

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. c-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE AND  
ARRANGEMENT OF W.C. WOOD CORPORATION, LTD. and W.C. WOOD  
CORPORATION INC. (together the "Applicants" or "W.C. Wood")

**FIRST REPORT OF BDO DUNWOODY LIMITED IN ITS CAPACITY AS  
MONITOR OF W.C. WOOD CORPORATION, LTD. and W.C. WOOD  
CORPORATION INC.**

Dated May 24, 2009

**INTRODUCTION**

1. By Order dated May 19, 2009 (the "**Initial Order**"), BDO Dunwoody Limited was appointed Monitor in these proceedings (the "**Monitor**"). A copy of the Initial Order is attached as **Schedule 1** to this Report.
2. The purpose of this Report is to:
  - (a) Report to the Court as to the activities of the Monitor since the Initial Order;
  - (b) Report to the Court on the projected statement of cash flows provided by the Applicants to the Court, as amended; and
  - (c) Report to the Court and make recommendations on the Accommodation and Debtor-in-Possession (DIP) Financing Agreement (the "**DIP Financing Agreement**") between CIT Business Credit Canada Inc. ("**CIT**") as agent for the Lenders (as defined therein) and the Lenders, as lenders, and the Applicants and certain of their related parties, as borrowers.

### MONITOR'S ACTIVITIES

3. The key activities of the Monitor since the date of the Initial Order include the following:
  - (a) reviewing the Applicants' cash flow projections, as discussed below;
  - (b) working with the Applicants to provide CIT and the Lenders with information on the projected cash flows and borrowing base calculations;
  - (c) approving disbursements on account of pre-filing employee obligations and critical supplier accounts payable;
  - (d) approving advance requests under existing facilities with CIT and the Lenders; and
  - (e) meeting with management of the Applicants to explain the CCAA proceedings and discuss the sale of the Mexican Business, as that term is defined in the Initial Order.

### CASH FLOWS

4. The Monitor has reviewed the 13-week statements of projected US and Canadian cash flows dated May 16, 2009 which were attached as Exhibit "A" to the May 18, 2009 affidavit of Michael Hadjinian, sworn and filed in support of the application for the Initial Order (the "**Original Cash Flows**"). The Monitor has also reviewed the Applicants' revised statements of projected US and Canadian cash flows dated May 22, 2009, copies of which are attached at **Schedule 2** to this Report (the "**Revised Cash Flows**").
5. The Monitor notes the following significant revisions in the Revised Cash Flows as compared to the Original Cash Flows:
  - (a) information updated with actual results for the week ended May 16, 2009;
  - (b) projected results added for the week ending August 15, 2009 as the 13<sup>th</sup> week;
  - (c) a decrease to the raw material inventory and a corresponding increase in the finished goods inventory in the US cash flows to reflect the amounts included in the results for the week ended May 16, 2009;
  - (d) accelerated timing of collection of accounts receivable in the Canadian cash flows;
  - (e) addition of fees and revised terms pursuant with the DIP Financing Agreement;

- (f) added reserves to the Canadian cash flows of CDN \$62,000, and to the US cash flows of US \$160,000 to reflect the Directors' Charge and the Administration Charge (as those terms are defined in the Initial Order) totaling CDN \$250,000; and
  - (g) revisions as a result of certain recommendations made by the Monitor pursuant to our review.
6. The timing of accounts receivable collections in Canada appears to be optimistic (based on the Applicants' recent historical results). The increase to the projected finished goods inventory in the US is based on the Applicants' book inventory as at May 16, 2009. We recommend that CIT's field audits include test counts and/or a physical count of the inventory be completed by the end of the month to confirm the actual values of the raw material and finished goods inventories.
7. In summary, nothing has come to the Monitor's attention to suggest that the Revised Cash Flows are unreasonable.

#### **DIP FINANCING**

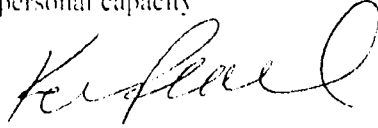
8. CIT and the Lenders under the DIP Financing Agreement are the existing lenders to the Applicants, pursuant to a credit agreement date January 14, 2008, as amended. CIT and the Lenders are believed to be the first-ranking general secured creditors of the Applicants, but the Monitor has not yet had a chance to have the security held by these lenders formally vetted. As is their right, the Lenders have declined to extend further credit to the Applicants under pre-existing facilities.
9. The DIP Financing Agreement would extend the existing facilities provided by the Lenders, but would include certain additional fees and an increase to the interest rates accruing on the facilities. The key terms of the DIP Financing Agreement are as follows:
- (a) **Term:** the term ends on the earliest of:
    - (i) September 30, 2009;
    - (ii) the implementation of a CCAA plan of arrangement;
    - (iii) further default; and
    - (iv) the making of any court order which terminates the Applicants' CCAA or US Bankruptcy Code Chapter 11 proceedings, amends any order in such proceedings without CIT's consent, requires liquidation, and/or places control of the Applicants' business in the hands of a court officer;
  - (b) **Amount:** CDN \$12,000,000 for W.C. Wood Corporation, Ltd. and US \$12,000,000 for W.C. Wood Corporation, Inc.;

- (c) **Interest Rates:** increased to prime plus 5.0% from the current prime plus 3.0%;
  - (d) **Fees:**
    - (i) A new forbearance fee of \$100,000, half of which is due upon execution of the DIP Financing Agreement and half which is due at upon repayment of the DIP loans;
    - (ii) A new monitoring fee of \$3,000 per month; and
    - (iii) The letter of credit fee is increased from 2.25% to 4.5%;
  - (e) **Reserves:** Directors' Charge and the Administration Charge are permitted to rank in priority to the CIT security, and therefore, by the terms of the existing facilities, CIT can take a reserve in respect of these CCAA charges;
  - (f) **Terms of Default:** in addition to defaults under the existing facilities, new events of default include, without limitation, the following:
    - (i) should availability be less than \$1;
    - (ii) should availability be less than 85% of the availability set out in the forecasted cash flows for a given period;
    - (iii) should net sales be less than a certain percentage of forecast net sales, which threshold percentage begins at 75% for the first three weeks after the Initial Order, and rises by 2.5% per week on a trailing 4 week basis, until it reaches 85% in the seventh week after the Initial Order and thereafter;
    - (iv) should there be any change in the Applicants' senior management; and
    - (v) should any order of a court or action of any party terminate or amends any order in the Applicants' CCAA or US Bankruptcy Code Chapter 11 proceedings without CIT's consent, place control of the Applicants' business in the hands of a court officer other, and/or compromise CIT's rights as secured creditor.
10. The Applicants have negotiated the DIP Financing Agreement because they have not been able to attract any new lenders or investors. The Monitor expects that even if financing from a third-party were available, it would be even more expensive in terms of fees and interest rates. For these reasons the Monitor feels the DIP Financing Agreement is reasonable, and recommends that it be approved by the Court. A copy of the DIP Financing Agreement is attached at **Schedule 3** to this Report.

Dated May 24, 2009

BDO DENWOODY LIMITED,  
in its capacity as Court-Appointed Monitor of  
W.C. WOOD CORPORATION, LTD. and  
W.C. WOOD CORPORATION INC., and  
not in its personal capacity

Per:

A handwritten signature in cursive script, appearing to read "Ken Pearl", written over a horizontal dotted line.

Ken Pearl

Vice President

5291649 3

## **SCHEDULE 1**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE Madam )  
JUSTICE Repall ) TUESDAY, THE 19th  
 ) DAY OF MAY, 2009

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN  
OF COMPROMISE OR ARRANGEMENT OF W.C. WOOD CORPORATION, LTD. AND  
W.C. WOOD CORPORATION INC. (together the "Applicants" or "W.C. Wood")

**INITIAL ORDER**

THIS APPLICATION, made by each Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Michael Hadjinian sworn May 18, 2009 and the Exhibits thereto (the "Hadjinian Affidavit") and on hearing the submissions of counsel for each Applicant, the Applicants' Lenders, CIT Business Credit Canada Inc., The CIT Group/Business Credit, Inc., Bank of Montreal and Bank of Montreal Chicago Branch (the "Lenders"), and the proposed Monitor, BDO Dunwoody Limited ("BDO") no one else appearing on this Application, and on reading the consent of BDO to act as the Monitor,

**SERVICE**

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

## **APPLICATION**

2. THIS COURT ORDERS AND DECLARES that each Applicant is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. THIS COURT ORDERS that each Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan") between, *inter alia*, each Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. THIS COURT ORDERS that each Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, each Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. Each Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that each Applicant shall be entitled to continue to utilize the cash management system currently in place as described in the Hadjinian Affidavit (the "Cash Management System") and shall continue to use the Lockbox Accounts described in the Hadjinian Affidavit unless and until the DIP Financing becomes effective with the DIP Lender as set forth in paragraph 35, below, and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by each Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as

hereinafter defined) other than each Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that each Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) payments to vendors deemed by the Applicants to be critical vendors, with consent of the Monitor and consent of the Lenders, including the payment of Cdn \$100,000 to the Wood family described in the Hadjinian Affidavit; and
- (c) the fees and disbursements of any Assistants retained or employed by each Applicant in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, each Applicant shall be entitled but not required to pay all reasonable expenses incurred by each Applicant in carrying on the Business in the ordinary course after the date and time of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to each Applicant following the date of this Order.

