

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 NMC CANADA, INC. AND
2515080 NOVA SCOTIA COMPANY

Applicants

APPLICATION RECORD

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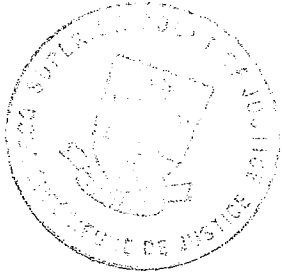
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Tab 1



Court File No. 09-CL- 7960

**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 NMC CANADA, INC. AND
2515080 NOVA SCOTIA COMPANY**

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicants appears on the following pages.

THIS APPLICATION will come on for a hearing on Wednesday, January 21, 2009 at 2:00 p.m. at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application, or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicants' lawyers, or where the applicants do not have a lawyer, serve it on the applicants and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: January 21, 2009

Issued by 
Local Registrar

Address of court office:
330 University Avenue, 7th Floor
Toronto, Ontario
M5G 1R7

To: **Service List Attached**

APPLICATION

1. The applicants named in this application (collectively, the “**Applicants**” and, any one, an “**Applicant**”) make application for an order substantially in the form attached as Schedule “A” hereto:
 - (a) abridging the time for service of this notice of application and dispensing with service on any persons other than those served;
 - (b) declaring that the Applicants are parties to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) applies;
 - (c) appointing RSM Richter Inc. (the “**Monitor**”) as officer of this Honourable Court to monitor the assets, businesses and affairs of the Applicants and SKD Company (collectively, the “**CCAA Parties**”);
 - (d) staying all proceedings taken or that might be taken in respect of the CCAA Parties or the Monitor;
 - (e) approving, authorizing and directing the CCAA Parties to enter into and proceed with the transactions contemplated by:
 - (i) the Accommodation Agreement (the “**Accommodation Agreement**”) among SKD Company; Ford Motor Company, Chrysler Canada Inc., Chrysler LLC, on behalf of itself and Chrysler Motors LLC, Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LCC and Honda Manufacturing of Alabama, LCC (collectively, the “**Customers**”); and Comerica Bank

(“Comerica”), a copy of which is attached as Exhibit "J" to the Affidavit of John Chen sworn January 21, 2009 (the “**Chen Affidavit**”); and

(ii) the Access Agreement (the “**Access Agreement**”) between SKD Company, the Customers and Comerica, attached as Exhibit “L” to the Chen Affidavit; and

- (e) authorizing and directing SKD Company to continue to borrow under the revolving credit agreement among Comerica and the CCAA Parties, among others, made December 14, 2004, as subsequently amended, modified and supplemented (the “**Credit Agreement**”), including, without limitation, in relation to the subordinated participations in the Comerica loan facility purchased or to be purchased by the Customers in accordance with the Amended and Restated Subordinated Participation Agreement attached as Exhibit “K” to the Chen Affidavit (the “**Subordinated Participation Agreement**”);
- (f) authorizing and directing the CCAA Parties to perform all obligations to Comerica under the Credit Agreement and any security or other documents contemplated thereby;
- (g) authorizing and directing the CCAA Parties to enter into and perform their obligations under the Forbearance Agreement with Comerica (the “**Forbearance Agreement**”) attached as Exhibit “H” to the Chen Affidavit;
- (f) approving a sales process on the terms outlined in the First Report of the Monitor dated January 21, 2009 (the “**Sales Process**”);
- (g) authorizing and directing the Monitor to commence the Sales Process; and
- (h) such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:
 - (a) the Applicants are insolvent;
 - (b) the Applicants are companies to which the CCAA applies;
 - (c) the claims against the Applicants exceed \$5,000,000;
 - (d) The Applicant, NMC Canada, Inc. (“NMC”), is incorporated under the Ontario *Business Corporations Act*. The Applicant, 2515080 Nova Scotia Company (“2515080”), is an unlimited liability company incorporated under the Nova Scotia *Companies Act*. NMC and 2515080 are each general partners of SKD Company, a general partnership registered under the Ontario *Partnership Act*. NMC is the managing partner of SKD Company. SKD Company, NMC, and 2515080 are part of a group of affiliated corporations and partnerships carrying on business in Canada, the United States and Mexico (collectively, the “**SKD Group**”);
 - (e) SKD Group’s Canadian, U.S. and Mexican operations are highly integrated, and are managed and directed from SKD Group’s head office in Troy, Michigan;
 - (f) SKD Company designs and manufactures metal components and weldments for the automotive industry, from facilities located in Mississauga, Milton and Brampton, Ontario;
 - (g) the CCAA Parties require a stay of proceedings and the other relief sought to permit them to put in place a restructuring of their businesses, and in the interim period to continue operations;

- (h) SKD Company is indebted under certain credit facilities provided by Comerica, which have matured, and Comerica has been granted security over the real and personal property and assets of SKD Company;
 - (i) the entering into of the Accommodation Agreement, the Access Agreement, the Subordinated Participation Agreement and the Forbearance Agreement on terms acceptable to the Customers and Comerica and approved by this Honourable Court, are conditions to the availability of funding which is critical to the CCAA Parties' continued operations during the restructuring process;
 - (j) the entering into of the Accommodation Agreement, the Access Agreement, the Subordinated Participation Agreement and the Forbearance Agreement will facilitate the restructuring of the CCAA Parties;
 - (k) there is urgency to this application;
 - (l) due to the urgency of this application, it has not been possible to provide all interested parties with notice;
 - (m) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
 - (n) Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c.C.43, as amended; and
 - (o) such further and other grounds as counsel may advise and this Honourable Court may permit.
3. The following documentary evidence will be used at the hearing of the application:

- (a) the affidavit of John Chen sworn January 21, 2009, and the exhibits attached thereto;
- (b) the Consent of RSM Richter Inc. to act as Monitor;
- (c) the First Report of the Monitor dated January 21, 2009; and
- (d) such further and other evidence as counsel may advise and this Honourable Court may permit.

Date of Issue: January 21, 2009

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**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 NMC CANADA, INC.
AND 2515080 NOVA SCOTIA COMPANY**

Court File No. 09-CL-7960 Applicants

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

NOTICE OF APPLICATION

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Tab A

Schedule "A"

COURT FILE NO. 09-CL-

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 21ST DAY
) OF JANUARY, 2009
)
JUSTICE CAMPBELL)

**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 NMC CANADA, INC. AND
2515080 NOVA SCOTIA COMPANY**

Applicants

INITIAL ORDER

THIS APPLICATION, made by NMC Canada, Inc. ("NMC") and 2515080 Nova Scotia Company ("2515080") (collectively, the "Applicants" and any one, an "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 John Chen sworn January 21, 2009 (the "Chen Affidavit") and the Exhibits thereto and the report of RSM Richter Inc. ("Richter") as the proposed monitor in these proceedings (the "Monitor"), and on hearing the submissions of counsel for the Applicants, and counsel for Richter, Comerica Bank ("Comerica"), the Customers (as defined below), General Motors Corporation ("GM"), the National Automobile, Aerospace, Transportation and General Workers of Canada and its Local 1285 (the "CAW"), the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (the "USW") and the Teamsters Local Union No. 419 (the "Teamsters" and, together with the CAW and USW, the "Unions" and, any one, a "Union"), no one else on the Service List appearing and on reading the consent of Richter 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 Applicants are debtor companies to which the CCAA applies. Although not an Applicant, this Court further orders and declares that SKD Company, as the general partnership through which the Applicants carry on business (“**SKD Company**”, and together with the Applicants, the “**CCAA Parties**”, and any one, a “**CCAA Party**”), shall enjoy the benefits of the protections provided by this Order and shall be treated as if an applicant under this Order.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court one or more plans of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, the CCAA Parties or any of them and one or more classes of their secured and/or unsecured creditors, as they deem appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the CCAA Parties shall remain in possession and control of their 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 CCAA Parties shall continue to carry on business in a manner consistent with the preservation of their businesses (the business of the CCAA Parties, collectively, the “**Business**”) and Property. The CCAA Parties shall be authorized and empowered to continue to retain and employ the employees, consultants, financial advisors, agents, experts, accountants, counsel, appraisers and such other persons (collectively, “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably

necessary or desirable in the ordinary course of business, for the carrying out of the terms of this Order or to assist the CCAA Parties with their restructuring activities as contemplated by this Order.

