Lender in Canadian dollars in Canada and designated by the Lender as its Prime Rate (the "**DIP Interest Rate**").

Repayment:

Interest to be paid monthly on the 22nd day of each month.

During the pendency of the BIA Proceedings, and if necessary, any proceedings commenced under the *Companies Creditors Arrangement Act* (the "**CCAA**") the Interim Facility must be repaid in accordance with the Projection.

Unless otherwise consented to by the Lender, the Interim Facility will cease to be available and, , must be repaid in full without the necessity of demand or notice from the Lender on the earlier of:

- (a) September 30, 2021;
- (b) the sale or refinancing by the Borrower of substantially all of the Property (as defined below) within the *BIA* Proceedings;
- (c) the implementation by the Borrower of a proposal pursuant to the *BIA* Proceedings which has been approved by the requisite majority of the Borrower's creditors and by an order entered by the court;
- (d) the stay of proceedings under s. 69 or s. 69.1 of the *BIA* ceases to

be in effect; or

- (e) the occurrence of an Event of Default.

The order of the court approving any Proposal of the Borrower in the BIA Proceedings shall not discharge or otherwise affect in any way any of the obligations of the Borrower to the Lender under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Lender of all obligations under the Interim Facility on or before the Proposal is implemented.

Security:

The payment and performance of the indebtedness, liabilities and obligations of the Borrower to the Bank in respect of the Interim Facility, shall be secured by all security previously granted by the Borrower and presently held by the Bank (the “**Existing Security**”) including the following:

- (a) General Security Agreement dated February 18, 2015; and
- (b) Chattel Mortgage dated March 27, 2015

The payment and performance of the indebtedness, liabilities and obligations of the Borrower to the Bank in respect of the Interim Facility, shall also be secured by the following additional security (the “**Additional Security**”), which shall be in addition to, and not in replacement of, the Existing Security:

- (a) a super-priority charge (the “**Interim Lender Charge**”) pursuant to the DIP Order over all of the property, assets and undertaking (collectively, the “**Property**”), subordinate only to the Permitted Encumbrances. The Interim Lender Charge shall be approved by the court in the *BIA* Proceedings on terms and conditions satisfactory to the Lender; and
- (b) a mortgage (the “**Mortgage**”) over the Real Property, subordinate only to the Permitted Encumbrances.

Proposal Trustee:

The Proposal Trustee shall be authorized to have direct discussions with the Lender, and the Lender shall be entitled to provide information to, and receive information from, the Proposal Trustee.

Permitted Encumbrances:

The following shall be permitted encumbrances (“**Permitted Encumbrances**”):

- (a) the Administration Charge (as defined in the DIP Order) to a maximum amount of \$150,000; and
- (b) Property taxes for the Real Property which are accrued but not yet due.

Events of Default: The following events shall constitute events of default (each an “**Event of Default**”):

- (a) if the Borrower fails to pay to the Lender when due any amount of principal, interest or other amounts under the Interim Facility or this Term Sheet;
- (b) if the Borrower fails to make to the Lender the payments on the Existing Credit Facilities (as defined below) as provided for in the Projection, provided that the interest payments to be made on account of the Existing Credit Facilities shall be capped at the DIP Interest Rate (for certainty, the interest payable on the Existing Credit Facilities in excess of the DIP Interest Rate shall be accrued);
- (c) if the Borrower defaults in the observance or performance of any other non-financial term, covenant (affirmative or negative) or condition in this Term Sheet, the Additional Security or any other agreement between the Lender and the Borrower entered into on or after the date hereof;
- (d) if the Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower or with respect to the value of the Property;
- (e) if any other charges (other than the Administration Charge) are sought, granted or increased by court order and ranking in priority to, or *pari passu* with the Interim Lender Charge without the prior consent of the Lender, which consent may be unreasonably withheld;
- (f) if any government or creditor exercises any remedy against any of the Property;
- (g) if any of the representations and warranties made by the Borrower in the Term Sheet is incorrect or misleading in any material respect;
- (h) if (i) the DIP Order is varied without the consent of the Lender or any other order is made which is or may be prejudicial to the Lender’s interests, acting reasonably; (ii) the DIP Order is vacated, stayed or set aside without the consent of the Lender; or (iii) the stay of proceedings in connection with the *BIA* Proceedings or any CCAA proceedings is terminated, lifted or comes to an end; or (iv) the Borrower defaults or breaches the DIP Order;
- (i) the granting of any Order in the *BIA* Proceedings that may

adversely affect the Lender's rights;