8. THIS COURT ORDERS that each Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by each Applicant in connection with the sale of goods and services by each Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by each Applicant.

9. THIS COURT ORDERS that until such time as an Applicant delivers a notice in writing to repudiate a real property lease in accordance with paragraph 11(c) of this Order (a "Notice of Repudiation"), that Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between each Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any arrears relating to the period commencing from and including the date of this Order shall also be paid. Upon delivery of a Notice of Repudiation, the Applicant shall pay all

Rent due for the notice period stipulated in paragraph 11(c) of this Order, to the extent that Rent for such period has not already been paid.

10. THIS COURT ORDERS that, except as specifically permitted herein, each Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

11. THIS COURT ORDERS that each Applicant shall, subject to such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate, subject to paragraph 11(c), if applicable;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 12 and 13, vacate, abandon or quit the whole but not part of any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days notice in writing to the relevant landlord on such terms as may be agreed upon between the Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicant deems appropriate on such terms as may be agreed

upon between the Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and

- (e) pursue all avenues of refinancing and offers for material parts of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above),

all of the foregoing to permit each Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that each Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant repudiates the lease governing such leased premises in accordance with paragraph 11(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in paragraph 11(c) of this Order), and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a Notice of Repudiation is delivered, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises

to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **SALE OF MEXICAN BUSINESS**

14. THIS COURT ORDERS that the sale process described in the Hadjinian Affidavit in relation to sale of the Mexican Business is hereby approved and the Applicants are hereby permitted to take any and all steps that are necessary and appropriate to negotiate an Agreement of Purchase and Sale in relation to the Mexican Business in a manner that is generally in accordance with the terms described in the Hadjinian Affidavit.

*subject to approval by this Court of any Agreement of Purchase and Sale. JOT*

#### **NO PROCEEDINGS AGAINST APPLICANTS OR THE PROPERTY**

*of* 15. THIS COURT ORDERS that until and including June 18, 2009 or such later date as this Court may order (the "Stay Period"), no proceeding suit, complaint, action, arbitration, application, ~~proceeding~~, enforcement process, right or remedy (judicial or extra-judicial, statutory or non-statutory) (each, a "Proceeding") shall be commenced or continued against or in respect of any of the Applicants or the Monitor or in any way affecting the Business or the Property, except with the written consent of each Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

16. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person"), whether judicial or extra-judicial, statutory or non-statutory, against or in respect of either or both Applicants or the Monitor or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicants to carry on any business which each Applicant is not lawfully entitled to carry on; (ii) exempt the Applicants from compliance with

statutory or regulatory provisions relating to health, safety or the environment; (iii) prevent the filing of any registration to preserve or perfect a security interest; or, (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

17. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, suspend, withdraw, accelerate, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants or in connection with any of the Property or the Business, except with the written consent of the Applicants and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

18. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with either or both Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Applicants, 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 Applicants, and that each Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

19. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicants shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

20. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

21. THIS COURT ORDERS that each Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 6(a) and 8(a), 8(b) and 8(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

22. THIS COURT ORDERS that the directors and officers of each Applicant 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 \$75,000 and an additional charge to the extent claims exceed the amount covered by the Directors' Charge, above, in relation to vacation pay arrears (not termination or severance) that would otherwise be entitled to a WEPPA priority (the "Additional Directors' Charge") which shall not exceed an aggregate amount of \$325,000, as security for the indemnity provided in paragraph 21 of this Order. The Directors' Charge and Additional Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

23. 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) each Applicant'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 21 of this Order.

#### **APPOINTMENT OF MONITOR**

24. THIS COURT ORDERS that BDO is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicants' conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that each Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by each Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

25. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor each Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel on an agreed basis to be detailed in the DIP Term Sheet, of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel as required by the DIP Lender in the DIP Term Sheet;
- (e) advise the Applicants in the development of the Plan and any amendments to the Plan;

- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the books, records and management, employees and advisors of each Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

26. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

27. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in

pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

28. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential or commercially sensitive, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and each Applicant may agree.

29. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to each Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants promptly when due.

31. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

32. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$175,000, as security for their professional fees and disbursements incurred at the standard rates

and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

33. THIS COURT AUTHORIZES AND DIRECTS the Monitor to apply to the United States Bankruptcy Court for the District of Delaware (the "US Bankruptcy Court") for an Order recognizing these CCAA proceedings as foreign main proceedings and, in the alternative, foreign non-main proceedings with respect to each Applicant and giving full force and effect to this Order in the United States of America.

*SP* ✓ **DIP FINANCING**

34A. *THIS COURT ORDERS that paragraphs 34 to 39 of this Order shall not be effective until further Order of this Court.*

34. THIS COURT ORDERS that each Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from the Lenders, with CIT Business Credit Canada Inc., as Agent (the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed the amount specified in the Commitment Letter, defined below, unless permitted by further Order of this Court.

*UP* 35. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter to be entered into between the Applicant and the DIP Lender (the "Commitment Letter"), ~~which shall be effective upon filing of a certification of the Monitor approving the terms of the Commitment Letter.~~

36. THIS COURT ORDERS that the Applicants are authorized and empowered, following the effective date of the Commitment Letter described in paragraph 35, 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 Applicants are hereby authorized and directed to pay and perform, following the effective date of the Commitment Letter described in paragraph 35, all of their 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.

37. THIS COURT ORDERS that upon the effective date of the Commitment Letter described in paragraph 35, the Agent on behalf of the DIP Lender and the DIP Lender shall be entitled to the benefit of and is granted a charge (the "DIP Lender's Charge") on the Property, which charge shall not exceed the aggregate amount owed to the DIP Lender under the Definitive Documents. The DIP Lender's Charge shall have the priority set out in paragraphs 40 and 42 hereof.

38. THIS COURT ORDERS that, notwithstanding any other provision of this Order, following the effective date of the Commitment Letter described in paragraph 35:

- (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 two (2) days notice to each Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicants 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 Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants 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 Applicants and for the appointment of a trustee in bankruptcy of the Applicants, and upon the occurrence of an event of default under the terms of the Definitive Documents, the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicants to repay amounts owing to the DIP Lender in accordance with the Definitive Documents

and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 40 and 42 of this Order; 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 Applicant or the Property.

39. THIS COURT ORDERS AND DECLARES that the DIP Lender, following the effective date of the Commitment Letter described in paragraph 35, shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents, and the DIP Lender shall not be stayed pursuant to paragraphs 15-18 and 20 herein; however, it shall seek leave of the Court prior to any enforcement steps.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

40. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$175,000);

Second – Directors' Charge (to the maximum amount of \$75,000);

Third – DIP Lender's Charge, if any; and

Fourth – Additional Directors' Charge, if any (to the maximum amount of \$325,000).

41. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, if any (collectively, 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.

42. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, if any (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

43. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, if any, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender if there is a DIP Lender's Charge, and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

44. THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge, if any shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or 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 Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges 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 Applicants of any Agreement to which either or both Applicants is a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

45. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

#### **SERVICE AND NOTICE**

46. THIS COURT ORDERS that each Applicant shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to its known creditors, other than employees and creditors to which each Applicant owes less than \$1,000, at their addresses as they appear on each Applicant's records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

47. THIS COURT ORDERS that each Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to each Applicant's creditors or other interested parties at their respective addresses as last shown on the records of each Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. THIS COURT ORDERS that each Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at [www.bdo.ca](http://www.bdo.ca).

#### **GENERAL**

49. THIS COURT ORDERS that either Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

50. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

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

52. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

53. THIS COURT ORDERS that any interested party (including each Applicant and the Monitor) 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.

54. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

Stupall, J.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, AS AMENDED R.S.C. 1985, c. C-36  
AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO  
W.C. WOOD CORPORATION, LTD. AND W.C. WOOD CORPORATION INC.