5. THIS COURT ORDERS that the CCAA Parties shall be entitled to continue to utilize their existing bank accounts and any other bank accounts permitted under the Forbearance Agreement (as defined below) (the “**Bank Accounts**”) and that all banks in which the CCAA Parties maintain any Bank Account are authorized and directed to continue to maintain, service and administer the Bank Accounts in accordance with the documents governing the Bank Accounts.

6. THIS COURT ORDERS that the CCAA Parties are authorized and empowered to continue to manage their cash and cash equivalents and transfer funds among their respective Bank Accounts pursuant to the cash management system currently in place, as described in the Chen Affidavit, or replace it with another substantially similar central cash management system satisfactory to Comerica (the “**Cash Management System**”), and that any present or future bank providing or participating in 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 the CCAA Parties 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 defined below) other than the CCAA Parties and Comerica pursuant to the terms of the documentation applicable to the Bank Accounts and the Cash Management System, and shall be, in their 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 Bank Accounts and the Cash Management System and that the CCAA Parties may use the funds standing to their credit from time to time in their bank accounts within the Cash Management System.

7. THIS COURT ORDERS that the CCAA Parties 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, contributions to registered retirement pension plans, bonuses, expenses and retention plan payments pursuant to plans and programs currently in place payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with or pursuant to existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the CCAA Parties in respect of these proceedings, at their standard rates and charges.

8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the CCAA Parties shall be entitled but not required to pay all reasonable expenses incurred by the CCAA Parties to carry on and preserve the Business in the ordinary course from and after the date 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 and operation 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 the CCAA Parties following the date of this Order.

9. THIS COURT ORDERS that the CCAA Parties, as applicable, 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 CCAA Parties in connection with the sale of goods and services by the CCAA Parties; 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 CCAA Parties.

10. THIS COURT ORDERS that the CCAA Parties may pay to SKD Automotive Group, Limited Partnership (“SKD AG”) and to SKD, L.P., the amounts described in the Chen Affidavit in respect of the head office management, accounting, record-keeping, budgeting, financial reporting, cash management, payroll, human resources, information technology, purchasing, sales, engineering, research and development and other administrative functions provided by SKD AG and SKD L.P. to the CCAA Parties, unless objected to by the Monitor.

11. THIS COURT ORDERS that until such time as a CCAA Party repudiates a real property lease in accordance with paragraph 13(c) of this Order, such CCAA Party 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 such CCAA Party 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, or the next business day thereafter, in advance (but not in arrears).

12. THIS COURT ORDERS that, except as specifically permitted under this Order, the CCAA Parties are 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 CCAA Parties to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

13. THIS COURT ORDERS that the CCAA Parties shall have the right to:
- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and, subject to the prior consent of Comerica, to dispose of redundant or non-material assets, which are currently not used in the production of component parts for any of the Customers: (i) not exceeding \$100,000 in any one transaction; or (ii) with the consent of the Monitor, not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate, subject to paragraph 13(c), if applicable; and for further certainty the proceeds of sale of these assets shall remain subject to the terms of any valid and existing liens and security interests affecting the Property and its proceeds;
 - (b) subject to any applicable seniority provisions of any applicable collective bargaining agreement, or as may be agreed between SKD Company and the applicable collective bargaining unit, terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate on such terms as may be agreed upon between the CCAA Parties and such employee or, failing such agreement, to deal with the consequences thereof in the Plan;
 - (c) in accordance with paragraphs 14 and 15, 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 or on such terms as may be agreed upon between an applicable CCAA Party and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
 - (d) repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the CCAA Parties deem appropriate on such terms as may be agreed upon between the applicable CCAA Party and such counter-parties, or failing such agreement, to deal with the consequences thereof in the

Plan, and to negotiate any new or replacement arrangements or agreements as the applicable CCAA Party deems appropriate (provided that the Monitor does not object to such new or replacement arrangements or agreements); provided that, notwithstanding this paragraph, SKD Company shall not repudiate any collective bargaining agreement with any Union; and

- (e) pursue avenues of refinancing and restructuring and the sale of material parts of the 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 paragraph 13(a), above);

all of the foregoing to permit the CCAA Parties to proceed with an orderly restructuring, sale or wind down of the Business (the “**Restructuring**”).

14. THIS COURT ORDERS that the applicable CCAA Party shall provide each of the relevant landlords with notice of their 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 a CCAA Party’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 applicable CCAA Party, or by further Order of this Court upon application by the CCAA Parties on at least two (2) days’ notice to such landlord and any such secured creditors. If a CCAA Party repudiates the lease governing such leased premises in accordance with paragraph 13(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 CCAA Party’s claim to the fixtures in dispute.

15. THIS COURT ORDERS that if a lease is repudiated by a CCAA Party in accordance with paragraph 13(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 applicable CCAA Party 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 applicable CCAA Party in respect of such lease or leased premises and such landlord shall be entitled to notify the applicable CCAA Party 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 their obligation to mitigate any damages claimed in connection therewith.

16. 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 CCAA Parties 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 (notwithstanding the terms of any leases) and, for greater certainty, the CCAA Parties 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.

NO PROCEEDINGS AGAINST THE CCAA PARTIES OR THE PROPERTY

17. THIS COURT ORDERS that until and including February 19, 2009 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 CCAA Parties or the Monitor, or affecting any of the Business or the Property, except with the written consent of the CCAA Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the CCAA Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court. Notwithstanding the foregoing, nothing in this Order shall stay the exercise by Comerica of any of its rights or remedies under the Credit Agreement or the Loan Documents (as defined below), provided however that Comerica shall provide notice to the CCAA Parties, the Customers and the Monitor in accordance with paragraph 38(b).

18. THIS COURT ORDERS that no proceeding, enforcement process or any other remedy available to the judgment creditors Roberto Costantino and Tony Wong (the "**Judgment Creditors**") pursuant to the Judgment issued in Action 06 CV 308 185 PD1 commenced at Toronto (the "**Judgment**") shall be commenced or continued as against the CCAA Parties or the

Property, including with respect to any amounts payable to the CCAA Parties by the Customers (as defined below) and GM, including, without limitation, that:

- (a) the effect of any notices of garnishment issued by the Judgment Creditors and served on any Person, including the Customers (as defined below) and GM, under the Judgment (the “**Notices of Garnishment**”) is hereby stayed;
- (b) the expiry of any time periods under the Notices of Garnishment for the filing of garnishees’ statements is hereby stayed and any Persons having been served with the Notices of Garnishment, including the Customers (as defined below) and GM (collectively, the “**Garnishees**”), are hereby relieved of any requirement to file with the Court garnishee’s statements with respect to the Notices of Garnishment;
- (c) five (5) days after this order has been served on the Sheriff for the Regional Municipality of Halton (the “**Sheriff**”) and the Judgment Creditors in accordance with sub-paragraph (d) below, the Garnishees are authorized and empowered to continue to make all payments of any amounts owing to any of the CCAA Parties directly to the CCAA Parties, rather than to the Sheriff, without regard to the Notices of Garnishment, shall incur no liability to the Judgment Creditors by doing so, shall be relieved of any obligations the Garnishees may have had under the Notices of Garnishment, and upon payment of amounts by the Garnishees to the CCAA Parties, the liabilities of the Garnishees to the Judgment Creditors, or to the CCAA Parties in respect of the amounts paid to the CCAA Parties, is extinguished; and
- (d) the CCAA Parties are hereby directed to deliver a copy of this Order to the Sheriff, as well as to counsel for the Judgment Creditors, with a cover letter advising that all proceedings, enforcement processes or any other remedy available in relation to the Judgment, including the enforcement of the Notices of Garnishment against any Person, including the Garnishees, have been stayed pursuant to this Order.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, partnership, governmental body or agency, or any other persons or entities (all of the foregoing, collectively being “Persons” and each being a “Person”) against or in respect of the CCAA Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the CCAA Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the CCAA Parties to carry on any business which the CCAA Parties are not lawfully entitled to carry on, (ii) exempt the CCAA Parties 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