- (j) any Projection Variance Report (as defined below) delivered 60 days or more after the Commencement Date (as defined below), discloses a negative material variance in the ending net operating cash flow balance that exceeds 15%, on an aggregate basis from the Commencement Date,
- (k) any update in the Projection contemplates or forecasts from the then existing Projection, a negative variance in the ending net operating cash flow balance greater than 15% on an aggregate basis;
- (l) the amount outstanding under the Interim Facility exceeds the Limit;
- (m) any material violation or breach of any court order in the *BIA Proceedings*;
- (n) the priority of the Interim Lender Charge is varied without the consent of the Lender;
- (o) any proposal of the Borrower in the BIA Proceeding is approved or implemented that is not consistent with or contravenes any provision of this Term Sheet;
- (p) if a receiver is appointed over any property of the Borrower or any judgment or order or process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;
- (q) if the Borrower ceases to carry on business;
- (r) if the Borrower becomes a bankrupt under the *Bankruptcy and Insolvency Act*; and
- (s) if any order is issued granting the removal or replacement of the Proposal Trustee (for greater clarity, Dodick Landau Inc. must remain the Proposal Trustee).

Remedies:

In addition to all other remedies available to the Lender, upon the occurrence of an Event of Default, the Lender may immediately terminate the Interim Facility and:

- (a) all amounts outstanding under the Interim Facility shall, at the option of the Lender, immediately become due and payable; and
- (b) the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to enforce the Security and the Additional Security and realize on the Property.

Upon the occurrence of an Event of Default and the termination of the Interim Facility by the Lender as a result of an Event of Default, the Lender shall be entitled to charge a monitoring and management fee in respect of the liquidation process equal to 2.5% of the principal balance outstanding on the Interim Facility on the date of such termination.

**Additional
Conditions:**

The availability and continued availability of the Interim Facility on the terms provided for herein is subject to each of the following conditions:

- (a) the court shall have issued an order in the BIA Proceedings (the "**DIP Order**") on or before February 12, 2021, satisfactory to the Lender and substantially in the form contained in the draft DIP Order attached hereto as schedule "A", on notice to such parties as are acceptable to the Lender, which shall: (i) approve this Term Sheet and the Interim Facility; grant the Lender a charge (the "**Interim Lender Charge**") securing all obligations owing by the Borrower to the Lender under this Term Sheet, including, without limitation, all amounts outstanding from time to time on the Interim Facility, interest thereon and all fees and expenses; and (iii) treat the Lender with respect to the DIP Loan as an unaffected creditor in any proposal filed by the Borrower.
- (b) the DIP Order shall not have been stayed, vacated or otherwise caused to be ineffective or materially amended, restated or modified without the consent of the Lender;
- (c) the Borrower shall be in compliance with the: (i) DIP Order and any amendments thereto; and (ii) all other orders issued in the *BIA* Proceedings;
- (d) the Borrower shall have paid all statutory liens, trusts and government claims including, without limitation, source deductions, HST and realty taxes for the Real Property;
- (e) satisfactory review by the Lender of the insurance policy on the Real Property (the Lender is to be designated as additional loss payee);
- (f) the machinery and equipment appraisal performed by Ray Brown of Leveredge Asset Solutions with the appraisal indicating a forced liquidation value of at least \$1,000,000 shall be in the Lender's name or a letter of transmittal is to be addressed to the Lender. Borrower to be responsible for appraisal fees; and
- (g) the Borrower completing, and the Lender being satisfied with, an Environmental Questionnaire with respect to the Real Property;
- (h) no Event of Default shall have occurred;
- (i) there shall be no liens ranking in priority to the Interim Lender

Charge, other than Permitted Encumbrances.