Court File No. **CV-01-8194-00**

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

Proceeding Commenced at Toronto

**INITIAL ORDER**

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Solicitors for the Applicants  
404793

## **SCHEDULE 2**

**WC WOOD - CANADA**  
**13-Wk Cash Flow Forecast**

Week ending (FRI) LOC Text	13-Wk Cash Flow Forecast													TOTAL 13 weeks		
	12-10 ACTUAL	1-10 ACTUAL	2-10 ACTUAL	3-10 ACTUAL	4-10 ACTUAL	5-10 ACTUAL	6-10 ACTUAL	7-10 ACTUAL	8-10 ACTUAL	9-10 ACTUAL	10-10 ACTUAL	11-10 ACTUAL	12-10 ACTUAL			
<b>Cash Sources:</b>																
AR Collections	379,853	961,206	1,083,872	2,379,477	510,057	984,350	972,702	1,006,085	999,392	988,224	983,975	988,786	1,015,985	1,122,723	1,203,202	12,485,385
Non-Oper Sources	875	208,475			525,000											525,000
Intercompany IN & OUT					1,035,057											1,035,057
Change in Intercompany Eit					284,542											284,542
Equity/LT Debt Funding					579,028	1,144,898	984,350	972,702	1,006,085	999,392	988,224	983,975	988,786	1,015,985	1,122,723	12,485,385
<b>Total Sources</b>	<b>377,728</b>	<b>961,771</b>	<b>1,083,872</b>	<b>2,379,477</b>	<b>1,035,057</b>	<b>1,144,898</b>	<b>984,350</b>	<b>972,702</b>	<b>1,006,085</b>	<b>999,392</b>	<b>988,224</b>	<b>983,975</b>	<b>988,786</b>	<b>1,015,985</b>	<b>1,122,723</b>	<b>13,010,385</b>
<b>Cash Uses:</b>																
Payroll Taxes	92,300	357,473	152,140	327,353	284,542	458,234	140,597	324,800	140,597	140,597	140,597	140,597	140,597	140,597	140,597	1,613,103
Payroll Taxes	122,400	122,007	130,817	49,276	579,028	1,144,898	984,350	972,702	1,006,085	999,392	988,224	983,975	988,786	1,015,985	1,122,723	13,010,385
Benefits-Health +	1,284	124,574	3,720	3,720	458,234	140,597	324,800	140,597	140,597	140,597	140,597	140,597	140,597	140,597	140,597	1,613,103
Other Emp'l's -severance	88,830	82,304	42,755	39,387	284,542	140,597	324,800	140,597	140,597	140,597	140,597	140,597	140,597	140,597	140,597	1,613,103
Outsourcing		1,911	1,944	864	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	32,500
EE Cash Trn Exp	394,754	524,385	452,239	414,747	287,042	460,734	143,097	327,199	143,097	143,097	143,097	143,097	143,097	143,097	143,097	3,392,940
Employee suballot					2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	32,500
Material Disbursements					75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	975,000
<b>Manufacturing Costs:</b>																
Durables - Sheet	72,550		41,805	32,295	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	975,000
Paranomic - Compressor		107,650		85,976	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,300,000
PPG - Paint		19,380	40,136	22,261	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
Stargis - Plastic			42,642	22,261	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	585,000
Harsman - Foams			84,274	73,061	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	622,500
Normark - CardBoard	19,956	11,782	4,790	864	4,875	4,875	4,875	4,875	4,875	4,875	4,875	4,875	4,875	4,875	4,875	63,375
Payments on AP					491,443	279,443	476,443	208,843	465,778	465,778	465,778	465,778	465,778	465,778	465,778	4,802,019
Mexico Inventory	50,967	137,070	151,763	100,125	818,318	818,318	716,318	516,318	703,853	703,853	703,853	703,853	703,853	703,853	703,853	6,527,884
All Other Vendors	137,503	272,882	385,232	314,893	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	850,000
AP paydown					70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	700,000
<b>Factory and General Costs:</b>																
Utilities		10,198		10,943	90,785	90,785	90,785	90,785	90,785	90,785	90,785	90,785	90,785	90,785	90,785	1,123,000
Real Estate and Property Taxes					30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	370,500
Maintenance					13,342	10,473	10,473	10,473	10,473	10,473	10,473	10,473	10,473	10,473	10,473	125,000
Manufacturing Supplies		5,250	759	982	5,229	5,229	5,229	5,229	5,229	5,229	5,229	5,229	5,229	5,229	5,229	62,500
Scrap					4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	53,000
Warranty		60,134		47,713	12,701	12,701	24,807	24,807	24,807	24,807	24,807	24,807	24,807	24,807	24,807	322,336
Variable Marketing					29,408	29,408	19,536	19,536	19,536	19,536	19,536	19,536	19,536	19,536	19,536	304,084
Payables - pd qty					10,895	10,895	10,895	10,895	10,895	10,895	10,895	10,895	10,895	10,895	10,895	129,335
Freight	60,804	188,094	51,375	30,000	35,028	35,028	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	35,207	423,773
Returns					100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
<b>Subtotal Factory and General Costs</b>	<b>60,804</b>	<b>188,094</b>	<b>122,440</b>	<b>51,811</b>	<b>240,633</b>	<b>201,108</b>	<b>95,890</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>185,900</b>	<b>2,302,829</b>
<b>Other Costs:</b>																
Travel	2,500	13,337	28,857	123,891	3,890	3,890	3,717	3,717	3,717	3,717	3,717	3,717	3,717	3,717	3,717	47,104
Professional Fees					107,500	107,500	20,793	20,793	20,793	20,793	20,793	20,793	20,793	20,793	20,793	250,000
Marketing					5,908	5,908	14,739	14,739	14,739	14,739	14,739	14,739	14,739	14,739	14,739	176,416
Other SGA					5,738	5,738	6,488	6,488	6,488	6,488	6,488	6,488	6,488	6,488	6,488	78,597
Interest expense					68,454	68,454	35,938	35,938	35,938	35,938	35,938	35,938	35,938	35,938	35,938	443,308
Subtotal Other Critical Costs	19,193	185,875	81,817	171,704	139,689	132,542	54,734	54,734	54,734	54,734	54,734	54,734	54,734	54,734	54,734	1,023,100
<b>Total Uses</b>	<b>521,254</b>	<b>1,199,286</b>	<b>1,021,554</b>	<b>822,885</b>	<b>1,333,648</b>	<b>1,199,286</b>	<b>1,021,554</b>	<b>822,885</b>	<b>1,333,648</b>	<b>1,199,286</b>	<b>1,021,554</b>	<b>822,885</b>	<b>1,333,648</b>	<b>1,199,286</b>	<b>1,021,554</b>	<b>15,248,542</b>
Opening Float					521,254	1,199,286	1,021,554	822,885	1,333,648	1,199,286	1,021,554	822,885	1,333,648	1,199,286	1,021,554	15,248,542
<b>Cash Summary</b>																
Beginning Cash	(145,520)	(100,515)	62,318	1,428,811	(588,431)	(821,674)	394,750	(986,170)	183,657	(275,408)	1,911	(286,207)	(250,542)	(585,065)	(47,364)	(2,538,247)
Net Sources/(Uses)					(598,431)	(821,674)	394,750	(986,170)	183,657	(275,408)	1,911	(286,207)	(250,542)	(585,065)	(47,364)	(2,538,247)
<b>Cash Before LOC</b>	<b>(145,520)</b>	<b>(100,515)</b>	<b>62,318</b>	<b>1,428,811</b>	<b>(588,431)</b>	<b>(821,674)</b>	<b>394,750</b>	<b>(986,170)</b>	<b>183,657</b>	<b>(275,408)</b>	<b>1,911</b>	<b>(286,207)</b>	<b>(250,542)</b>	<b>(585,065)</b>	<b>(47,364)</b>	<b>(2,538,247)</b>
LOC - Advances					598,431	821,674	394,750	986,170	275,408	286,207	250,542	585,065	47,364	2,538,247	3,149,401	3,149,401
LOC - Pay Down					(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(62,318)	(613,154)
<b>Ending Cash</b>	<b>642,164</b>	<b>728,872</b>	<b>1,189,269</b>	<b>1,564,782</b>	<b>1,209,206</b>	<b>958,818</b>	<b>1,105,189</b>	<b>859,189</b>	<b>608,982</b>	<b>460,113</b>	<b>359,679</b>	<b>107,259</b>	<b>62,859</b>	<b>141,872</b>	<b>0</b>	<b>7,369,477</b>

