

Court file no.

**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 September 14, 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.

**Fincore**

2. Fincore is incorporated under the laws of Ontario, with its head office in Toronto.

3. Fincore was established in 1992 and commenced operations in 1993. I have been a director of Fincore since its inception, and have been actively involved in Fincore's day-to-day management since June 1995.

4. Fincore carries on business as a supplier to the automotive industry from a premises of approximately 115,000 square feet located at 10 Medford Drive, Units 1-12, Scarborough, Ontario. Fincore is a fully approved Tier II supplier of Electrodeposition (E-Coat), Powder, and Liquid (Base/Coat/Clear) coating services for both metal and plastic substrates. Fincore is QS9000 and ISO 9002 registered and supplies its processes on products such as wheels, antennas, and seat risers for Tier I suppliers who ship their components to General Motors, Nissan, Chrysler, Bentley, Honda, and Ford. Fincore's products are relied on by OEMs around the world for "Just in Time" production and operations. Products processed at Fincore are consumed in North America, Europe, and the Far East. As discussed below, Fincore's business is recovering with opportunities being developed for new customers and production at the Fincore facility.

5. Fincore presently has a total of approximately 100 unionized hourly and non-unionized salaried employees.

#### **Fincore's Creditors**

6. As at September 14, 2004, according to Fincore's internal accounting records, Fincore's unsecured creditors are owed a total of \$4,398,485.48 (Cdn.) and \$128,495.72 (US). I have attached hereto as Exhibit "A" a true copy of a list of Fincore's accounts payable in Canadian

dollars as at September 14, 2004. I have attached hereto as Exhibit "B" a true copy of a list of Fincore's accounts payable in U.S. dollars as at September 14, 2004.

7. Fincore's major secured creditors are Durable G.M. Products Inc. ("Durable G.M.") (a company which I control), my wife, Deborah Gross, and me. As at August 31, 2004, Fincore owed Durable G.M. a total of \$2,414,130.59 (U.S.) and Fincore owed Deborah Gross and me a total of \$2,602,142.52 (U.S.) A true copy of a list of the advances made by Durable G.M., Deborah Gross and me to Fincore is attached hereto as Exhibit "C".

#### **Fincore's Recent Operating History**

8. Since its inception, Fincore has grown dynamically, but has suffered some setbacks which limited its potential, including a plant fire in 2000 which resulted in substantial unrecovered business interruption claims, and the bankruptcy of two of Fincore's major customers. As a consequence, Fincore has suffered significant operating losses over the years.

9. A true copy of Fincore's audited financial statements for the year ended October 31, 2002, the most recent audited annual statements available, is attached as Exhibit "D". As those statements indicate, Fincore's accumulated deficit as at October 31, 2002 was \$9,668,918 (Cdn.).

10. Fincore has only been able to continue to operate because my wife and I have provided ongoing financing. However, Fincore was able to obtain a number of new contracts in 2003, and I felt that the business had turned the corner. In March 2004, Fincore had its best month ever in terms of sales and profitability. Fincore's sales in March 2004 totaled about \$1.8 million, and Fincore made approximately a ten per cent profit from operations.

11. In the first quarter of 2004, Fincore had established business levels that would have made Fincore profitable for the remainder of the Fiscal Year. This was demonstrated by March 2004's performance. Furthermore, Fincore anticipated receiving additional contracts during the second and third quarter of 2004, which could have added \$6,000,000 in sales per annum. In addition, sales were coming to fruition during the third quarter for the new 2005 model year projects for contracts awarded to Fincore during 2003. Fincore projected its sales volume to be in excess of \$25,000,000 for the fiscal year ended October 31, 2005, which would have continued Fincore on a profitable path.

12. Unfortunately, on April 7, 2004, Fincore's hourly employees began a lawful strike, which lasted until the week of May 31, 2004. Prior to the strike, Fincore employed 238 hourly employees. As a result of the strike activities, Fincore lost a number of contracts and its revenues have decreased substantially.

