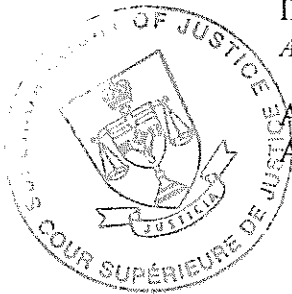


ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) TUESDAY, THE 24th
)
JUSTICE STINSON) DAY OF JULY, 2007



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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF BRAKE PRO, LTD. (the "Applicant")

INITIAL ORDER

THIS APPLICATION, made by the 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 Russell Armer sworn July 23, 2007 (the "**Armer Affidavit**") and the Exhibits thereto and on hearing the submissions of counsel for Brake Pro, Ltd., (the "**Applicant**") and Wachovia Capital Finance Corporation (Canada) (the "**Bank**"), no one else appearing, and on reading the consent of BDO Dunwoody Limited ("**BDO**" or the "**Monitor**") 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 the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the 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*, the Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

THE BANK

4. **THIS COURT ORDERS** that, except as expressly set out in this Order, the Bank shall be an unaffected creditor in these proceedings and under this Order and the Plan and that the Bank shall, subject to the terms of any agreement between the Bank and the Applicant, be entitled to exercise any or all of its remedies under the Credit Facilities (as defined below) with the Applicant and all security granted by the Applicant in connection therewith, subject to all applicable laws, notwithstanding the pendency of these proceedings.

5. **THIS COURT ORDERS**, that for greater certainty,

- (a) upon the occurrence of an event of default under the Forbearance Agreement (as defined below), the Bank may immediately exercise any and all of its rights and remedies against the Applicant or the Property (as defined below) under or pursuant to the Forbearance Agreement and the Bank Security (as defined below); and
- (b) the foregoing rights and remedies of the Bank shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

6. THIS COURT ORDERS that the entering into by the Bank and the Applicant of the Forbearance Agreement dated July 23, 2007 (the "**Forbearance Agreement**") (which amended

the Amended and Restated Loan Agreement dated as of December 11, 2001, as amended by a First Amending Agreement to Loan Agreement dated as of April 12, 2002, a Second Amending Agreement to Amended and Restated Loan Agreement dated as of December 11, 2003, a Third Amending Agreement to Amended and Restated Loan Agreement dated as of March 14, 2005, a letter dated August 11, 2006, a letter dated December 15, 2006, a letter dated March 9, 2007 and a Fourth Amending Agreement to Amended and Restated Loan Agreement dated July 9, 2007 (together with the Forbearance Agreement collectively, the "**Credit Facilities**") providing for, *inter alia*, the continuation and amendment of the existing credit facilities provided by the Bank to the Applicant is approved, ratified, and confirmed.

7. THIS COURT ORDERS that notwithstanding any other provision of this Order, the Applicant is hereby authorized to borrow, repay, and re-borrow under the Credit Facilities for such purposes as are expressly provided for in the Forbearance Agreement.

8. THIS COURT ORDERS that all security agreements provided by the Applicant to the Bank in support of the Credit Facilities (the "**Bank Security**") shall continue in full force and effect securing all advances made to the Applicant by the Bank under the Forbearance Agreement in accordance with their terms and subject to all applicable laws.

9. THIS COURT ORDERS that the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Bank under and pursuant to the Credit Facilities (including for greater clarity, the utilization of the Blocked Account System defined below) as and when the same become due and are to be performed, notwithstanding any other provision of this Order, subject to the Charges and priorities provided for in paragraphs 43 and 45 of this Order.

POSSESSION OF PROPERTY AND OPERATIONS

10. THIS COURT ORDERS that, subject to the terms of this Order, the 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, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and

Property. The 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.

11. THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the blocked account and lockbox arrangements currently in place and established pursuant to the applicable banking arrangements with the Bank and Bank of Montreal and Harris Bank, (the “**Blocked Account System**”), and that the Bank and Bank of Montreal and Harris Bank in providing the Blocked Account 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 Blocked Account System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Blocked Account System, shall be entitled to provide the Blocked Account System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Blocked Account System, and shall be, in their capacity as providers of the Blocked Account System unaffected creditors under this Order and the Plan with regard to any claims or expenses they may suffer or incur in connection with the provision of the Blocked Account System.

12. THIS COURT ORDERS that the 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 (including retention payments for key employees of the Applicant in accordance with the terms of the Forbearance Agreement and in such amounts and on such terms as the Bank and the Monitor agree, but in an aggregate amount not exceeding \$270,000), 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; and

- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

13. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after 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 outstanding and future premiums on existing or future directors and officers insurance including, without limitation, any premiums in connection with any extended reporting period), maintenance and security services;
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order; and
- (c) any other amounts the payment of which is provided for by the terms of this Order.

provided that, unless specifically contemplated in this paragraph, the Applicant shall only be entitled, (but not required) to pay costs and expenses that were incurred before the date of this Order to the extent such costs and expenses are deemed necessary for the preservation of the Property and/or the Business by the Applicant and the Monitor, and with the approval of the Bank, or upon further order in these proceedings.