WEEKLY BORROWING BASE CALCULATION	5.01		6		7		8		9		10		11		12		13			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL		
	25-Apr	2-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May	30-May		
<b>Borrowing Base Calculation</b>																				
<b>Borrowing Base Calc</b>																				
Accounts Receivable	9,793,506	9,810,714	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321	10,128,321		
Total AP to DMD	(5,559,278)	(4,919,857)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	(4,818,328)	
2009 Volume Rebates Reserve	57%	50%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%	
Ineligibles	1,174,228	4,880,877	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	5,307,063	
% of Ineligibles of Total AR	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	
Net AR	3,548,026	4,990,857	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	4,811,258	
Advance Ratio	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	35.8%	
Availability from AR	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	12,400,000	
<b>Inventory</b>																				
Raw Materials	6,053,058	5,705,050	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	5,550,304	
WIP	4,270,155	4,138,650	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	3,915,174	
Finished Goods	(1,101,842)	(1,106,794)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	(1,086,001)	
Other (reserve)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Ineligibles	9,948,883	9,198,817	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	8,920,655	
% Ineligibles of Inventory	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	
Total Eligible Inventory	2,618,804	2,468,294	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	2,401,101	
Available	1,847,280	1,700,510	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	1,603,704	
Raw Materials	(478,657)	(478,773)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	(470,084)	
WIP	3,089,410	3,180,001	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	
Other (reserve)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Ineligibles	3,089,410	3,180,001	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	
Total Inventory	3,089,410	3,180,001	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	3,024,741	
Availability from Inv	10,531,110	10,853,483	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	
<b>Fixed Assets</b>																				
Fixed Assets	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	
Equipment	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	
Total	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	
Max	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	
Cost Test & Other Reserve	(1,000,491)	(983,754)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	(963,149)	
Total Borrowing Base	10,531,110	10,853,483	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	11,143,392	
Maximum Credit Available	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	
<b>Line of Credit Balance</b>																				
US Balance	6,105,000	6,886,947	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	7,226,521	
Begin of week	(2)	781	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	6,301	
US Exposure - opening & Ch	1,100,340	1,029,003	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	890,071	
Advances	(377,330)	(901,209)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	(1,115,769)	
Payback	6,888,947	7,229,521	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	6,947,134	
End of Week	3,942,164	3,729,972	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	4,196,258	
Unused LOC / LOC over limit	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	
Minimum Balance per Sect 7.2	842,164	728,972	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	
Part Due AP	1,190,258	1,564,762	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	
<b>AVAILABILITY (C-curve)</b>	1,190,258	1,564,762	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	1,190,258	

WC WOOD - USA

13-WK Cash Flow Forecast

Week ending (Fri)

LOC Test	Total 13 weeks																						
	25-Apr	2-May	9-May	18-May	23-May	1-May	2-May	3-May	6-May	13-May	20-May	27-May	3-Jun	4-Jun	7-Jun	11-Jun	18-Jun	25-Jun	1-Aug	8-Aug	11-Aug	15-Aug	
<b>Cash Sources:</b>																							
AR Collections	740,184	1,230,407	690,123	659,405	1,080,395	1,205,322	1,182,922	1,064,689	1,143,300	1,151,915	1,159,599	1,289,800	1,377,712	1,412,494	1,401,975	1,531,854	1,523,704	1,412,494	1,401,975	1,531,854	1,523,704	1,523,704	1,523,704
Non-Oper Sources	175	(42,283)	2,829	(4,004)	-	-	-	-	-	-	-	24,000	-	-	-	-	-	-	-	-	-	-	-
Discounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany IN & OUT	(20,144)	(22,854)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other In/Intercompany Est.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity/LT Debt Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Sources</b>	729,185	1,174,320	697,088	659,405	1,080,395	1,205,322	1,204,922	1,064,689	1,143,300	1,151,915	1,159,599	1,289,800	1,377,712	1,412,494	1,401,975	1,531,854	1,523,704	1,412,494	1,401,975	1,531,854	1,523,704	1,523,704	
<b>Cash Uses:</b>																							
Payroll Wages	161,004	153,862	161,407	170,650	302,386	236,147	240,203	240,203	240,203	240,203	240,203	240,203	240,185	239,185	239,185	239,185	239,185	239,185	239,185	239,185	239,185	239,185	239,185
Payroll Taxes	59,041	57,873	66,163	94,076	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefits-Health+	46,301	60,774	64,121	27,731	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Employee Costs-severance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outsourcing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Cash Trf Exp (paid with PR)	-	-	-	-	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	
Payroll overhead	265,346	292,489	391,681	268,785	304,889	237,947	248,703	248,703	248,703	248,703	248,703	248,703	301,685	301,685	301,685	301,685	301,685	301,685	301,685	301,685	301,685	301,685	301,685
<b>Material Disbursements</b>																							
Raw Material Purchase	65,492	-	-	62,408	25,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Dofasco	98,857	115,462	134,072	122,220	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
Parasitic	64,395	8,910	15,022	949	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Sturge	-	-	40,378	949	25,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Hudson	58,459	-	52,800	-	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000	
Newsprint	34,748	17,204	14,505	17,459	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	
Payments on AP	67,648	162,660	304,329	54,080	247,884	495,894	272,884	140,884	272,884	367,308	519,308	457,308	590,592	447,888	292,688	699,888	882,688	410,863	292,688	699,888	882,688	410,863	
All Other Vendors	383,544	304,548	683,514	184,715	322,864	872,864	547,864	547,864	547,864	794,308	794,308	864,308	864,308	864,308	864,308	864,308	864,308	864,308	864,308	864,308	864,308	864,308	
<b>Material Payment Factor</b>																							
Utilities	7,575	-	-	10,757	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	
Real Estate Taxes and Insurance	-	-	-	-	6,300	19,853	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	
Maintenance	-	-	2,000	5,220	19,853	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	12,038	
Manufacturing Supplies	-	5,000	-	23,315	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	1,188	
Scrap	-	-	-	-	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	61,193	
Warranty	-	-	-	-	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	46,389	
Variable Marketing	-	-	-	-	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	9,484	
Royalty	-	67,007	150,684	31,147	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
Freight	-	41,091	-	37,911	199,544	344,850	149,112	149,112	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	
Subtotal Factory and Charnal Costs	121,111	160,287	190,287	119,400	70,000	198,544	344,850	149,112	149,112	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	285,912	
<b>Other Costs</b>																							
Travel	-	-	41,133	20,000	12,817	12,817	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	10,453	
Professional Fees	-	-	-	-	92,042	92,042	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	26,133	
Marketing	-	-	-	-	19,063	19,063	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678	
Other SGA	-	41,101	20,064	10,750	11,913	11,913	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	5,330	
Interest expense	-	-	-	-	79,775	79,775	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	52,952	
Subtotal Other Critical Expenses	654,910	750,257	1,209,648	613,610	215,569	135,824	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	69,592	
<b>Total Uses</b>	1,384,095	1,924,577	3,106,736	2,277,210	1,295,964	1,581,005	1,098,290	1,098,290	1,098,290	1,098,290	1,098,290	1,098,290	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	
<b>Opening Float</b>																							
Cash Summary	654,010	750,257	1,209,648	613,610	1,295,916	1,581,005	1,098,290	1,098,290	1,098,290	1,098,290	1,098,290	1,098,290	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	1,402,100	
<b>Net Sources/(Uses)</b>	74,285	415,063	(330,261)	45,795	348,479	(385,683)	167,031	55,399	(23,703)	(23,703)	(23,703)	(23,703)	248,073	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	
<b>Cash Before LOC</b>	74,285	415,063	(330,261)	45,795	348,479	(385,683)	167,031	55,399	(23,703)	(23,703)	(23,703)	(23,703)	248,073	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	
LOC-Advance	-	-	330,661	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LOC-Pay Down	(74,285)	(415,063)	(330,661)	(45,795)	(348,479)	(385,683)	(167,031)	(55,399)	(23,703)	(23,703)	(23,703)	(23,703)	(248,073)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	(222,511)	
<b>AVAILABILITY</b>	63,975	1,365,379	508,329	600,682	1,237,133	755,721	619,450	619,450	619,450	619,450	619,450	619,450	447,884	402,761	398,888	81,841	70,878	212,770	331,227	331,227	331,227	331,227	