13. Since the end of the strike, Fincore has been attempting to rebuild its business. However, that process takes time, in part because most supply contracts in the automotive business are bid a year or more ahead of time, and much of the business that Fincore lost during the strike was for current contracts and contracts through 2005 and 2006. Many of Fincore's customers retained new alternative suppliers while Fincore's employees were on strike. Fincore's customers have made commitments to these new Fincore replacement suppliers, causing these customers not to return to Fincore with the products and business opportunities lost by Fincore during the strike. The return of business to pre-strike levels has also been impacted by the recent slump in automobile sales, which has had a detrimental effect on other automotive suppliers as well. I am aware of several Canadian suppliers, which have recently shut down or sought protection.

However, Fincore has an advantage over other suppliers in this segment of the automotive business in that it has spent significant time on research and development of unique processes, which I believe will result in expanded business opportunities during 2005.

14. A true copy of Fincore's internal Income Statement as at August 31, 2004 is attached hereto as Exhibit "E". As the Income Statement indicates, Fincore's loss for the 10 months ended August 31, 2004 totaled \$1,980,602.00 (Cdn.).

15. A true copy of Fincore's internal balance sheet as at August 31, 2004 is attached hereto as Exhibit "F".

### **The Need for Restructuring**

16. As a result of the impacts of the strike and Fincore's ongoing losses, it has become clear that it will be necessary to restructure Fincore's obligations.

17. A true copy of a pro forma cash flow statement for Fincore for the next three months prepared internally is attached as Exhibit "G". As the cash flow statement indicates, Fincore should have sufficient cash flow to meet operating obligations for the next month. After that, Fincore is likely to have a shortfall in its cash flow. If it becomes necessary to permit a restructuring, I would, within reasonable limits, be willing to advance further funding to Fincore in order to permit it continue operations during that period, at least to the extent contemplated in the cash flows.

18. Fincore's management is presently exploring several possibilities which, if realized, may permit the business to continue, including the bringing in of further investors, strategic alliances with other automotive suppliers, and the sale of the business on a going concern basis. All such discussions are in the preliminary stage, but Fincore management believes that there are several promising prospects.

19. If a plan can be developed and approved, I am hopeful that Fincore can emerge from the restructuring as a sound and viable company. Fincore's operations include synchronous processing of products through Zinc pretreatment for steel products, Aluminum conversion coatings for Aluminum components, Electrodeposition (ECOATING), Powder Coating, and Class A liquid BASE COAT/CLEAR Top Coating for automotive quality finishes. All of the processes are designed for high volume production. The Fincore facility is unique for North America, as it is the only one I am aware of with all of these operations under one roof. Fincore continues to experience solid demand for its services, and Fincore management believes that the company can maintain and build its position with customers in the automotive industry.

20. Fincore's management is prepared to work with its legal and financial advisers and the Monitor to devise a plan to restructure Fincore's debt in a manner, which is fair and equitable to all stakeholders. I believe that stakeholders, including particularly Fincore's employees, will derive a greater benefit from Fincore's continued operation than would result from an immediate forced liquidation of Fincore's assets.

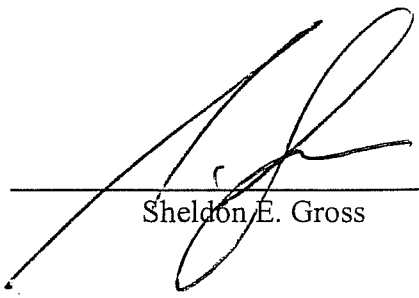
21. I swear this affidavit in support of the Applicant's application for an order under the CCAA and for no other or improper purpose.

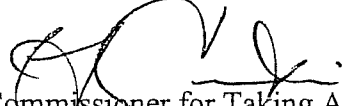
SWORN BEFORE ME

at the City of Toronto

this 14th day of September, 2004

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Sheldon E. Gross

  
A Commissioner for Taking Affidavits, etc.

JOHN CONTINI