For certainty, the Lender shall not be obligated to make any advance or re-advance under the Interim Facility unless and until all of the foregoing applicable conditions have been satisfied and all applicable documentation and confirmations have been obtained, each in form and content satisfactory to the Lender in its sole discretion.

Projection and Reporting:

The Borrower has delivered, and the Lender has accepted, on the date hereof, a weekly line item cash flow projection covering the 13 week period commencing the week of February 8, 2021 (the “**Commencement Date**”) (together with all updates thereto approved by the Lender in its sole and absolute discretion, the “**Projection**”), a copy of which is attached as schedule “B”. The Projection sets forth expected receipts and the expected operating and other expenditures to be made during each calendar week and in the aggregate for the period covered by the Projection.

On Friday of each week, the Borrower, with the assistance of the Proposal Trustee, shall provide the Lender: (a) a report showing actual cash receipts and actual expenditures for each line item in the Projection covering the previous week and on an aggregate basis from the Commencement Date and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Projection for such one-week period and on an aggregate basis from the commencement Date, and (b) a 13 week roll forward of the Projection which shall reflect the Borrower’s good faith projections and be in form and detail consistent with the initial Projection and subject to the approval of the Lender in its sole discretion.

The Borrower shall explain variances exceeding 15%, on an aggregate basis from the Commencement Date, of each material variable line-item of the Projection (the “**Projection Variance Report**”).

In addition to reporting requirements in relation to the Existing Credit Facilities, the Borrower shall provide such financial and other information as the Lender may reasonably request, from time to time, including, but not limited to:

- (a) on Friday of each week,
 - i. aged, signed listing of accounts receivable, clearly identifying accounts receivable ineligible for inclusion in the Borrowing Base calculation, as of the Friday of the prior week;
 - ii. signed listing of owned inventory, raw materials and finished goods, as of Friday of the prior week; and
 - iii. prior claims declaration in the Lender’s standard form.

- (b) keep the Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower (including any changes to the strategy of the Borrower in the *BIA* Proceedings);
- (c) notify the Lender forthwith of the occurrence of any Event of Default;
- (d) keep the Lender updated on the restructuring plan and notify the Lender of any threatened or pending motion or step in the *BIA* Proceedings or any CCAA proceedings which could have an adverse effect on the Interim Facility; and
- (e) provide the Lender through its counsel, Miller Thomson LLP, with not less than two business days advance notice of all motions and/or hearings in the *BIA* proceedings, together with copies of all court materials;

**Representations
and Warranties:**

The Borrower represents to the Lender, and upon which the Lender relies on entering into this Term Sheet, that :

- (a) Subject to the granting of the DIP Order, the execution and delivery of, and the transaction contemplated by, this Term Sheet (i) is within the powers of the Borrower, (ii) has been duly authorized by all necessary corporate and, if required, shareholder approval, by the Borrower, (iii) has been duly executed and delivered by or on behalf of the Borrower, (iv) constitutes a legal, valid and binding obligation of the Borrower; and does not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the Interim Lender Charge.
- (b) the activities of the Borrower have been conducted in material compliance with all applicable, provincial and laws, including laws relating to the protection of the environment; and
- (c) the Projection is reasonable and prepared in good faith.

**Affirmative
Covenants:**

The Borrower covenants and agrees to perform and do each of the following until the Interim Facility is permanently and indefeasibly repaid in full and the Interim Facility is terminated:

- (a) allow the Lender, its officers, employees, agents, advisors and representatives full access to the Borrower's premises and all information and documentation of the Borrower and their affiliates on reasonable notice and during normal business hours and cause management thereof to fully cooperate with any such officers, employees, agents, advisors and representatives;
- (b) keep the Lender and the Proposal Trustee apprised on a timely

basis of all material developments with respect to the business and affairs of the Borrower, including the development of the Proposal in the BIA Proceedings;

- (c) deliver to the Lender on a timely basis any correspondence received from any governmental authority in respect of environmental matters affecting the Real Property;
- (d) use the Proceeds of the Interim Facility only for the purposes described in this Term Sheet, and in a manner consistent with the restrictions set out herein;
- (e) comply with the provisions of the court orders made in the *BIA* Proceedings;
- (f) preserve, renew and keep in full force and good standing its corporate existence and all material licenses, permits, approvals and authorizations required in respect of its business or the Property; and
- (g) conduct its business in a manner consistent with the Projection;