WC WOOD - USA  
WEEKLY BORROWING BASE CALCULATION AND LOC TRACKING

Borrow by Base Calculation

	25-Apr	2-May	3-May	4-May	5-May	6-May	7-May	8-May	9-May	10-May	11-May	12-May	13-May			
Accounts Receivable	0,142,087	9,048,038	10,019,058	10,140,029	10,077,465	9,847,009	9,791,828	9,854,816	9,839,115	9,815,180	9,783,280	10,457,704	10,580,540	10,524,535	10,288,344	
Total AR	(5,884,820)	(6,151,655)	(6,481,453)	(6,862,851)	(6,248,027)	(6,135,183)	(6,070,802)	(6,100,880)	(6,100,252)	(6,085,411)	(6,005,821)	(6,378,034)	(6,550,040)	(6,525,211)	(6,378,773)	
Ineligibles	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
% of Other Ineligibles of Total AR	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Net AR	3,758,141	3,796,483	3,737,605	3,508,278	3,829,438	3,711,826	3,720,026	3,754,936	3,738,864	3,729,769	3,777,459	3,808,444	4,029,494	3,989,323	3,909,571	
Advances Rate	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	
Availability from AR	3,184,420	3,225,478	3,162,760	3,183,106	3,178,034	3,170,303	3,158,083	3,255,281	3,322,177	3,377,838	3,417,517	3,380,625	3,323,135	3,388,135	3,323,135	
Inventory																
Raw Materials	5,444,451	5,162,407	5,207,508	4,921,510	4,949,110	4,929,541	4,909,535	4,847,988	4,830,981	4,812,362	4,805,134	4,881,233	4,857,332	4,807,265	4,698,133	4,921,221
WIP	6,300,248	6,378,658	6,363,080	6,360,807	6,192,368	6,134,267	6,113,001	6,038,458	6,015,280	5,992,122	6,017,612	6,077,852	6,049,002	5,985,751	5,775,157	5,754,060
Finished Goods	(1,438,711)	(1,271,843)	(1,217,843)	(1,217,843)	(1,224,073)	(1,210,088)	(1,214,880)	(1,190,850)	(1,195,441)	(1,190,850)	(1,213,701)	(1,207,878)	(1,201,062)	(1,199,573)	(1,147,721)	(1,143,538)
RM Ineligibles	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
% RM Ineligibles of RM	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
FG Ineligibles	(859,916)	(844,062)	(844,062)	(844,062)	(851,792)	(830,279)	(828,158)	(825,013)	(823,872)	(822,600)	(828,844)	(827,241)	(825,930)	(822,283)	(815,981)	(810,944)
% FG Ineligibles of FG	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Eligible Inventory	9,855,071	9,077,140	9,478,703	9,750,222	9,555,014	9,511,442	9,478,008	9,356,782	9,328,048	9,291,036	9,470,112	9,423,987	9,377,823	9,281,101	9,081,048	8,854,828
Available	1,849,899	1,584,209	1,577,002	1,491,218	1,490,580	1,492,742	1,497,588	1,468,940	1,463,787	1,468,152	1,490,256	1,479,014	1,471,772	1,458,001	1,405,354	1,400,230
WIP	3,834,022	3,877,008	3,548,482	3,885,507	3,740,720	3,729,034	3,718,760	3,670,165	3,657,200	3,643,210	3,713,428	3,685,334	3,677,240	3,689,337	3,564,788	3,511,265
Finished Goods	(435,029)	(309,008)	(309,008)	(309,008)	(371,078)	(390,384)	(398,109)	(393,494)	(392,218)	(390,854)	(397,778)	(395,087)	(394,194)	(393,057)	(347,759)	(346,401)
RM Ineligibles	(218,829)	(209,202)	(209,202)	(209,202)	(201,729)	(203,810)	(200,116)	(197,800)	(198,014)	(196,156)	(198,837)	(198,063)	(195,848)	(195,054)	(189,054)	(188,304)
FG Ineligibles	4,830,032	4,883,008	4,548,178	4,798,511	4,873,465	4,852,183	4,838,124	4,578,004	4,591,844	4,544,381	4,831,088	4,808,368	4,598,828	4,539,550	4,448,583	4,378,837
Total Inventory	4,830,032	4,883,008	4,548,178	4,798,511	4,873,465	4,852,183	4,838,124	4,578,004	4,591,844	4,544,381	4,831,088	4,808,368	4,598,828	4,539,550	4,448,583	4,378,837
Availability from Inv	4,830,032	4,883,008	4,548,178	4,798,511	4,873,465	4,852,183	4,838,124	4,578,004	4,591,844	4,544,381	4,831,088	4,808,368	4,598,828	4,539,550	4,448,583	4,378,837
Fixed Assets	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000	3,752,000
Real Estate	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338	455,338
Equipment	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338	4,207,338
Total	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Max	12,025,352	12,025,352	11,570,140	11,780,553	11,822,787	11,798,884	11,761,110	11,726,078	11,714,384	11,701,981	11,701,981	11,684,880	11,699,068	11,677,388	11,284,080	11,287,001
Total Borrowing Base	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Maximum Credit Available	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
Line of Credit Balance	7,590,506	6,160,777	7,792,068	8,085,820	7,870,861	7,531,382	7,917,085	7,719,434	7,984,035	7,987,738	7,938,224	8,184,287	8,301,918	8,442,800	8,085,447	8,406,461
Begin of week	1,180,332	819,522	1,200,000	473,000	(348,479)	385,883	(187,831)	(55,389)	23,703	250,488	248,073	117,821	141,018	222,511	(227,311)	(210,717)
Advances	(746,060)	(1,277,361)	(897,069)	(858,058)	7,831,382	7,817,068	7,719,434	7,694,035	7,687,738	7,689,224	8,184,287	8,301,918	8,442,800	8,685,447	8,683,832	8,406,461
Payback	6,190,777	7,792,068	8,085,820	7,870,861	7,831,382	7,817,068	7,719,434	7,694,035	7,687,738	7,689,224	8,184,287	8,301,918	8,442,800	8,685,447	8,683,832	8,406,461
End of Week	3,694,575	4,365,578	3,504,320	3,900,862	4,397,133	3,915,721	4,079,460	4,097,075	4,052,240	3,778,460	3,807,884	3,562,781	3,488,008	3,251,841	3,280,278	3,491,227
Unused LOC / (LOC over limit)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)	(3,160,000)
Minimum Balance per Sect 7.27(f)	834,575	1,355,578	504,320	600,862	1,237,133	755,721	919,450	937,075	892,240	619,460	447,094	402,761	308,008	61,941	70,278	212,770
AVAILABILITY																

## **SCHEDULE 3**

**ACCOMMODATION AND DEBTOR-IN-POSSESSION (DIP)  
FINANCING AGREEMENT**

**DATED** as of May 21, 2009.

**AMONG:**            **CIT BUSINESS CREDIT CANADA INC.,**  
in its capacity as Agent for the Lenders

(the "**Agent**");

- and -

**THE FINANCIAL INSTITUTIONS** listed on the signature pages hereof as  
Lenders,

(the "**Lenders**");

- and -

**W.C. WOOD CORPORATION, LTD.,**  
a corporation duly organized and existing under the laws of Canada,

(the "**Canadian Borrower**")

- and -

**W.C. WOOD CORPORATION, INC.,**  
a corporation duly organized and existing under the laws of Delaware,

(the "**U.S. Borrower**")

**W.C. WOOD HOLDINGS, INC.**

("Holdings")

- and -

**WOOD MEXICO HOLDINGS, LLC, WC WOOD SERVICIOS, S.A. de  
C.V.; and WC WOOD, S.A. de C.V.,**

(collectively with Holdings, the "**Guarantors**")

**WHEREAS:**

- A.     The Lenders, the Agent, the Canadian Borrower, the U.S. Borrower and the Guarantors entered into a Credit Agreement made as of January 14, 2008, as amended by

Amendment No. 1 to Credit Agreement dated as of June 11, 2008, Amendment No. 2 to Credit Agreement dated as of September 15, 2008, and Amendment No. 3 to Credit Agreement dated as of October 31, 2008 and a letter dated January 8, 2009, which provides for certain credit facilities and other financial accommodations to be made available by the Lenders to the U.S. Borrower or the Canadian Borrower (as amended and supplemented hereby and which together with any other or subsequent replacement, supplement, amendment, restatement, modification, revision or addition thereto, hereinafter referred to as the "**Credit Agreement**");