14. THIS COURT ORDERS that, notwithstanding paragraph 13, the Applicant shall pay:

- (a) all outstanding and future fees and disbursements of the Monitor, counsel to the Monitor, and counsel to the Applicant, at their standard rates and charges but, subject to any assessment or taxation as provided for by this Order; and
- (b) all outstanding and future fees and expenses of the Bank, its counsel and agents retained on its behalf in respect of these proceedings.

15. THIS COURT ORDERS that the 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 the Applicant in connection with the sale of goods and services by the Applicant, 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 the Applicant.

16. THIS COURT ORDERS that unless and until the Applicant repudiates a real property lease in accordance with paragraph 18(c) of this Order, the 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 by the Applicant from time to time ("**Rent**"), for the period commencing from and including the date of this Order, bi-weekly, in advance (but not in arrears).

17. THIS COURT ORDERS that, except as specifically permitted herein including paragraphs 4 to 9, the 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

18. THIS COURT ORDERS that the Applicant shall have the right to:
- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and, with the approval of the Monitor and the Bank, to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$250,000 in the aggregate, subject to paragraph 18(c), if applicable;
 - (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate in accordance with its collective agreement, if applicable and/or 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 19 and 20, vacate, abandon or quit 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) except for its collective agreement 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;
 - (e) sell, convey, transfer, assign, lease, or in any manner dispose of the Property or any part or parts thereof;

- (i) in the ordinary course of business without the specific approval of the Court;
 - (ii) out of the ordinary course of business without the specific approval of the Court, but with the approval of the Monitor and the Bank, provided that the sale or transaction price does not exceed \$50,000 in any one transaction or \$250,000 in the aggregate;
 - (iii) otherwise subject to the prior approval of the Bank and the Court; and
 - (iv) provided that in all cases the Applicant applies any proceeds thereof in accordance with the Forbearance Agreement;
- (f) 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), and (e)(ii) above),

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

19. THIS COURT ORDERS that the 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 18(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute, and the repudiation of the lease shall be without prejudice to the Applicant’s claim to the fixtures in dispute.

20. THIS COURT ORDERS that if a lease is repudiated by the Applicant in accordance with paragraph 18(c) of this Order, 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.

21. THIS COURT ORDERS that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Applicant shall be permitted to dispose of any or all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords, warehousemen, storers or bailees wherever situate and, for greater certainty, the Applicant shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as it deems suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom notwithstanding the provisions of any lease, other instrument or law affecting or limiting the rights of the Applicant to remove Property from leased premises.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

22. THIS COURT ORDERS that until and including **August 17, 2007**, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

23. 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”) against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Applicant 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

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

CONTINUATION OF SERVICES

25. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant 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 Applicant, 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 Applicant, and that the 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 Applicant 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

26. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicant 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 Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

27. 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 Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant 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 Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

28. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, at any time, to make payments of the nature referred to in subparagraphs 13(a), 15(a), 15(b) and 15(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.

29. THIS COURT ORDERS that the directors and officers of the 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 \$100,000, as security for the indemnity provided in paragraph 28 of this Order. The Directors' Charge shall have the priority set out in paragraphs 43 and 45 herein.

30. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the 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 28 of this Order.

APPOINTMENT OF MONITOR

31. 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 Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

32. 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 the 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 and advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the Bank, and any other projections or reports, which information shall be reviewed with the Monitor and delivered to the Bank and its counsel on a periodic basis, as agreed to between the Applicant and the Bank;
- (d) advise the Applicant in its development of a Plan and any amendments to a Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

- (f) supervise the Sale Process (as defined in paragraph 48 below), and otherwise assist the Applicant in carrying out the Sale Process, and any transaction arising therefrom including without limitation taking such steps in consultation with the Applicant as it considers necessary or desirable with respect thereto;
- (g) report to the Court on any sale by the Applicant of the Property and Business, or any part thereof;
- (h) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (i) 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;
- (j) be at liberty to serve as a “foreign representative” of the Applicant in any proceedings outside of Canada;
- (k) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

33. 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.

34. 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.

35. 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.

36. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant 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 Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

THE BANK'S ACCESS TO INFORMATION

37. THIS COURT ORDERS that the Monitor shall respond to all reasonable requests of the Bank for information concerning the Applicant's financial affairs and financial position, and, with the cooperation of the Applicant, to provide requested information to the extent such information is available or can be readily prepared.

38. THIS COURT ORDERS that the Monitor shall report to and consult with the Bank in accordance with the Forbearance Agreement.