20. 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 CCAA Parties, except with the written consent of the CCAA Parties and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

21. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with any of the CCAA Parties or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all raw materials, metals, components, subcomponents, tools and tooling, dies, tests and assembly fixtures, gauges, jigs, computer software, communication and other data services, centralized and other banking services, payroll services, customs, customs brokerage (or similar) services, insurance, transportation, shipping services, utilities, gas, electricity and other services to the Business, or any of the CCAA Parties, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services, utilities, gas and electricity as may be required by any of the CCAA Parties, and that the CCAA Parties shall be entitled to the continued use of their current premises, utilities, telephone numbers, facsimile numbers, internet

addresses and domain names, provided in each case that the normal prices or charges for all such goods, services, utilities, gas and electricity received after the date of this Order are paid by the CCAA Parties in accordance with normal payment practices of the CCAA Parties or such other practices as may be agreed upon by the supplier, utility provider or service provider and each of the CCAA Parties and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

22. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of any of the CCAA Parties shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to any CCAA Party. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA, provided however that, except as provided in the Accommodation Agreement, any Person that seeks to advance a claim of, or analogous to set-off or equitable set-off to justify the non-payment of any existing or accruing debt to any of the CCAA Parties shall advise the CCAA Parties and the Monitor in writing prior to so doing so as to enable the CCAA Parties to have the validity of the set-off adjudicated upon by this Honourable Court on an urgent basis if so advised.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. 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 any of the CCAA Parties 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

24. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers from all claims, costs, charges and expenses (i) relating to the failure of any CCAA Party, after

the date hereof, to make payments of the nature referred to in subparagraphs 7(a), 9(a), 9(b) and 9(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, and (ii) which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants from and after the date of this Order (each, and any of (i) and (ii) , a “**D&O Claim**”), including without limitation, by reason of the Restructuring or in relation to any Plan, 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.

25. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property of the Applicants, which charge shall not exceed an aggregate amount of \$3,000,000, as security for the indemnity provided in paragraph 24 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 45 and 47 herein. The Applicants’ 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 24 of this Order.

26. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, no insurer shall be entitled to be subrogated to or claim the benefit of the Directors’ Charge.

APPOINTMENT OF MONITOR

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

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

- (a) 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, the Restructuring, the Sales Process (as defined below) and such other matters as may be relevant to the proceedings herein;
- (b) monitor and review the CCAA Parties' receipts and disbursements;
- (c) monitor and review any transactions and obligations between the CCAA Parties and any affiliated entities or partnerships;
- (d) assist the CCAA Parties in preparing the cash flow projections, budgets and any other reporting or information they may require in relation to the Business and the Property, and to report to Comerica and the Customers (as defined below) as required in relation to the Forbearance Agreement and the Accommodation Agreement (each as defined below), which information shall be reviewed with the Monitor;
- (e) assist the CCAA Parties in their dissemination to Comerica and its counsel of financial and other information requested by Comerica and as otherwise required by the CCAA Parties, which may be used by the CCAA Parties in these proceedings;
- (f) assist the CCAA Parties, to the extent required by the CCAA Parties, in dealing with their respective creditors, customers, vendors and other interested Persons;
- (g) with the assistance of the CCAA Parties, conduct the Sales Process as provided for in this Order and report to this Court in relation to the status of the Sales Process from time to time as it considers appropriate;
- (h) advise the Applicants in their development of the Plan and any amendments to the Plan and, to the extent required by the CCAA Parties in their negotiations with creditors, customers, vendors and other interested Persons;

- (i) assist the CCAA Parties with their financing and restructuring activities to the extent required by the CCAA Parties;
- (j) carry out the responsibilities of the Monitor under the Accommodation Agreement and, to the extent requested by the CCAA Parties, to otherwise assist the CCAA Parties in the performance of their obligations under the Accommodation Agreement and the Access Agreement (each as defined below and together, the “**Customer Agreements**”);
- (k) give any consent or approval as is contemplated by this Order and any other orders made in this proceeding;
- (l) 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;
- (m) have full and complete access to the books, records and management, employees and advisors of the CCAA Parties and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (n) 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;
- (o) be at liberty to serve as a “foreign representative” of any of the CCAA Parties in any proceeding outside of Canada, including if deemed advisable by the CCAA Parties and the Monitor, to file Chapter 15 proceedings as a foreign representative of the CCAA Parties;
- (p) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (q) perform such other duties as are required by this Order or by this Court from time to time.

29. 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.

30. 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 or guideline 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.

31. THIS COURT ORDERS that the Monitor shall provide any creditor of the CCAA Parties with information provided by the CCAA Parties 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 CCAA Parties 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 CCAA Parties may agree.

32. 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.

PAYMENT OF FEES AND ADMINISTRATION CHARGE

33. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the CCAA Parties shall be paid their reasonable fees and disbursements incurred both before and after the making of this Order, in each case at their standard rates and charges, by the CCAA Parties as part of the costs of these proceedings. The CCAA Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis.

34. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicants shall undertake a final assessment of their accounts, if requested by the Applicants, or as directed by this Court pursuant to a request made by a creditor of the CCAA Parties, and for this purpose such accounts are referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. THIS COURT ORDERS that the Monitor, counsel to the Monitor, counsel to the CCAA Parties and the financial advisor to the CCAA Parties, Conway MacKenzie, Inc. (collectively, the “**Professionals**”) 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 \$1,000,000, as security for their unpaid professional fees and disbursements incurred at the standard rates and charges of such Professionals, 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 45 and 47 hereof.

COMERICA FACILITY

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

- (a) SKD Company is authorized and empowered to continue to borrow under the revolving credit agreement among Comerica and SKD Company (as Canadian

borrower), SKD AG (as US Borrower) and SKD, L.P., EASSA Mexico, S de R.I. de C.V., SKD de Mexico, S de R.I. de C.V. and the Applicants (as additional loan parties) made December 14, 2004, as subsequently amended, modified and supplemented, most recently pursuant to the Forbearance Agreement (defined below), including, without limitation, in relation to the subordinated participations in the Comerica loan facility purchased or to be purchased by the Customers in relation to the Customer Operations Funding (as described in the Chen Affidavit) in accordance with the Amended and Restated Subordinated Participation Agreement (as described in the Chen Affidavit) (the "**Credit Agreement**");

- (b) the CCAA Parties are authorized and directed to perform all obligations to Comerica under the Credit Agreement and any security or other documents contemplated thereby, including those relating to the Customer Operations Funding (as defined below), whether arising before or after the making of this Order as and when the same become due and are to be performed, but subject to the priority set out in paragraph 45 hereof (the "**Loan Documents**"); and
- (c) the CCAA Parties are authorized, empowered and directed to enter into and perform their obligations under a certain forbearance agreement, substantially in the form of the agreement attached as Exhibit "H" to the Chen Affidavit (the "**Forbearance Agreement**") to which the CCAA Parties are party, and are directed and shall comply with the Loan Documents and the Forbearance Agreement and shall make all payments to Comerica provided for under the Forbearance Agreement and Loan Documents, including without limitation, in relation to the Customer Operations Funding (as defined below).