- B. The Lenders, the Canadian Borrower, the U.S. Borrower, and the Guarantors entered into a Forbearance Agreement in connection with the Credit Agreement dated as of September 15, 2008 and amended by the Amendment Forbearance Agreement dated as of November 27, 2008;
- C. The U.S. Borrower, the Canadian Borrower and various of their affiliates have executed and delivered various security documents to and in favour of the Agent, creating liens and encumbrances in and on all of the present and after acquired property, assets and undertakings of those borrowers and affiliates;
- D. As of the date hereof, the U.S. Borrower and the Canadian Borrower are in breach of certain of their Obligations under the Credit Agreement in consequence of which one or more Events of Default have occurred and are continuing;
- E. The U.S. Borrower and the Canadian Borrower advised the Agent that they intend to make an application for a stay of proceedings (the "**Application**") and other relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**");
- F. The U.S. Borrower and the Canadian Borrower have requested that the Agent and the Lenders forbear from exercising their rights as a result of such Events of Default and that the Lenders continue to provide and continue the Loans to the U.S. Borrower and the Canadian Borrower notwithstanding such Events of Default in order to provide the U.S. Borrower and the Canadian Borrower with the opportunity to borrow additional funds and to enable the U.S. Borrower and the Canadian Borrower to restructure their businesses and operations and to explore restructuring alternatives (including the sale of all or portions of their businesses, assets, property and undertakings) on and subject to the terms and conditions set out herein; and
- G. The Agent and the Lenders are willing to agree to forbear from exercising their rights and remedies and to provide further Loans for the period and on the terms and conditions specified herein and have authorized and directed the Agent on their behalf to enter into this Agreement with the U.S. Borrower and the Canadian Borrower and the Guarantors;

**NOW THEREFORE**, in consideration of the premises, the Agent and the Lenders agreeing to forbear their rights and remedies under the Credit Agreement and the other Loan Documents and to continue to make accommodations of credit available to the U.S. Borrower and the Canadian Borrower on and subject to the terms and conditions of this Agreement, and for other

good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, each of the parties hereto hereby agrees as follows:

## 1. INTERPRETATION

### 1.1 Definitions

Capitalized terms used but otherwise not defined herein shall have the meanings ascribed to such terms in the Credit Agreement unless the context expressly or by necessary implication otherwise requires.

### 1.2 Additional Definitions

As used herein, the following terms shall have the respective meanings given to them below and Annex "A" of the Credit Agreement is hereby amended to include, in addition and not in limitation, each of the following definitions (in correct alphabetical order):

"**Administrative Charge**" has the meaning ascribed thereto in Section (iv).

"**Application**" has the meaning ascribed thereto in the preambles hereof.

"**Application Collateral**" has the meaning ascribed thereto in Section 7.3(a) hereof.

"**Availability Event**" means if the Canadian Availability on any date is less than \$1; or if the U.S. Availability on any date is less than US\$1.

"**BIA**" shall mean the *Bankruptcy and Insolvency Act* (Canada).

"**Cashflows**" means (i) the cashflows delivered to the Lenders by each of the U.S. Borrower or the Canadian Borrower prior to the date hereof, or (ii) if requested by the Agent, the additional cashflows by the U.S. Borrower or the Canadian Borrower provided for in Section 6.1(l).

"**CCAA**" has the meaning ascribed thereto in the preambles hereof.

"**CCAA Charges**" means the Administrative Charge and the D&O Charge.

"**Code**" shall mean the U.S. Bankruptcy Code.

"**Court**" shall mean the Ontario Superior Court of Justice, Commercial List, sitting in the City of Toronto.

"**Credit Agreement**" has the meaning ascribed thereto in the preambles hereof.

"**D&O Charge**" has the meaning ascribed thereto in Section (v).

"**DIP Accommodations**" means all loans and financial accommodations made during or following the Term under or in connection with the Credit Agreement.

**"Existing Defaults"** has the meaning ascribed thereto in Section 2.2 hereof.

**"Existing Security"** means all Loan Documents as defined in the Credit Agreement and includes the security interests created by the General Security Agreement dated as of January 14, 2008 by and among W.C. Wood Corporation, Ltd. and CIT Business Credit Canada Inc. and created by the Guarantors and Collateral Agreement dated as of January 14, 2008 made by W.C. Wood Holdings, Inc., W.C. Wood Corporation, Inc., Wood Mexico Holdings, LLC and CIT Business Credit Canada Inc.

**"Initial Order"** shall mean collectively (i) the initial order issued or to be issued in connection with the Application, which order shall be in accordance with all terms hereof, including, without limitation, Section 6.1(q), and (ii) the interim and final order issued under the Code in recognition of the CCAA proceedings, and each and all of which shall otherwise be in form and substance satisfactory to the Agent in its discretion (including as to any amendments or supplements thereto).

**"Interim Default"** shall mean any one or more of the events described in Section 8.1 of this Agreement.

**"Lenders' Expenses"** has the meaning ascribed thereto in Section 11.9.

**"Loans"** means, collectively, all loans and letters of credit described in Article 1 of the Credit Agreement as well as the DIP Accommodations.

**"Maturity Date"** shall mean September 30, 2009 or as otherwise extended on agreement by the parties hereto.

**"Monitor"** shall mean BDO Dunwoody Limited, in its capacity as the Monitor appointed pursuant to the Initial Order.

**"Net Sales"** means the line item referred to as such in the Cashflows;

**"Obligations"** has the meaning ascribed to such term in the Credit Agreement but includes, without limitation, the DIP Accommodations and all principal, interest and all Lenders' Expenses and all other costs, expenses and fees incurred by the Lenders and the Agent in connection therewith, the Credit Agreement, the other Loan Documents and this Agreement.

**"Plan"** means a plan of reorganization in respect of the Borrowers which the Monitor has reviewed and confirmed to the Agent appears to it to be reasonable and viable.

**"Prior Claims"** has the meaning ascribed thereto in Section 7.3(a) hereof.

**"Priority Payables"** has the meaning ascribed thereto in Section 4.5 hereof.

**"Term"** has the meaning ascribed thereto in Section 3.1 hereof.

**"Termination Date"** has the meaning ascribed thereto in Section 7.2(a) hereof.

“UCC” means the Uniform Commercial Code, as in effect from time to time, applicable in any jurisdiction which applies to any collateral or where any collateral is located.

**"Variance Event"** means if (a) during each of the first three (3) weeks beginning with the week in which the Initial Order is obtained, Net Sales is less than seventy-five percent (75%) of the forecast Net Sales for any of such weeks as set out in the Cashflows for either the U.S. Borrower or the Canadian Borrower; (b) thereafter for week 4, if Net Sales on a trailing four (4) week period (inclusive of the first three weeks) is less than seventy-seven and one half percent (77.5%) of the forecast Net Sales for such period as set out in the Cashflows for either the U.S. Borrower or the Canadian Borrower (c) thereafter for week 5, if Net Sales on a trailing four (4) week period is less than eighty percent (80%) of the forecast Net Sales for such period as set out in the Cashflows for either the U.S. Borrower or the Canadian Borrower (d) thereafter for week 6, if Net Sales on a trailing four (4) week period is less than eighty-two and one half percent (82.5%) of the forecast Net Sales for such period as set out in the Cashflows for either the U.S. Borrower or the Canadian Borrower (e) thereafter (for week 7 and thereafter), if Net Sales on a trailing four (4) week period is less than eighty-five percent (85%) of forecast Net Sales for such period as set out in the Cashflows for either the U.S. Borrower or the Canadian Borrower; or (f) Canadian Availability or U.S. Availability is less than eight-five percent (85%) of the Canadian Availability or U.S. Availability, respectively specified in the Cashflows for a particular period.

### 1.3 Currency

Unless otherwise specified herein, all statements of or references to dollar amounts shall mean the lawful money of Canada.