39. THIS COURT ORDERS that the Monitor shall forthwith report to this Court and the Bank in the event of any default of the Forbearance Agreement, any material adverse change to the financial position of the Applicant, any material deterioration in the Applicant's asset value or any material adverse deviation from the cash flow projection attached as Exhibit "J" to the Armer Affidavit.

ADMINISTRATIVE CHARGE

40. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a periodic basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, reasonable retainers approved by the Bank to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

41. 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.

42. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and the Applicant's 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 \$100,000, 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 43 and 45 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. THIS COURT ORDERS that the priorities of the Administration Charge, the Directors' Charge, and the Bank Security, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$100,000);

Second – Directors' Charge (to the maximum amount of \$100,000); and

Third – Bank Security.

44. THIS COURT ORDERS that the holders of each of the Directors' Charge and the Administration Charge (collectively, the "**Charges**") shall not be required to file, register, record or perfect their respective Charges, which 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.

45. THIS COURT ORDERS that the Charges shall constitute a charge on the Property and such Charges shall have priority over all present and future security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except the following:

- (a) in respect of any real property, existing (i) zoning, use and building by-laws and ordinances, federal, provincial or municipal by-laws and regulations as to the use of such Property, (ii) notices of lease, (ii) subdivision agreements, site plan control agreements, development agreements, servicing agreements and other similar agreements with municipal and other governmental authorities, and (iv) permits, reservations, restrictions, covenants, servitudes, watercourse, rights of water, rights of access or user licences, easements, rights of way and rights in the nature of easements;
- (b) existing and future purchase-money security interests registered in accordance with applicable personal property security legislation and recognized under such legislation as being entitled to the priority of purchase-money security interests; and

- (c) Encumbrances in respect of the Property of the Applicant arising by operation of law (other than as a result of a default in payment or performance of an obligation by the Applicant) without any grant of a security interest by such Applicant and that are given priority over prior fixed charges by statute law in the event of the bankruptcy of such Applicant.

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

47. THIS COURT ORDERS that the Charges 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**") 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 Applicant, 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 any documents in respect thereof shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it 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 creation of the Charges or the execution, delivery or performance of any documents or obligations in respect thereof; and

- (c) the payments made by the Applicant pursuant to this Order, 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.

SALE PROCESS

48. THIS COURT ORDERS that the Monitor and the Applicant are hereby authorized to conduct a process for the solicitation of offers for and sale of the Property (the “**Sale Process**”) in accordance with such steps and pursuant to such timetable as the Monitor and the Applicant may reasonably determine is necessary to obtain the best realization for the Property, in consultation with the Applicant and the Bank.

49. THIS COURT ORDERS that the Monitor may obtain advice and directions from the Court with respect to the Sale Process.

50. THIS COURT ORDERS that the Monitor and the Applicant shall, upon receipt, deliver to the Bank any offers or letters of intent received respecting all or any portion of the Property (other than regarding sales in the ordinary course of business) subject to reasonable confidentiality agreements.

51. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicant and the Monitor shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “**Sale**”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Applicant or the Monitor, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such

information by the Applicant, and shall return all other personal information to the Applicant or the Monitor, or ensure that all other personal information is destroyed.

SERVICE AND NOTICE

52. THIS COURT ORDERS that the Monitor shall, within ten (10) business days of the date of entry of this Order, send notice of this Order to the Applicant's known creditors, other than employees and creditors to which the Applicant owes less than \$500, at their addresses as they appear on the Applicant's records, advising that such creditor may obtain a copy of this Order on the internet at the website of the Monitor, www.bdo.ca/BrakePro (the "Website") and if such creditor is unable to obtain it by that means, such creditor may request a copy from the Monitor and the Monitor shall promptly send a copy of this Order 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, so provide it. Such notice shall be sufficient to comply with subsection 11(5) of the CCAA.

53. THIS COURT ORDERS that the Applicant, the Monitor and the Bank 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 the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the 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.

54. THIS COURT ORDERS that the Applicant, the Monitor, the Bank 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 the Website.

GENERAL

55. THIS COURT ORDERS 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.

55. 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 Applicant, the Business or the Property.


56. 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 Applicant, 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 Applicant 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 Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

57. THIS COURT ORDERS that each of the Applicant 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.

58. THIS COURT ORDERS that any interested party (including the 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.

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

ENTERED AT / INSCRIT À TORONTO
OFF / BOOK NO:
LE / DANS LE REGISTRE NO.:


DG STINSON J.

JUL 24 2007

PER/PAR: 

IN THE MATTER OF THE COMPANIES CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
BRAKE PRO, LTD.

Court File No. 07-CL-7106

AND IN THE MATTER OF THE APPLICATION OF BRAKE PRO, LTD.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDINGS COMMENCED AT
TORONTO
JUL 24 2007
INITIAL ORDER
AT 1 A

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