37. THIS COURT ORDERS that Comerica shall be entitled to the benefits of and is hereby granted a charge (the "**Comerica Charge**") as security for the existing and future obligations of the CCAA Parties to Comerica under the Credit Agreement and Loan Documents, which charge shall not exceed the aggregate amount owed to Comerica under the Credit Agreement and Loan Documents. The Comerica Charge shall have the priority set out in paragraphs 45 and 47 hereof.

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

- (a) Comerica may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Comerica Charge;
- (b) subject to the terms of the Customer Agreements, the Forbearance Agreement and the Credit Agreement, Comerica may (i) without notice to the CCAA Parties or any other Person cease making advances to SKD Company and set off and/or consolidate any amounts owing by Comerica to the CCAA Parties, other than in relation to amounts deposited to the Trust Accounts (as defined in the Forbearance Agreement) in accordance with the Forbearance Agreement, against the obligations of the CCAA Parties to Comerica under the Credit Agreement, the Loan Documents or the Comerica Charge, and (ii) upon the occurrence of a default (other than an Existing Default as defined in the Forbearance Agreement) under the Credit Agreement and the Loan Documents, and upon two (2) business days notice to the CCAA Parties, the Customers and the Monitor, exercise any and all of its rights and remedies against the CCAA Parties or the Property under or pursuant to the Forbearance Agreement, the Credit Agreement, the Loan Documents and the Comerica Charge, including without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the CCAA Parties or for the appointment of a trustee in bankruptcy of the CCAA Parties, but subject to the priorities as set out in paragraphs 45 and 47 of this Order; and
- (c) the foregoing rights and remedies of Comerica shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the CCAA Parties or the Property.

39. THIS COURT ORDERS AND DECLARES that Comerica shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by any of the CCAA Parties under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Credit Agreement or the Loan Documents.

CUSTOMER ACCOMMODATION AND ACCESS AGREEMENTS

40. THIS COURT ORDERS that notwithstanding any other provision of this Order, the CCAA Parties be and they are hereby authorized, empowered and directed to enter into and perform their obligations under a certain accommodation agreement, substantially in the form of the agreement attached as Exhibit “J” to the Chen Affidavit (the “**Accommodation Agreement**”) among SKD Company, Ford Motor Company, Chrysler Canada Inc., Chrysler LLC, on behalf of itself and Chrysler Motors LLC, Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, the “**Customers**”) and Comerica.

41. THIS COURT ORDERS that the Accommodation Agreement and the exhibits thereto, including, without limitation (i) an access agreement, substantially in the form of the agreement among SKD Company and the Customers attached as Exhibit B to the Accommodation Agreement (the “**Access Agreement**”), (ii) the Customer Operations Funding (as defined in and to be provided under the Accommodation Agreement), and (iii) the transactions contemplated by the Accommodation Agreement (the “**Accommodation Agreement Transactions**”), be and they are hereby approved.

42. THIS COURT ORDERS that in completing the Accommodation Agreement Transactions, the CCAA Parties, and the Monitor, subject to the terms and conditions of the Accommodation Agreement, are hereby authorized to execute and deliver such additional, related and ancillary documents and assurances governing or giving effect to the Accommodation Agreement Transactions as the CCAA Parties, in their discretion, may deem to be reasonably necessary or advisable to complete the Accommodation Agreement Transactions and to take such steps as are necessary or incidental for the completion thereof.

43. THIS COURT ORDERS that the CCAA Parties be and they are hereby authorized, empowered and directed to enter into and perform their obligations under the Access Agreement and enter into and complete the transactions contemplated by the Access Agreement (the “**Access Agreement Transactions**”) and to grant the security interests provided for under the Access Agreement (the “**Customers’ Security**”) in accordance with the Access Agreement and

with such amendments, deletions and additions as the parties thereto may agree to, and to perform the obligations contained in the Access Agreement.

44. THIS COURT ORDERS that in completing the Access Agreement Transactions, the CCAA Parties, subject to the terms and conditions of the Access Agreement, are hereby authorized and directed to execute and deliver such additional, related and ancillary documents and assurances governing or giving effect to the Access Agreement Transactions as each of the CCAA Parties, in their discretion, may deem to be reasonably necessary or advisable to complete the Access Agreement Transactions and to take such steps as are necessary or incidental for the completion thereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Administration Charge, the Directors' Charge, and the Comerica Charge shall be as follows:

- (i) First – the Administration Charge;
- (ii) Second – the Directors' Charge to the maximum amount of \$700,000 in relation to any vacation pay obligations;
- (iii) Third – the Comerica Charge, but excluding that portion of the Comerica Indebtedness (as defined in the Accommodation Agreement) relating to the Customer Operations Funding (as defined in the Accommodation Agreement);
- (iv) Fourth - the Directors' Charge for any amount greater than \$700,000 up to the maximum amount of \$2,300,000; and
- (v) Fifth - the Comerica Charge in relation to that portion of the Comerica Indebtedness (as defined in the Accommodation Agreement) relating to the Customer Operations Funding (as defined in the Accommodation Agreement);

46. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, Directors' Charge and Comerica Charge (collectively, the "**Charges**"), as well as the Customers' Security, shall not be required, and that the Charges and the Customers' Security 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 and the Customers' Security coming into existence, notwithstanding any such failure to file, register, record or perfect.

47. THIS COURT ORDERS that each of the Charges (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.

48. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the CCAA Parties shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, or which impair a Customer's "Right of Access" under the Access Agreement, unless the CCAA Parties also obtain the prior written consent of the Monitor, the beneficiaries of the Charges, and the Customers, or a further Order of this Court made on notice to the beneficiaries of the Charges and the Customers.

49. THIS COURT ORDERS that the exercise of the rights and remedies of the beneficiaries of the Charges shall be subject to the applicable terms of the Access Agreement, including a Customer's Right of Access if exercised in accordance with the Access Agreement; provided however that the Customers' Security shall be fully released and discharged and be of no further force and effect upon the later of (i) the expiration of the Term of the Access Agreement, and (ii) in relation to any Operating Assets and Real Estate in respect of which a Right of Access has been exercised by a Customer in accordance with the Access Agreement prior to expiration of the Term of the Access Agreement, at the end of the Occupancy Period arising from the exercise of such Right of Access (with capitalized terms in this paragraph being as defined under the Access Agreement).

50. THIS COURT ORDERS that the Charges, the Forbearance Agreement, the Customer Agreements and the Customers' Security, and any payments made by the CCAA Parties pursuant

to the Charges or the Credit Agreement or pursuant to paragraph 25 of this Order (collectively, the “**Payments**”), shall not be rendered invalid or unenforceable, and the rights and remedies of any Persons receiving the Payments and the chargees entitled to the benefit of the Charges (the “**Chargees**”) 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 the 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 any of the CCAA Parties, 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 Forbearance Agreement, the Customer Agreements or the Customers’ Security, shall create or be deemed to constitute a breach by an applicable CCAA Party of any Agreement to which it is a party;
- (b) none of the Chargees, or the holders of the Customers’ Security 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 by the CCAA Parties of the Forbearance Agreement, the Customer Agreements or the Customers’ Security; and
- (c) any payments made by any of the CCAA Parties pursuant to this Order or the Forbearance Agreement and the granting the Charges, the Forbearance Agreement, the Customer Agreements and the Customers’ Security do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

MARKETING AND SALES PROCESS

51. THIS COURT ORDERS that the Monitor, with the assistance of CCAA Parties, will forthwith conduct a marketing and sales process (the “**Sales Process**”) with the assistance of such other professionals as it considers desirable to assist it in undertaking the Sales Process, to explore a sale of the business of SKD Company and/or the Property, as follows:

- (a) immediately following the date of this Order, the Monitor, with the assistance of the CCAA Parties, will canvass the market for interested parties and send to potentially interested parties a letter detailing this acquisition opportunity;
- (b) if considered desirable, will arrange for the placement of an advertisement in one or more newspapers providing notice of this acquisition opportunity as soon as reasonably practicable;
- (c) on or before January 22, 2009, will prepare a summarized confidential information memorandum (“**CIM**”) to be provided to interested purchasers who execute a confidentiality agreement in a form acceptable to the CCAA Parties and the Monitor (the “**Prospective Purchasers**”);
- (d) on or before January 22, 2009, will arrange for a data room, either electronic, physical or both (the “**Data Room**”);
- (e) on or before January 30, 2009, the CCAA Parties and the Monitor will prepare and make available to Prospective Purchasers, and in the electronic Data Room, a standardized form of asset purchase agreement that the Monitor will request all Prospective Purchasers to use to structure and submit their offers;
- (f) Prospective Purchasers will be required to conduct due diligence and to submit a purchase agreement to the Monitor by 4:00 p.m. (eastern time) on February 18, 2009;
- (g) the CCAA Parties, with the assistance of the Monitor, may thereafter select and settle a form of purchase agreement with one or more Prospective Purchasers;

- (h) on or about February 25, 2009, the Applicants will move to this Court for approval of any sales transaction that they wish to complete (each, a **“Transaction”**) and for any related relief, including an order vesting title (**“the Sales Approval Order”**); and
- (i) the closing of any Transaction in respect of which a Sales Approval Order is made shall be completed within two (2) business days following the making of such Order.

The Monitor shall have the ability, with the approval of the CCAA Parties, Comerica and the Customers, to modify the Sales Process, including the foregoing timetable, and to apply to this Court for any advice and directions that it may require in relation to the Sales Process.

SERVICE AND NOTICE

52. THIS COURT ORDERS that the Monitor on behalf of the Applicants shall, within ten (10) business days of the date of entry of this Order, send a letter to the known creditors of the CCAA Parties, other than employees and creditors to which the CCAA Parties owe less than \$1,000, at their addresses as they appear on the CCAA Parties' records, advising of this Order, specifying that a copy of the Order and other materials are available on the Monitor's website and disclosing such website, and that the Monitor, on behalf of the Applicants, 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.

53. THIS COURT ORDERS that the Applicants and the Monitor be at liberty to serve this Order, any other materials, motions and orders in these proceedings, and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or electronic transmission to the CCAA Parties' creditors or other interested parties at their respective addresses as last shown on the records of the CCAA Parties, as applicable, and that (i) any such service by courier, personal delivery, facsimile or electronic transmission shall be deemed to be received (i) if delivered by or forwarded by facsimile or

electronic submission before 4 p.m. on a business day (being a day that the principal Canadian banks are open for business in Toronto), on that same day, (ii) if delivered or forwarded by facsimile or electronic submission following 4 p.m. on any day, on the next business day following the date of delivery or forwarding thereof, or (iii) if sent by ordinary mail, on the third business day after mailing, and (ii) any such service shall be deemed to be good and sufficient service.

54. THIS COURT ORDERS that the Applicants, 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 upon counsel and any other Persons appearing on the Service List to the email addresses of counsel and such Persons 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 Monitor's website.

GENERAL

55. DECLARES that, pursuant to sub-paragraph 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c.5, any of the CCAA Parties are permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders or prospective investors, financiers, buyers or strategic partners and to their advisers (individually, a "Third Party"), but only to the extent desirable or required to negotiate and complete the Restructuring or the preparation and implementation of the Plan or a transaction for that purpose, provided that the Persons to whom such personal information is disclosed enter into confidentiality agreements with a CCAA Party binding them to maintain and protect the privacy of such information and to limit the use of such information to the extent necessary to complete the transaction or Restructuring then under negotiation. Upon the completion of the use of personal information for the limited purpose set out herein, the personal information shall be returned to the applicable CCAA Party, or destroyed. In the event that a Third Party acquires personal information as part of the Restructuring, or the preparation and implementation of the Plan or a transaction in furtherance

thereof, such Third Party may continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the applicable CCAA Party.

56. THIS COURT ORDERS that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

57. 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 any of the Applicants, SKD Company, the Business or the Property.

58. 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 CCAA Parties, 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 as a representative of the CCAA Parties in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

59. THIS COURT ORDERS that each of the CCAA Parties 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.

60. THIS COURT ORDERS that any interested party (including the CCAA Parties 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.

61. THIS COURT ORDERS that notwithstanding paragraph 60, no order shall be made varying, rescinding or otherwise affecting the provisions of this Order with respect to the Charges unless notice of a motion for such order is served on the Applicants, the Monitor,

Comerica, the Chargees and the Customers, returnable no later than 7 days following the making of this Order.

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

Tab 2

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 NMC CANADA INC. AND
2515080 NOVA SCOTIA COMPANY**

Applicants

**AFFIDAVIT OF JOHN CHEN
(SWORN JANUARY 21, 2009)**

I, **John Chen**, of the City of Birmingham, in the State of Michigan, U.S.A.
MAKE OATH AND SAY:

1. I am the President of the Applicant, NMC Canada Inc. ("NMC"), and as such have knowledge of the matters to which I hereinafter depose, except where otherwise stated to be on the information and belief of others, in which case I verily believe them to be true.

BACKGROUND – CORPORATE STRUCTURE

2. NMC is incorporated under the Ontario *Business Corporations Act*. The Applicant, 2515080 Nova Scotia Company ("2515080"), is an unlimited liability company incorporated under the Nova Scotia *Companies Act*. Its shareholders are SKD Holding, L.P. and SKD Holding Inc. ("SKD Holding").

3. NMC and 2515080 (collectively, the "Applicants") are each general partners of SKD Company, a general partnership registered under the Ontario *Partnerships Act*. NMC is the managing partner of SKD Company.

4. The Applicants are holding companies whose only assets and liabilities relate to SKD Company and who carry on business through SKD Company.

5. SKD Company, NMC, and 2515080 are part of a group of affiliated corporations and partnerships carrying on business in Canada, the United States and Mexico (collectively, the "SKD Group"). Attached as Exhibit "A" to this my affidavit is the organizational chart for the SKD Group.

6. In the United States, SKD L.P., with operations in Jonesville, Michigan and offices in Troy, Michigan, carries on a similar business to that of SKD Company. SKD de Mexico, S. de R.L. de C.V. ("SKD Mexico"), with operations in Tlalnepantla, Mexico, also carries on a similar business to that of SKD Company. EASSA Mexico, S. de R.L. de C.V. ("EASSA Mexico"), is a Mexican company that employs the labour used to perform the production work carried on by SKD Mexico. There are no current plans to initiate insolvency proceedings in the United States or Mexico.

NATURE OF APPLICATION

7. This affidavit is sworn in support of an application by the Applicants for protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and the approval of the Forbearance Agreement, Accommodation Agreement and Access Agreement described below to help facilitate the restructuring. In addition, the Applicants are seeking an extension of the stay of proceedings to SKD Company, being the Ontario partnership through which the Applicants' business is conducted, and related relief. (The Applicants and SKD Company are referred to collectively below as "SKD Canada".)

BACKGROUND – BUSINESS OPERATIONS

I. History of the SKD Group

8. The SKD Group is a Tier I supplier of metal stampings and welded assemblies to automotive manufacturers ("OEMs") in the North American automotive industry. Its principal operations include metal stamping, welding (resistance, projection and arc) and other light assembly. The manufacturing operations of SKD Group are conducted by SKD L.P. in the United States, SKD Company in Canada and SKD Mexico in Mexico.

9. In 1985, National Material, L.P. ("NMLP"), through NMC, formed a partnership with an unrelated entity, S.K.D. Technologies Inc. ("**Technologies**"), in which NMC held a 50% interest in SKD Company. In 1995, 2515080 acquired Technologies' 50% ownership interest in SKD Company. In 1996, 2515080 acquired 98% of NMC's interest in SKD Company, thereby acquiring a 99% interest in SKD Company. During the period since 1995, SKD Group transitioned from being a supplier of predominately small to medium sized stamped products, into a supplier of medium to large welded and assembled products. Production capacity was also increased, and investments were made in larger stamping presses and upgraded welding technology. Through these efforts and the expansion of its customer base, the sales revenues of SKD Group grew from approximately US\$130 million in 1995 to approximately US\$400 million in 2007.