**Negative
Covenants:**

The Borrower covenants and agrees not to do the following, other than with the prior consent of the Lender:

- (a) dispose of the Property, or any part thereof, other than the sale of inventory in the ordinary course of the Borrower's business;
- (b) make any purchases or acquisitions other than as provided for in the Projection;
- (c) make any payments or distributions of any kind, including payments in respect of existing (pre-filing) debts or obligations, other than as permitted herein, by a court order or provided for in the Projection;
- (d) create or permit to exist indebtedness other than (i) existing (pre-filing debt, (ii) debt contemplated by the Term Sheet, (iii) post-filing trade payables or other post-filing unsecured obligations incurred in the ordinary course of business in accordance with the Projection;
- (e) create, permit to exist or support a motion by another party to provide to any third party a lien on the Property, or any part thereof, other than Permitted Encumbrances;
- (f) change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with another entity;
- (g) cease (or threaten to cease) to carry on business;
- (h) apply for, or consent to, any court order or change or amendment to

any court order which affects the Lender; and

- (i) commence, continue or seek court approval of any restructuring transaction or Proposal that will not repay the Lender in full.

Release

The Borrower acknowledges and agree that, as of the date hereof, it has no causes of action, disputes or claims for damages, set off or counterclaim (collectively, the “**Claims**”) against the Lender, its officers, directors, employees and agents on any basis whatsoever including, without limitation, any Claims related to or in any manner connected with the Existing Credit Facilities, the administration of the Borrower’s accounts with the Lender or the Existing Security and if there are any Claims, they are hereby forever released and discharged.

Lender’s Counsel

Miller Thomson, LLP

Expenses:

The Borrower shall pay the Lender’s reasonable and documented legal fees (on a solicitor-client, full indemnity basis), out of pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge or the *BIA* Proceedings.

Documents:

The Borrower shall execute and deliver such additional documents, conveyances or assurances and take such further actions as may be necessary or desirable to carry out the provisions hereof and to give effect this Term Sheet including, without limitation, the following:

- (a) agreement re: Operating Credit Line in the Bank’s standard form;
- (b) the Mortgage; and
- (c) all necessary or desirable Acknowledgments, Undertakings and Resolutions.

Existing Credit Facilities

Unless otherwise agreed by the Lender in writing, no further advances are permitted under the credit facilities advanced by the Lender to the Borrower prior to the date of this Term Sheet under the terms of the Commitment Letter dated December 20, 2019, as amended (the “**Existing Credit Facilities**”). Any undrawn portion of the Existing Credit Facilities is cancelled. After the date hereof, the only credit available to the Borrower from the Lender shall be the Interim Facility, unless otherwise agreed by the Lender in writing.

Other than the foregoing, this Term Sheet does not amend or modify the terms of the Existing Credit Facilities. All loan and security documents currently held by the Bank in respect of the Existing Credit Facilities remain in full force and effect according to their terms.

Entire Agreement

This Term Sheet constitutes the entire agreement between the Lender and the Borrower pertaining to the matters herein set forth and supersedes and replaces any prior understandings or arrangements pertaining to the

Interim Facility. There are no representations or warranties except as specifically set forth herein.

To confirm the agreement of the Borrower to the above, please execute the enclosed duplicate of this letter and return same to my attention by no later than 5:00 p.m. on February 12, 2021, after which time the terms of this letter shall no longer be open for acceptance.

THE BANK OF NOVA SCOTIA



Per: Rachel Davies
Account Manager



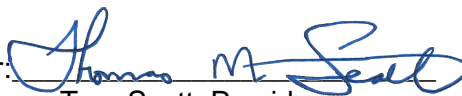
Neel Chopra
Director

The undersigned hereby confirms its agreement to the above.

DATED at Toronto, Ontario this 9th day of February, 2021.

The Borrower

Rockshield Engineered Wood Products ULC

Per: 

Tom Scott, President

I have authority to bind the corporation.

