

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 PLAN OF COMPROMISE OR
ARRANGEMENT OF FINCORE INDUSTRIES INC.**

AFFIDAVIT OF SHELDON E. GROSS

(Sworn February 10, 2004)

I, SHELDON E. GROSS, of the City of Toronto, MAKE OATH AND SAY:

1. I am the Chairman of the Applicant, Fincore Industries Inc. ("Fincore"). As such, I have knowledge of the matters herein deposed to. I have personal knowledge of the facts herein, except where I have otherwise stated and in such cases I believe the information to be true.
2. This affidavit supplements my affidavits sworn in this proceeding on September 14, 2004, October 7, 2004 and December 9, 2004.

The Initial Order

3. On September 15, 2004, upon the application of Fincore, the Honourable Madam Justice Pepall granted an Order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36,

as amended (the "Initial Order"). Among other things, the Initial Order stayed proceedings against Fincore until October 15, 2004.

Extension of the Stay Period

4. On October 12, 2004, the Honourable Madam Justice Pepall granted a further Order, extending the stay of proceedings in the Initial Order from October 15, 2004 to December 15, 2004, and approving the conduct and activities of the Monitor appointed under the Initial Order, BDO Dunwoody Limited (the "Monitor"), as described in the First Report of the Monitor.

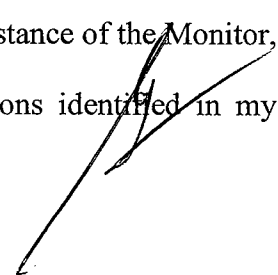
5. On December 14, 2004, the Honourable Madam Justice Pepall granted a further Order, extending the stay of proceedings in the Initial Order from December 15, 2004 to February 15, 2005, and approving the conduct and activities of the Monitor, as described in the Second Report of the Monitor.

6. This affidavit is sworn in support of a motion to extend the stay of proceedings from February 15, 2005 to April 15, 2005, for the reasons described below.

Activities Since December 14, 2004

7. I understand that the Monitor will file a Third Report with the Court with respect to the Monitor's activities since the Monitor's Second Report to this Honourable Court was filed. I have reviewed a draft of the Monitor's Third Report and can confirm that it is accurate, to the best of my knowledge.

8. Since December 14, 2004, Fincore's management has, with the assistance of the Monitor, continued discussions with a number of parties with regard to the options identified in my



previous affidavits, including determining new sources of equity, and the review of a possible sale of the business on a going concern basis.

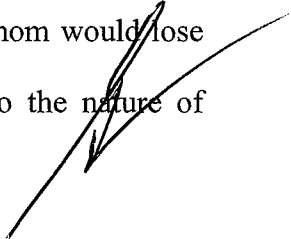
9. As the Monitor's Third Report indicates, Fincore initiated a bidding procedure for the sale of Fincore's assets and/or business, and a Sales Package was sent by the Monitor to a number of prospective purchasers on October 18, 2004. Although a number of parties expressed interest in the bid process and undertook due diligence, no offer acceptable to Fincore management was received by the extended bid deadline of December 20, 2004. As a result, no sale of Fincore's assets or business has occurred to date.

10. With the intervening holidays, Fincore's management's evaluation of the results of the bid process took until approximately mid-January 2005. Since then, Fincore's management has continued to have discussions with potential purchasers, investors and equity funders, including certain parties which were not involved in the bid process described above but which have contacted Fincore subsequent to its completion. Fincore's management will continue to pursue available opportunities that have been identified.

11. Additionally, in parallel with the discussions described above, Fincore's management is in the process of retaining a third party agent with experience in the sales of similar businesses to attempt to market Fincore's assets and/or business on a commission basis. The third party agent has estimated up to 60 days as a reasonable period of time to carry out a marketing process.

Importance of Continued Operations

12. In the meantime, it is very important to keep the business operating. Fincore continues to employ approximately 78 unionized and 22 non-unionized employees, all of whom would lose their employment if the business were to be shut down. In addition, due to the nature of

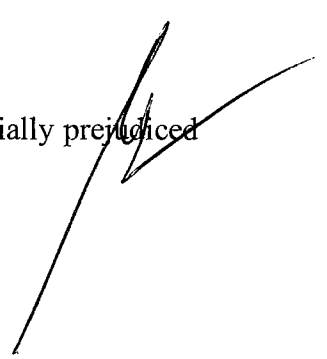


Fincore's facilities, they require constant maintenance and ongoing operations. Therefore, any protracted shutdown of the facilities is likely to significantly diminish the value of the materials and equipment in the plant, and may even render them non-functional. Further, as a result of the nature of the business, including the environmental sensitivity of the Fincore processes, any shutdown or startup of the business would be both expensive and protracted. A shutdown will therefore significantly impact the value of the business and would likely diminish the prospect that it might be sold on a going concern basis, in addition to the likely loss of jobs for the community.

Obligations to Creditors

13. As the Monitor's Third Report indicates, business conditions for Fincore have been worse than anticipated in January 2005. As a result of the reduced cashflow situation due to an unexpected downturn in the business since December 2004, some creditors' obligations fell temporarily behind. However, in all cases payment has either been made or arrangements have been made to make payment to certain creditors in accordance with terms agreed to with such creditors. Additionally, I have agreed to increase my undertaking to the Monitor to fund payments to post-filing creditors, from a maximum amount of \$250,000 to \$300,000. I am therefore confident that Fincore will be able to continue to operate and to meet its obligations to post-filing creditors if the stay period is extended by a further 60 days.

14. I concur with the Monitor's assessment that creditors would not be materially prejudiced by an extension of the Stay Period to April 15, 2005.



Conclusion

15. Fincore therefore brings this motion to extend the stay of proceedings from February 15, 2005 to April 15, 2005, in order to permit Fincore's management to continue its discussions with potential investors and purchasers.

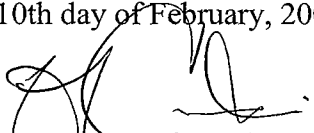
16. I believe that Fincore has acted and continues to act in good faith and with due diligence to advance the restructuring process.

17. I swear this affidavit in support of a motion to extend the duration of the stay of proceedings and for no other or improper purpose.

SWORN BEFORE ME

at the City of Toronto

this 10th day of February, 2005



A Commissioner for Taking Affidavits, etc.

JOHN S. CONTINI

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) _____ Sheldon E. Gross
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