II. Overview of the Business of SKD Company

10. SKD Company is a tier one automotive parts supplier that designs and manufactures metal stampings, components and weldments for OEM customers that as at December 2008 included Chrysler, LLC ("**Chrysler**"), Ford Motor Company ("**Ford**"), General Motors Corporation ("**GM**") and Honda of America ("**Honda**"). The parts it produces are medium to large size and complexity, and include control arms, cross members, floor pans, rails and cradles. Typical processes employed in Canada include progressive and transfer stamping, and resistance, projection and arc robotic welding.

11. The operations of SKD Company are supported by the sales and engineering office of SKD L.P. and the head offices of the SKD Group located in Troy, Michigan. SKD L.P. also performs or secures certain head office and administrative functions for or on behalf of SKD Company. In addition, other administrative services are provided to or secured for SKD Company by entities affiliated with the SKD Group.

12. Commencing in 2006, after years of profitability and growth, SKD Company began to lose money. This was in part occasioned by a period of rapid unsustainable expansion. In 2007, changes to management and the manufacturing processes were implemented, and new sales efforts were curtailed, as SKD Company attempted to adjust and refine its business model. In late 2007 and early 2008, indicators of improvement were consistently trending in the right

direction. A confluence of factors affecting both the North American automotive industry and the credit markets, however, reversed this trend, leading to the circumstances now facing SKD Company and to these proceedings being commenced. Some of the macroeconomic factors specifically contributing to the challenges currently facing SKD Company include the collapse of the North American automotive market precipitated by the ongoing U.S. credit crisis, the rapid escalation of fuel prices, the dramatic change in the strength of the U.S. dollar relative to the Canadian dollar, the collapse of the scrap steel market and rising unemployment. These factors, combined with a severe decline in consumer spending and availability of lease financing programs, has led to the lowest new vehicle sales being experienced in North America in the past 25 years.

13. SKD Company also designs and procures tooling for its OEM customers. In 2007, approximately 91.7% of the annual sales revenues of SKD Company were generated from three major OEM's (sometimes collectively hereafter referred to as the "Detroit Three") being Chrysler, as to approximately 55%, Ford, as to approximately 25.7%, and GM, as to approximately 11%. In 2007, other customers included Honda, as to approximately 7.7%, as well as Mitsubishi Motors North America, Inc. ("Mitsubishi"), as to approximately 0.6%. In 2008, as of October 31, 2008, sales revenues generated in relation to Chrysler, Ford, GM, Honda and Mitsubishi were approximately 50.7%, 28.8%, 10.3%, 10.1% and 0%, respectively.

14. SKD Company's major vendors are those who supply it with inventory components such as rubber bushings, nuts, bolts, fasteners and welding supplies, stamping services, packaging, freight services and utilities. Most of SKD Company's OEM customers purchase steel for production by SKD Company and, as a matter of course, contractually set-off such steel purchases against the amounts that they owe to SKD Company.

15. SKD Company conducts its operations from two leased facilities located in Mississauga, Ontario ("SKD Mississauga"), as well as owned facilities located in Milton, Ontario ("SKD Milton") and Brampton, Ontario ("SKD Brampton"). SKD Mississauga is utilized for welding and light assembly activities, and SKD Milton and SKD Brampton for stamping, welding and light assembly activities. SKD Company is a single source supplier to many of its OEM customers. Delivery of product to such customers, as is customary in the

automotive industry, is on a "just in time" basis, such that delays in meeting production deadlines can impact upon a customer's operations and subject SKD Company to significant penalties.

16. SKD Company is operationally efficient, has considerable industry experience, and has generated favourable performance ratings from its customers. It has a skilled work force and most of its manufacturing operations are well utilized. Like other automotive part suppliers, however, over the past year it has been forced to deal with the circumstances facing the North American automotive industry, which have been exacerbated by a downturn in the economy, lack of consumer confidence and buying power, heightened consumer concern over high gas prices and the desire for more fuel efficient vehicles than those in current production by the Detroit Three that has resulted in a dramatic reduction in its sales.

III. Credit Facilities of SKD Company

17. SKD Company is a borrower, together with SKD Automotive Group, Limited Partnership ("SKD AG" and, together with SKD Company, the "SKD Borrowers"), under a revolving working capital credit facility extended by Comerica Bank ("Comerica") to the SKD Borrowers, as more particularly described below. The loans made by Comerica to the SKD Borrowers matured on November 30, 2008.

18. The current credit crisis and the increasing unease regarding the uncertainty of the automotive industry, and particularly the economic health of the Detroit Three, have made the procurement of replacement financing from a financial institution extremely difficult.

IV. Senior Management

19. SKD Company's operations are managed and directed by senior management within the SKD Group, including persons who are not employees of the Applicants or SKD Company.

V. Employees of SKD Company

20. As of December 1, 2008, SKD Company had approximately 661 employees, comprised of approximately 469 unionized and 192 salaried employees. Approximately 27 of

the unionized employees are on temporary lay-off, and a total of 35 salaried and unionized employees are either on short-term or long-term disability. In addition, SKD Company uses an outside employment agency to provide temporary personnel assistance from time to time.

21. SKD Company is a party to collective bargaining agreements with the National Automobile, Aerospace, Transportation and General Workers of Canada and its Local 1285 (the "CAW") in relation to the Brampton facility, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers Union (the "USW") in relation to the Milton facility, and the Teamsters Local Union No. 419 (the "Teamsters" and, together with the CAW and USW, sometimes collectively hereinafter referenced as the "Unions") in relation to the Mississauga and Danbro facilities. Currently, there are approximately 109 CAW employees, approximately 194 USW employees and approximately 166 Teamsters employees.

22. Over the past year, some downsizing of the workforce has taken place to react to the declining purchase volumes of SKD Company's customers and as a result of the efforts of SKD Company to reduce its costs and attempt to stem its operating losses.

INTERCOMPANY MATTERS

23. Certain administrative functions for SKD Company are centralized and managed out of the offices of SKD Group in Troy, Michigan. Such activities include sales, product engineering, finance, program management, legal, tax, product quoting, manufacturing services and certain benefits and human resources and accounting services (collectively, the "Administrative Services"). As a result, charges for the Administrative Services and related overhead costs are incurred or paid by either SKD L.P. or SKD AG and then are allocated by these entities to SKD Company. These fees currently consist of a flat annual fee of \$600,000 paid to SKD AG, plus a fee equal to 5.0% of SKD Company's monthly budgeted operating revenues (as set out in each facility's annual operating plan), paid to SKD L.P. SKD Company does not have the internal personnel required to perform the Administrative Services. Accordingly, it is proposed on an interim basis that SKD L.P. and/or SKD AG continue to provide and be compensated for providing the Administrative Services needed by SKD Company. It is contemplated that RSM Richter Inc. ("Richter"), the proposed Monitor in these

proceedings (the "Monitor"), will monitor the allocation of these expenses to help ensure that they are appropriately allocated to SKD Company during the proceedings.

24. Through NMLP, SKD Company sells scrap metal to third party scrap brokers. NMLP is paid a service commission of US\$1.50 per gross ton relating to such sales. Currently, there are several contracts which, while originally in the name of one entity in the SKD Group, are actually performed by a different entity within the SKD Group. For example, SKD L.P. performs work for Chrysler under a contract originally negotiated by SKD Company. Chrysler pays SKD Company for the goods supplied by SKD L.P. SKD Company then reflects the monies it receives as a payable owing to SKD L.P. In other cases, SKD Company produces parts for Honda and Ford, for which SKD L.P. is paid. SKD L.P. then reflects the monies it receives as a payable to SKD Company. In addition, from time to time, SKD Company pays certain tooling and other invoices on behalf of SKD L.P. and SKD Mexico, normally from Canadian vendors requiring payment in Canadian dollars. On a periodic basis, SKD L.P. and SKD Company reconcile these intercompany payables, with the net balance being paid by one to the other, as applicable.