SCHEDULE "A"
(Draft DIP Order)

Court File No. 31-2710553
Estate File No. 31-2710553

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

THE HONOURABLE MR.)	WEDNESDAY, THE 10 TH
)	
JUSTICE CAVANAGH)	DAY OF FEBRUARY, 2021

**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**

**ORDER
(Extension of Time to File Proposal, Pre-Filing Payments, and Charges)**

THIS MOTION made by Rockshield Engineered Wood Products ULC (the “**Company**”) was heard this day by video conference due to the COVID-19 crisis.

ON READING the Affidavit of Tom Scott, affirmed February 8, 2021, and the First Report of Dodick Landau Inc. in its capacity as proposal trustee (the “**Proposal Trustee**”), and any other person as listed on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of ● affirmed February, ●, 2021, filed:

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company entities to file a proposal with the Official Receiver be and is hereby extended up to and including April 24, 2021 (the “**Stay Period**”).

CONTINUATION OF SERVICES

3. **THIS COURT ORDERS** that during the Stay Period, all persons having oral or written agreements with Company or statutory or regulatory mandates for the supply of goods and/or services are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company, provided in each case that the normal prices or charges for such goods or services received after the date of this Order are paid by the Company in accordance with normal payment practices of the Company or other practices as may be agreed upon by the supplier or service provider and each of the Company and the Proposal Trustee, or as may be ordered by this Court.

4. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Company shall be entitled, but not required, to pay with the approval of the Proposal Trustee amounts owing for goods or services actually supplied to the Company prior to February 8, 2021 if, in the

opinion of the Company, such payment is necessary to maintain the uninterrupted operations of the business.

ADMINISTRATION CHARGE

5 . **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), which charge shall not exceed an aggregate amount of \$150,000 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 16 herein.

6 . **THIS COURT ORDERS** that the Proposal Trustee, counsel to Proposal Trustee and counsel to the Company shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company. The Proposal Trustee and its counsel shall be authorized to immediately apply any such payments made by the Company to their fees and disbursements and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

7. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

8. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$370,000, as security for the indemnity provided in paragraph 7 of this Order. The Directors' Charge shall have the priority set out in paragraph 16 herein.

9. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 7 of this Order.

DIP FINANCING AND CHARGE

10. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and draw upon a credit facility from The Bank of Nova Scotia (the "**DIP Lender**"), and such credit facility shall not exceed \$1,500,000 unless permitted by further Order of this Court.

11. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Company and the DIP Lender dated as of February 9, 2021 (the “**Commitment Letter**”), filed.

12. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

13. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraph 16 hereof.

14. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon five (5) days notice to the Company and the

Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

15. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any Proposal filed by the Company under the BIA with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES

16. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Director's Charge, and the DIP Lender's Charge (together, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$150,000);

Second- the DIP Lender's Charge (to the maximum amount of \$1,500,000); and

Third – Director’s Charge (to the maximum amount of \$370,000).

17. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

18. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and shall, subject to the priorities established in paragraph 16 herein, rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

19. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any further Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee, DIP Lender and, the beneficiaries of the Directors’ Charge and the Administration Charge, or further Order of this Court.

20. **THIS COURT ORDERS** that the Commitment Letter, the Definitive Documents and the DIP Lender’s Charge shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of

Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Company, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the DIP Charge nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) the DIP Lender shall not have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the Commitment Letter, the creation of the DIP Charge, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of DIP Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

GENERAL

21. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the

Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

22. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

23. **THIS COURT ORDERS** that notwithstanding Rule 59.05, this Order is effective from 12:01 a.m. on the date that it is made and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing.

**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**

	<p>ONTARIO</p> <p>SUPERIOR COURT OF JUSTICE IN BANKRUPTCY AND INSOLVENCY (COMMERCIAL LIST)</p> <p><i>Proceedings commenced at Toronto</i></p>
	<p>ORDER</p>
	<p>WEISZ FELL KOUR LLP 100 King Street West, Suite 5600 Toronto, ON M5X 1C9</p> <p>Caitlin Fell LSO No. 60091H cfell@wfkaw.ca Tel: 416.613.8282</p> <p>Sharon Kour LSO No. 58328D skour@wfkaw.ca Tel: 416.613.8283 Fax: 416.613.8290</p> <p>Lawyers for Rockshield Engineered Wood Products ULC.</p>