## 2. ACKNOWLEDGEMENTS BY BORROWER

### 2.1 Indebtedness, Security, etc.

The U.S. Borrower and the Canadian Borrower acknowledge, confirm and agree as follows:

- (a) in calculating the U.S. Borrowing Base or the Canadian Borrowing Base, the Agent (subject to Section 12.2 of the Credit Agreement) will continue to be entitled to create and amend reserves as set out in the definitions of "U.S. Borrowing Base" and "Canadian Borrowing Base" set out in the Credit Agreement;
- (b) any accommodations of credit to the U.S. Borrower or the Canadian Borrower by the Lenders shall in no way be an obligation on the Lenders to make any further advances or accommodations of credit other than as may be specifically provided for in the Credit Agreement;
- (c) any and all costs, expenses and fees incurred by the Lenders and the Agent in connection with this Agreement, the subject matter hereof or the enforcement of the Agent's Liens shall form part of the Obligations and shall be secured by the Agent's Liens;

- (d) the Agent's Liens and any other Liens are in full force and effect, are legal, valid, binding and enforceable against the U.S. Borrower or the Canadian Borrower, and constitute general continuing collateral security for any and all of the Obligations owing to the Agent and the Lenders, whether under the Credit Agreement, this Agreement, any other Loan Document or otherwise, and including for greater certainty all DIP Accommodations;
- (e) as of the close of business on May 13, 2009, the Canadian Borrower is indebted to the Agent and the Lenders (A) directly for Canadian Revolving Loans in the principal aggregate amount of Cdn.\$7,709,253.53 plus interest in the amount of Cdn.\$135,396.70; plus (B) legal fees in the estimated amount of Cdn.\$86,000.00; plus (C) such other debits and credits not yet posted to the Obligations. Such Obligations, together with any fees, costs, expenses and other charges now or hereafter payable by the Canadian Borrower to the Lenders and the Agent are unconditionally owing by the Canadian Borrower to the Agent and the Lenders, without offset, defence or counterclaim of any kind, nature or description whatsoever;
- (f) as of the close of business on May 13, 2009, the U.S. Borrower is indebted to the Agent and the Lenders (A) directly for U.S. Revolving Loans in the principal aggregate amount of Usd.\$7,673,273.32 plus interest in the amount of Usd.\$108,192.27; plus (B) legal fees in the estimated amount of Usd.\$25,000; plus (C) in respect of a credit card accommodation provided by Bank of Montreal in the amount of Usd.\$27,017.08 (as at May 10, 2008); plus (D) such other debits and credits not yet posted to the Obligations. Such Obligations, together with any fees, costs, expenses and other charges now or hereafter payable by the U.S. Borrower to the Lenders and the Agent are unconditionally owing by the U.S. Borrower to the Agent and the Lenders, without offset, defence or counterclaim of any kind, nature or description whatsoever;
- (g) the execution and delivery of this Agreement shall not impose upon the Lenders, the Agent, or their respective employees or authorized agents or representatives, any duty of care or fiduciary duty in favour of the U.S. Borrower or the Canadian Borrower;
- (h) the Canadian Borrower, the U.S. Borrower, and the Guarantors all acknowledge and agree that they received, on May 14, 2009 a demand letter from the Agent and that they do not dispute their liability for the indebtedness demanded on any grounds whatsoever; and
- (i) the Canadian Borrower and the U.S. Borrower acknowledge that they received, on May 14, 2009, a notice given to them pursuant to Section 244 of the *Bankruptcy and Insolvency Act* of Canada and that they do hereby waive the ten day period set out therein, and consent to the immediate enforcement of the Credit Agreement and all other Loan Documents upon the completion of the Term, without further notice or observance of any other formality by the Agent or the Lenders.

## **2.2 Default**

The Canadian Borrower and the U.S. Borrower acknowledge, confirm and agree that one or more defaults or Events of Default under the Credit Agreement or events or conditions which, with notice or the passage of time or both, would constitute an Event of Default under the Credit Agreement have occurred and are continuing, more specifically, the insolvency of the U.S. Borrower or the Canadian Borrower and such borrowers' intentions to make (and the subsequent making of) an application for a stay of proceedings under the CCAA (and the subsequent issuance of the Initial Order), and under Chapter 15 of the Code to recognize such CCAA proceedings, and other Events of Default now existing arising under Section 9.1 of the Credit Agreement (collectively, the "**Existing Defaults**"), each of which constitutes an Event of Default under the Credit Agreement and entitles the Agent, in its discretion, to exercise its rights and remedies under the Credit Agreement and the other Loan Documents, the PPSA and other applicable law or otherwise, and the Existing Defaults constitute all of the Events of Default under the Credit Agreement and the other Loan Documents which have occurred and are continuing as of the date of this Agreement. The U.S. Borrower and the Canadian Borrower further acknowledge:

- (a) the Agent and the Lenders have not waived, and do not intend to waive such Existing Defaults and nothing contained herein or the transactions contemplated hereby shall be deemed to constitute any such waiver; and
- (b) the Agent and the Lenders have the presently exercisable and continuing right to (i) terminate the Commitments and the Credit Agreement; (ii) cease to make available or extend any Loans or provide Letters of Credit or Credit Support; (iii) reduce the Maximum Canadian Revolver Amount or the Maximum U.S. Revolver Amount, or the advance rates used in computing the U.S. Borrowing Base or the Canadian Borrowing Base, or lending formulas or amounts of any Loans; and (iv) pursue their other rights and remedies under the Loan Documents and applicable law.

## **3. TERM AND EFFECTIVE DATE**

### **3.1 Term and Effective Date**

This Agreement shall take effect as of the date of the making of the Initial Order and shall continue in full force and effect, subject to the terms of this Agreement, until the Termination Date unless this Agreement is terminated prior to such date in accordance with this Agreement or indefeasible payment and performance of the Obligations in full has occurred (the "**Term**").

## **4. FORBEARANCE AND REPAYMENT OF INDEBTEDNESS**

### **4.1 Forbearance by the Lenders**

Subject to the terms and conditions of this Agreement, the Lenders and the Agent agree that they will not exercise any of their rights and remedies as against the U.S. Borrower or the Canadian Borrower under the Credit Agreement or any other Loan Document in respect of or in connection with the Existing Defaults, or any of them, until the Termination Date. Upon the

expiration of the Term, the agreement of the Lenders and the Agent to forebear shall automatically and without further action terminate and be of no force and effect, it being expressly agreed that the effect of such termination will be to permit the Lenders and the Agent to exercise such rights and remedies as are available under the Credit Agreement, the other Loan Documents, this Agreement or applicable law.

#### **4.2 Acknowledgement and Waiver**

The Agent acknowledges the occurrence of the Existing Defaults and the continuation hereafter of such defaults until the Termination Date, but the occurrence after the date hereof of any new breach of, or new default under, any of the terms and provisions of the Credit Agreement, the Loan Documents or this Agreement (excluding, for greater certainty, any continuing Existing Default, the making of the Application or the granting of the Initial Order), shall constitute an Interim Default hereunder and this acknowledgement and waiver shall not constitute a waiver of any such Interim Default.

#### **4.3 Consent to Charges and Lenders' Expenses**

The Agent hereby acknowledges and consents to those CCAA Charges granted in the Initial Order, and confirms that the U.S. Borrowing Base and the Canadian Borrowing Base shall be calculated in accordance with the Credit Agreement, as amended hereby, with the inclusion of reserves or deductions in respect of such CCAA Charges and the Lenders' Expenses.

#### **4.4 Proceeds**

The U.S. Borrower and the Canadian Borrower hereby covenant and agree to continue to deposit any and all monies, negotiable instruments, cheques, wire or electronic transfers, drafts, all other forms of payment and proceeds of disposition into accounts in accordance with the Blocked Account Agreements and to continue to comply with the cash management and other banking and lending arrangements contemplated in the Credit Agreement. Without limitation to the foregoing, the Borrower shall continue in full force and effect and shall comply with all terms and conditions of the Blocked Account Agreement between the Agent, the Canadian Borrower and the Bank of Montreal and the Blocked Account Agreement between the U.S. Borrower, the Agent and Harris N.A.

#### **4.5 Priority Payables**

During the Term, the U.S. Borrower and the Canadian Borrower hereby covenant and agree to remit and pay, or to otherwise arrange for the remittance and payment on a current basis when due of, any and all Priority Payables in accordance with applicable laws save for property taxes, and vacation pay arrears for which the Agent has created a reserve from the U.S. Borrowing Base and the Canadian Borrowing Base. The term "**Priority Payables**" means those payments required by applicable law to be made, the non-payment of which could reasonably be expected to give rise to any Lien, charge or deemed trust ranking or capable of ranking in priority to or *pari passu* with the Liens in favour of the Agent, including, without limitation, goods and services tax under the *Excise Tax Act* (Canada), retail sales tax under the *Retail Sales Tax Act* (Ontario), payments and contributions required by the *Pension Benefits Act* (Ontario),

*Employment Insurance Act* payments, Canada Pension Plan payments and any source deduction remittances to Canada Revenue Agency.