BANK ACCOUNTS AND CASH MANAGEMENT SYSTEM

25. Currently, SKD Company maintains bank accounts and oversees cash management independently of other entities in the SKD Group. Attached as Exhibit "B" to my affidavit is a chart which shows the bank accounts that are presently maintained by, or on behalf of, SKD Company, including branch addresses and account numbers. As Exhibit "B" indicates, SKD Company currently maintains Canadian and U.S. dollar bank accounts with The Toronto-Dominion National Bank ("TD"), and Royal Bank of Canada ("RBC"), which in the case of RBC are operated under a control agreement with Comerica. SKD intends to continue to continue to utilize their existing bank accounts and any other bank accounts as permitted under the Forbearance Agreement (as defined below). Pursuant to the terms of the Forbearance Agreement, SKD may be required to enter into additional account control agreements and blocked account agreements and is being required to transfer funds held at TD and any other banks not subject to an account control agreement to an account agreed to by Comerica.

26. SKD Company provides certain banking support for the Administrative Services group in the Troy, Michigan head office, for operational expenses excluding payroll, such as rent, utilities, phone, tooling payments, and the like. SKD Company proposes to continue its existing banking accounts and cash management systems during the restructuring.

OBLIGATIONS SUBJECT TO SECURITY INTERESTS AND POTENTIAL LIENS

27. SKD Company and SKD AG (the "**SKD Borrowers**") are co-borrowers under a revolving credit agreement among Comerica and SKD Company (as Canadian borrower), SKD AG (as U.S. Borrower) and SKD L.P., EASSA Mexico, SKD Mexico, and the Applicants (as additional loan parties) (the "**Comerica Credit Agreement**") made December 14, 2004, as subsequently amended. Pursuant to the Comerica Credit Agreement, Comerica provides working capital financing (the "**Comerica Facility**") to the SKD Group through loans made to the SKD Borrowers.

28. The amount of the aggregate borrowings under the Comerica Facility (the "**Comerica Indebtedness**") was approximately US\$12.9 million as at January 16, 2009, comprised of approximately US\$6.5 million of outstanding advances of Comerica to SKD Company and approximately US\$6.4 of outstanding advances of Comerica to SKD AG. (These amounts exclude interest, costs and expenses, and interim funding provide by the Funding Customers (defined below) through the purchase of subordinated participations of approximately US\$2.2 million.) In addition to being a co-borrower under the Comerica Facility with SKD AG, SKD Company has guaranteed the indebtedness of SKD AG to Comerica. SKD Company's obligations to Comerica are secured by security agreements granted by SKD Company and the Applicants dated December 14, 2004, covering all of the present and after acquired personal property and undertaking of SKD Company and the Applicants (the "**SKD Canada SAs**"), as well as real property charges against the lands and premises municipally known as 38-40 Holtby Avenue, Brampton, Ontario and 375 Wheelabrator Way, Milton, Ontario (collectively, the "**Charges**").

29. A copy of the Comerica Credit Agreement relating to the Comerica Facility has not been attached due to its bulk, but will be provided to this Honourable Court upon its request.

Copies of the SKD Canada SAs are attached as Exhibit "C" to my affidavit. Copies of the real property Charges are attached as Exhibit "D" to my affidavit.

30. Comerica has also been granted a guarantee and security by each of the Applicants and SKD L.P. and an unsecured guarantee from SKD Holding, L.P. and SKD Mexico.

31. SKD Company is a party to various equipment leases in respect of which registrations under the PPSA have been made. Attached as Exhibit "E" to this affidavit is a summary of the registrations made against the Applicants and SKD Company.

UNSECURED CREDITORS

32. As at January 13, 2009, SKD Company had aggregate accounts payable, including trade debt, of approximately \$9.1 million. This amount does not include liabilities in relation to payroll, litigation claims and other extraordinary items, customer payables for steel subject to setoff against receivables, or inter-company balances.

33. SKD Company pays its hourly employees on a weekly basis and its salaried employees two times per month. As of January 19, 2009 (but depending on weekly production requirements as of that date and thereafter), the weekly payroll obligations of SKD Company are expected to be approximately \$484,746 in respect of hourly employees (paid on Thursday of each week), and the semi-monthly payroll obligations of SKD Company are approximately \$591,577 (paid on or about the 15th and last day of each month), in respect of its salaried employees, in each case inclusive of all employee and employer-related remittances for income tax, employment insurance and Canada Pension Plan amounts. Automatic Data Processing, Inc. processes payment of SKD Company's payroll payments and associated deductions. The foregoing payroll amounts may adjust upward or downward depending on production requirements during the restructuring period.

34. In December 2008, SKD Company implemented an employee retention plan (the "ERP") in relation to approximately 39 of its key salaried employees. The ERP provides that the subject employees will receive a retention incentive payment equal to three months' current salary (with the exception of two particularly critical employees, who will receive the equivalent

of eight and ten months' salary, respectively), less statutory deductions, in the event that the employees remain with SKD Company until the earlier of the termination of their employment without cause, or September 30, 2009. It is in the best interests of SKD Company to retain these employees during the restructuring period, as their leaving would affect SKD Company's ability to effectively operate and to perform its obligations under the Accommodation Agreement (defined below). SKD Company has calculated its maximum obligations under the ERP to be approximately \$836,491.

35. In January 1997, SKD Company announced the closure of its Amherstburg plant. In fiscal 1998, \$20,602,000 was charged to operations, representing management's best estimate of the Amherstburg plant closure costs. As at January 2, 2008, the remaining reserve for post-retirement liabilities (medical and associated benefits) calculated with reference to actuarial standards of practice for post-employment benefits associated with Amherstburg was approximately \$3.6 million, in respect of which SKD Company is currently making payments of approximately \$36,500 per month. Other costs associated with the closure of Amherstburg include (i) approximately \$2.2 to 2.4 million in obligations related to a wound-up defined benefit pension plan, and (ii) an undetermined amount for a pension plan relating to a small number of former Amherstburg employees, in relation to which current service costs amount to approximately \$5,000 per month.

36. SKD Company has three active defined benefit pension plans. One is in place for the hourly employees of the Brampton facility (the "**Brampton DB Plan**"), and another for the hourly employees of the Milton facility (the "**Milton DB Plan**"). The third defined benefit pension plan was maintained for the salaried employees of SKD Company (the "**Salaried DB Plan**"). Defined benefit pensions under the Salaried DB Plan were frozen based on member employees' earnings average as at December 31, 2003 (or December 31, 2002, in the case of certain members who elected to enter the defined contribution portion of the salaried Plan as at January 1, 2003). On a wind-up basis, as of September, 2008, the Brampton DB Plan, the Milton DB Plan and the Salaried DB Plan are estimated to have aggregate liabilities that are more than the estimated market value of the assets held in each of such plans, estimated in September of 2008 to give rise to a potential shortfall (unfunded liability) on an actuarial basis aggregating approximately \$9 million, \$3.8 million of which is referable to the Brampton DB Plan, \$3.6

million of which is referable to the Milton DB Plan and \$1.6 million of which is referable to the Salaried DB Plan. These numbers do not take into account any impacts resulting from the declines in the markets since September 2008.

37. SKD Company has an estimated liability valued at approximately \$1.6 million, calculated with reference to actuarial standards of practice, for post-employment benefits (medical and associated retiree obligations).

38. SKD Company also has certain other unsecured contingent obligations, mostly related to potential or threatened litigation relating to contract disputes, employee terminations, union grievances and other matters, the amounts of which cannot be ascertained at this time. In addition, if SKD Company ceases to operate, it will have liabilities for non-performance of contractual obligations, including in relation to its real property leases.