SCHEDULE "B"
(Projection)

Rockshield Engineered Wood Products ULC**Weekly Cash Flow Forecast**For the period from February 7, 2021 to May 9, 2021
in thousands \$CDN

Week Ending	Notes	14-Feb-21 1	21-Feb-21 2	28-Feb-21 3	07-Mar-21 4	14-Mar-21 5	21-Mar-21 6	28-Mar-21 7	04-Apr-21 8	11-Apr-21 9	18-Apr-21 10	25-Apr-21 11	02-May-21 12	09-May-21 13	TOTAL
Receipts															
Customer receipts	2	861	865	867	868	869	870	870	870	806	830	845	854	860	11,136
Other receipts	3	-	150	-	-	-	150	-	-	-	150	-	-	-	450
Total Receipts		861	1,015	867	868	869	1,020	870	870	806	980	845	854	860	11,586
Disbursements															
Production and other expenses	4	(839)	(951)	(734)	(712)	(712)	(712)	(712)	(665)	(657)	(657)	(515)	(515)	(515)	(8,896)
Payroll and employee benefits	5	-	(415)	-	(360)	-	(415)	-	(360)	-	(415)	-	(360)	-	(2,325)
Utilities		-	(215)	-	-	-	(215)	-	-	-	(185)	-	-	-	(615)
Logger deposits (refunds)	1	(475)	-	-	-	-	-	-	250	-	-	-	-	-	(225)
Insurance		-	-	-	-	-	-	-	-	-	-	(85)	(30)	(11)	(126)
Lease payments		-	(7)	-	(5)	-	(7)	-	(5)	-	(7)	-	-	(5)	(36)
Interim financing interest	6	-	(1)	(38)	-	-	(1)	(39)	-	-	(1)	(42)	-	-	(122)
Total Disbursements		(1,314)	(1,589)	(772)	(1,077)	(712)	(1,350)	(751)	(780)	(657)	(1,265)	(642)	(905)	(532)	(12,345)
Net Cash Flow From Operations		(452)	(574)	95	(208)	157	(330)	119	90	149	(285)	203	(51)	329	(759)
Professional Fees & Disbursements	7	-	-	(23)	(17)	(5)	-	(17)	(9)	(5)	-	(14)	(9)	(5)	(102)
Financing fees and costs	6	(30)	-	-	-	-	-	-	-	-	-	-	-	-	(30)
EDC payments		-	-	(17)	(11)	-	-	-	-	-	-	-	(17)	-	(46)
Principal Repayments		-	-	(13)	-	-	-	(13)	-	-	-	-	(13)	-	(39)
Net Cash Flow		(482)	(574)	42	(237)	153	(330)	89	81	144	(285)	189	(90)	324	(976)
Cash Balance															
Opening Cash Balance		-	518	194	236	249	402	72	162	242	387	101	290	200	-
Add: Net Cash Flow		(482)	(574)	42	(237)	153	(330)	89	81	144	(285)	189	(90)	324	(976)
Closing Cash Balance (before DIP loan)		(482)	(56)	236	(1)	402	72	162	242	387	101	290	200	524	(976)
Add: DIP loan advances (repayments)	8	1,000	250	-	250	-	-	-	-	-	-	-	-	(200)	1,300
Closing Cash Balance (after DIP loan)		518	194	236	249	402	72	162	242	387	101	290	200	324	324
Interim financing															
Opening interim financing position		-	1,000	1,250	1,250	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	-
Advances (repayments)	8	1,000	250	-	250	-	-	-	-	-	-	-	-	(200)	1,300
Closing interim financing Position		1,000	1,250	1,250	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,300	1,300

ROCKSHIELD ENGINEERED WOOD PRODUCTS ULC (“ROCKSHIELD”)
MAJOR ASSUMPTIONS
CASH FLOW STATEMENT
FOR THE PERIOD FEBRUARY 7, 2021 TO MAY 9, 2021 (THE “PERIOD”)

1. Rockshield’s financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The projection is based on the hypotheses that:

- (1) Rockshield will complete a successful proposal;
- (2) Rockshield will continue production with the current staff at the current rates, current plant and staff capacity;
- (3) Rockshield will provide its critical vendors with deposits of up to \$500,000 such that they will maintain Rockshield’s existing payments terms on all new purchases. It is further assumed that these deposits will be partially repaid on March 29, 2021 at the completion of peak harvest season.
- (4) Existing critical vendors will be repaid their pre-filing payables by the end of March 2021; and
- (4) Rockshield will pay certain critical vendors by way of cash on delivery (COD).