#### **4.6 Fee**

In consideration of the agreements set forth herein, the U.S. Borrower and the Canadian Borrower shall collectively pay to the Agent (for the rateable benefit of the Lenders in accordance with their commitments), an accommodation fee in the amount of \$100,000, which fee shall be fully earned as of the date hereof and \$50,000 payable (\$25,000 each by the Canadian Borrower to the Agent for the Canadian Lenders and by the U.S. Borrower to the U.S. Agent for the U.S. Lenders) contemporaneously with the execution of this Agreement and \$50,000 (\$25,000 each by the Canadian Borrower to the Agent for the Canadian Lenders and by the U.S. Borrower (in the U.S. currency equivalent) to the U.S. Agent for the U.S. Lenders) payable upon repayment of the Canadian Obligations or U.S. Obligations. Such fee is in addition to all other fees, interest, costs, and expenses payable in connection with the Credit Agreement or this Agreement, including the Lenders' Expenses, and may be debited by the Agent to the U.S. Borrower's or the Canadian Borrower's loan account as a U.S. Prime Rate Revolving Loan or a Canadian Prime Rate Revolving Loan, respectively. The accommodation fee shall be fully earned by the Lenders notwithstanding any failure by the U.S. Borrower or the Canadian Borrower to comply with any other term of this Agreement.

### **5. REPRESENTATIONS AND WARRANTIES**

#### **5.1 U.S. Borrower's, the Canadian Borrower's and Holdings' Representations and Warranties**

The U.S. Borrower, the Canadian Borrower and Holdings represent and warrant to the Agent and the Lenders as follows:

- (a) the preambles to this Agreement are true, complete and accurate in all respects;
- (b) save and except as noted on Schedule "A" hereto, as of the date hereof, there are no arrears for any government obligations including goods and services tax under the *Excise Tax Act* (Canada), retail sales tax under the *Retail Sales Tax Act* (Ontario), employer health tax or workers compensation or with respect to any source deduction remittances to Canada Revenue Agency, except due in the normal course;
- (c) save and except as noted on Schedule "B" hereto, as of the date hereof, all employee wages that have become payable are up-to-date and there are no amounts owing in respect of union dues, termination pay, severance pay or vacation pay, except due in the normal course or otherwise in accordance with the established practices and arrangements of the U.S. Borrower or the Canadian Borrower;
- (d) save and except as noted on Schedule "C" hereto, as of the date hereof, (i) no event described in Section 9.1(o) of the Credit Agreement has occurred and is continuing with respect to a Pension Plan which has resulted or could reasonably be expected

to result in a net liability of the U.S. Borrower or the Canadian Borrower; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans does not exceed the sum of \$1; (iii) monthly contribution amounts in respect of all Pension Plans do not exceed the monthly amounts specified in the Cashflows; (iv) the U.S. Borrower and the Canadian Borrower have paid or remitted when due any amount for which it is liable in respect of any Pension Plan; and (v) no deemed trust or Lien has arisen and is continuing under the *Pension Benefits Act* (Ontario) under or in respect of any Pension Plan;

- (e) the Canadian Borrower is a duly incorporated and subsisting corporation under the laws of the Province of Ontario, and the Canadian Borrower has full corporate power and capacity to borrow the Loans and to enter into and perform the Obligations under the Credit Agreement, the other Loan Documents and this Agreement;
- (f) the U.S. Borrower is a duly incorporated and subsisting corporation under the laws of the State of Delaware and the U.S. Borrower has full corporate power and capacity to borrow the Loans and to enter into and perform the Obligations under the Credit Agreement, the other Loan Documents and this Agreement;
- (g) the execution, delivery and performance by the U.S. Borrower and the Canadian Borrower of the Obligations under the Credit Agreement, the other Loan Documents and this Agreement have been duly authorized by all necessary corporate action, each of such document has been duly executed and delivered by the U.S. Borrower or the Canadian Borrower to and in favour of the Agent and the Lenders to the extent applicable and each of such documents is legal, valid, binding and enforceable in accordance with its terms against the U.S. Borrower or the Canadian Borrower, respectively, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity; and
- (h) the execution, delivery and performance by the U.S. Borrower and the Canadian Borrower of the Obligations under the Credit Agreement, the other Loan Documents and this Agreement does not breach, violate, conflict with, or constitute a default under, any applicable provincial or federal laws, their respective constating documents, or any agreement to which the U.S. Borrower or the Canadian Borrower are a party.

## **5.2 Lenders to Rely on Representations and Warranties**

The U.S. Borrower and the Canadian Borrower acknowledge that the Agent and the Lenders have entered into this Agreement in reliance on the truth, completeness and accuracy of the acknowledgements, representations, warranties and agreements set forth in this Agreement.

## 6. COVENANTS BY THE BORROWER

### 6.1 Borrower's Covenants and Agreements

During the Term, the U.S. Borrower and the Canadian Borrower covenant and agree with the Agent and the Lenders as follows:

- (a) except with respect to the Existing Defaults, to strictly observe and perform all of the terms and conditions under the Credit Agreement, the other Loan Documents and this Agreement, including, without limitation, the cash management arrangements contemplated and established therein and to pay when due all Obligations;
- (b) other than with respect to the Existing Defaults, to promptly advise the Agent in writing of any Interim Default that has occurred;
- (c) to maintain its corporate existence in good standing and comply with any and all applicable laws at any and all times;
- (d) not to, without the prior written consent and approval of the Agent and Lenders:
  - (i) enter into any consolidation, amalgamation, wind-up, dissolution or merger;
  - (ii) change its name;
  - (iii) other than as permitted under the Initial Order, sell, transfer, assign, convey, charge, mortgage, hypothecate, further encumber or otherwise dispose in any manner, whether directly or indirectly, of any interest in any of its undertaking, property and assets;
  - (iv) use any proceeds for any purpose other than for the payment of the expenses of a kind as set forth in the Cashflows or repayment of the Obligations, or as otherwise permitted in the Initial Order provided, however, that no payments shall be made in respect of any liabilities incurred prior to the date of the Initial Order individually or in the aggregate for such payments without the prior written approval of the Agent (it being agreed that the \$100,000 payment to the Wood family in respect of arrears of rent shall be permitted to the extent included in the Cash flows);
  - (v) make any expenditures of any kind, including any capital expenditures, other than in accordance with the Cashflows or as otherwise permitted by the Initial Order; and
  - (vi) undertake any new investments or enter into any new businesses;

- (e) in addition to the reporting requirements under the Credit Agreement, to provide the Agent with such reports of cash collections, deposits, sales and generation of accounts receivable, disbursements, expenses, estimated projections for U.S. Availability or Canadian Availability under the Credit Agreement and other financial information as the Agent or Lenders may require in its discretion, including, without limitation, weekly (by the third Business Day of the next following week) a comparison of actual results to the projections in the Cashflows on a weekly and a cumulative basis, a summary of all communications with and from Account Debtors (including in response to account verification letters) and satisfactory evidence of payment of all applicable Priority Payables, all amounts required to be paid in respect of each Pension Plan when due (including all required catch-up payments), business taxes and utilities, all in form and substance satisfactory to the Agent and Lenders, in their discretion;
- (f) to maintain, in full force and effect, all of the insurance required to be established and maintained under the Credit Agreement;
- (g) to permit the Agent, the Lenders, or their respective employees and authorized agents and representatives to have full access to the U.S. Borrower's and the Canadian Borrower's premises and books and records at all times during normal business hours to conduct appraisals and audits as the Agent or any Lender requires, in its discretion, and to make copies and take extracts therefrom. Without limiting the generality of the foregoing, the U.S. Borrower or the Canadian Borrower shall promptly provide to the Agent, the Lenders and their designated representatives and financial advisors any information or data reasonably requested to monitor compliance with the provisions of this Agreement and the Cashflows;
- (h) to provide the Agent with prompt written notice of any insolvency or enforcement proceedings relating to the U.S. Borrower or the Canadian Borrower and to promptly provide the Agent with any and all statements, documents, cashflows, affidavits, instruments, agreements, and reports, including, without limitation, any and all reports of the Monitor filed in connection with the CCAA and Code proceedings, and, with respect to any motion by on or behalf of the U.S. Borrower or the Canadian Borrower in the CCAA and Code proceedings, provide the Agent with no less than three (3) Business Days' notice if the Agent's or the Lenders' interests may be adversely affected by the order sought in such a motion, or, if the Agent's or the Lenders' interests may not be adversely affected by the order sought in such a motion, to use its best efforts to provide the Agent with no less than three (3) Business Days' notice, and in any event to provide the Agent with as much notice as is reasonably practicable in the circumstances;
- (i) to only pay wages, commissions and salaries and other forms of remuneration in the normal course of business consistent with past practice and the Cashflows and not to make any extraordinary payments or bonuses or other extraordinary forms of remuneration to any person whatsoever which is not in the normal course or