- 2. Customer Collections**

Customer collections are composed of existing orders over the first five weeks in the Period. Thereafter, sales are forecast to continue the existing demand and unit prices. Rockshield currently collects its accounts receivable at a rate of 37% per week which is assumed to continue over the Period.

- 3. Other Receipts**

Other receipts are composed of monthly HST refunds. Rockshield purchases product and supplies primarily from Canadian vendors and its sales are predominantly to US customers which puts Rockshield in a HST recovery position.

- 4. Production and Other Expenses**

These amounts represent production supplies, freight, contracted services, operating supplies, outside repairs and maintenance, utilities and steam, fixed manufacturing costs, selling and general and administrative costs required to maintain Rockshield’s operations and facility.

- 5. Payroll, Employee Benefits and Payroll Taxes**

Rockshield has 165 employees and has forecast a similar level for the duration of the cash flow period. The payroll costs reflect expected costs over the period including salaries, source deductions and employee benefits. Payroll is paid bi-weekly one week in arrears and is funded by way of a third-party payroll service which remits all source deductions on behalf of Rockshield. Source deduction remittances are current.

- 6. Interim Financing Interest, Fees and Costs**

Rockshield has accepted an interim financing term sheet from a lender (the “Lender”) in the business of providing financing to companies in Court protection. At the time the Cash Flow Statement was prepared, the Lender was in the process of conducting its due diligence. For purposes of the Cash Flow Statement, Rockshield has assumed that the terms in the term sheet provided by the Lender will be the same terms that govern the actual financing commitment made by the Lender.

Should a financing commitment be obtained from the Lender, it is forecast that commitment fees will total \$30,000 plus lender legal costs. Interest is calculated at a rate of 11% in accordance with the Lender’s term sheet.

7. Professional Fees

Over the Period, professional fees of Rockshield's legal counsel, the Proposal Trustee, and the Proposal Trustee's legal counsel is estimated to total approximately \$100,000 plus HST.

8. Interim Financing

Based upon the financing term sheet provided by the Lender to Rockshield and assuming that a commitment to fund will be made by the Lender following completion of its due diligence, the Lender will provide a first advance to Rockshield of \$1,000,000 with two subsequent advances of \$250,000 each. Based upon the timing of completion of the Lender’s due diligence and receipt of Court approval of the financing arrangement by Rockshield, Rockshield estimated that the first advance will be received in the week ending February 14, 2021, the second in the week ending February 21, 2021 and the third in the week ending March 7, 2021 and will be sufficient to finance Rockshield’s cash flow needs in the Period.

**AND 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**

**ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

AFFIDAVIT OF TOM SCOTT

WEISZ FELL KOUR LLP
100 King Street West, Suite 5600
Toronto, ON M5X 1C9

Caitlin Fell
LSO No. 60091H
cfell@wfkaw.ca
Tel: 416.613.8282

Sharon Kour
LSO No. 58328D
skour@wfkaw.ca
Tel: 416.613.8283

Fax: 416.613.8290

**Lawyers for Rockshield Engineered Wood
Products ULC.**

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

Court File No. 31-2710553
Estate No. 31-2710553

**AND 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**

**ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

SUPPLEMENTARY MOTION RECORD

WEISZ FELL KOUR LLP

100 King Street West, Suite 5600
Toronto, ON M5X 1C9

Caitlin Fell

LSO No. 60091H
cfell@wfklaw.ca
Tel: 416.613.8282

Sharon Kour

LSO No. 58328D
skour@wfklaw.ca
Tel: 416.613.8283

Fax: 416.613.8290

**Lawyers for Rockshield Engineered Wood
Products ULC.**