FINANCIAL INFORMATION

39. The fiscal year end of SKD Company is January 2nd. Attached hereto and marked as Exhibit "F" is a true copy of the unconsolidated audited financial statements of SKD Company for the year ended January 2, 2008. Attached as Exhibit "G" is a true copy of the unaudited financial statements for SKD Company for the period to and including November 30, 2008.

40. SKD Company had sales revenues, including trade sales and tooling sales, of approximately \$310.1 million in 2006 (year ended January 2, 2007), approximately \$331.6 million in 2007 (year ended January 2, 2008) and approximately \$203.3 million (as estimated, but subject to year end adjustments) in 2008 (year ending January 2, 2009). During 2006 and 2007, SKD Company incurred operating losses of approximately \$23.0 million and \$23.2 million, respectively. As at November 2008, SKD Company had an operating loss of approximately \$17.6 million and was projecting a year end operating loss of approximately \$13.7 million.

EXTERNAL FACTORS AFFECTING SKD COMPANY AND THE SKD GROUP

41. North American OEMs in the automotive industry have suffered financial challenges for the past several years, including by reason of increasing global competition and

legacy wage, pension and retiree obligations. For some time now, the U.S. and Canadian economies have been experiencing the effects of decreasing consumer confidence in the U.S. arising from the subprime mortgage crisis and a corresponding decrease in consumer spending that has had a severe impact on new vehicle sales. Most recently, the deepening credit crisis has further constrained credit, including for vehicle leasing, and eroded consumer confidence, resulting in industry-wide year over year reducing new vehicle sales volumes in North America. High fuel costs in 2008 and a growing environmental trend are driving a demand in North America for smaller and more fuel efficient vehicles. The dramatic decline in new vehicle sales, combined with the recent turmoil in the stock markets and the credit crunch, have resulted in unprecedented operating losses that are threatening the long term viability of the Detroit Three. This, in turn, has fuelled concern among all parties in the supply chain, leading both vendors and lenders to automotive parts manufacturers to take steps to limit their credit exposure.

42. The continued support of OEM customers, both in terms of honouring their payment obligations and in awarding new work, is critical to the long and short term success of SKD Company, and its ability to secure operating financing.

43. OEMs enter into long-term supply contracts for new programs, sometimes up to three years in advance of production. This requires SKD Company to incur upfront costs for design and development, including the acquisition and manufacturing of tooling, which does not result in the generation of revenue until vehicle production begins. The market for awarding new contracts is competitive and mandating competitive pricing when bidding for new work and lower profit margins. In addition, the largest (in dollar value) vendor purchases of SKD Company (being directed "buys" from single source vendors) are paid for in U.S. dollars. These purchased components are then incorporated into parts supplied to customers who pay SKD Company in Canadian dollars.

44. A by-product of the production done by SKD Company is scrap metal. SKD Company is able to sell the scrap metal it generates for a profit. SKD Company's revenues are also suffering from a dramatic decline in scrap metal prices; while in July of 2008 scrap metal was selling for approximately US\$800 per gross ton, as of October 2008, the price had decreased to US\$148 per gross ton. If the proceeds of scrap reach a certain designated dollar threshold,

SKD Company is required to share a portion of such proceeds with the OEM customers that originally purchased the steel for SKD Company's production. Such OEM customers, in turn, have the right to offset their rights to receive such scrap steel sale proceeds against the amounts that they owe to SKD Company.

45. All of the foregoing factors are contributing to the strains currently being experienced by SKD Company, most of which are completely beyond its control.

FINANCIAL PRESSURES AND LIQUIDITY CONCERNS THREATENING SKD COMPANY

46. The principal reasons for the financial pressures SKD Company is currently facing are as follows:

- a) its existing credit facilities with Comerica matured November 30, 2008, and the current Forbearance Agreement (defined below) provides only until February 28, 2009 for these facilities to be repaid;
- b) a decrease in North American automotive sales from approximately 15.1 million vehicles in 2007 to an estimated 12.7 million vehicles in 2008, representing a 15 percent decline in production, which has dampened SKD Company's ability to grow or even maintain its past years' revenues;
- c) projected North American automotive sales for 2009 are approximately 10.1 million, foreshadowing continuing decreasing sales for automotive parts suppliers in 2009, over that experienced in 2008, representing a 33% decline in North American production in the period from 2007 to 2009;
- d) the price of scrap metal remains depressed, which will curtail the revenues available to SKD Company from the sale of scrap metal generated from its production;
- e) the term of SKD Company's collective bargaining agreement with the USW ended in November 2008. While the term has been extended by agreement until the end of January 2009, a new collective bargaining agreement has yet to be negotiated;

- f) the Canadian dollar remains low relative to the U.S. dollar, significantly reducing SKD Company's profits on parts it sells in Canadian dollars that have been manufactured using components that SKD Company purchases in U.S. dollars;
- g) there is a pervasive lack of certainty in the market place due to the publicized and unprecedented challenges facing OEM customers, with particular unease and concern focussed on the Detroit Three; and
- h) in the current environment of uncertainty, it is difficult to reliably project sales revenues and put forward a business plan for 2009 or beyond.

All of these factors are making it exceedingly difficult for SKD Company to obtain replacement financing for the Comerica Facility. Without replacement financing, SKD Company cannot sustain its operations.

EFFORTS MADE TO RESTRUCTURE PRIOR TO FILING

47. Since 2007, SKD Company has been actively taking measures to return to profitability by working on productivity improvements, including a strategy to stabilize and improve its manufacturing operations through the development and implementation of robust processes to increase operating efficiencies and reduce production and administration costs. In 2008, the Company opened its Mississauga operation in order to relieve the space constraints and resulting inefficiencies that it experienced through its rapid growth in sales in 2005 to 2007. The new facility allowed the Company to move products from Brampton and ancillary warehouses to improve its operating efficiency as well as its quality and delivery record.

48. In October 2008, SKD Group engaged Conway MacKenzie, Inc. ("CMD"), a consulting firm with significant consulting expertise in the automotive industry, to advise SKD Company in relation to a restructuring process and assist it in its relationships with its OEM customers. CMD is well recognized for its experience and expertise in automotive restructurings and has been critical to the progress that has been made thus far with significant stakeholders. CMD's expertise will be required going forward to assist SKD Company in its dealings with customers and Comerica, including in relation to the financial reporting, cash flow forecasting

and budgeting that is required as a term of the Comerica Facility, the Forbearance Agreement and the Accommodation Agreement.

49. In December of 2008, SKD Company and CMD initiated discussions with SKD Company's OEM customers to apprise them of the current circumstances and explore ways to immediately improve the liquidity position of SKD Company. During this period, Comerica agreed, on terms, to temporarily forbear from requiring the Comerica Indebtedness to be repaid.

50. Following these discussions, GM determined it to be in its best interests to resource the production being done by SKD Company to replacement suppliers. GM also commenced proceedings as a result of impediments it encountered with two of the Unions in relation to GM's efforts to extract tooling it owns from the facilities operated by SKD Company, which proceedings have now been resolved.

51. Other customers have agreed to enter into an accommodation agreement with SKD Company more particularly described below, which will permit SKD Company a period of time to attempt to effect a sale of its business operations to a solvent owner with the prospects of continuing employment for employees of SKD Company or, failing that, will facilitate an orderly wind-down of the operations of SKD Company and the sale to such customers, or replacement suppliers, of inventories and possibly some of the production assets of SKD Company.

52. SKD Company has held meetings and is engaging in continuing communications with representatives of each of the Unions to update them on SKD Company's current financial circumstances and the proposed restructuring process.

FORBEARANCE AGREEMENT

53. SKD Company has been negotiating forbearance arrangements with Comerica and is the course of finalizing a forbearance agreement (the "**Forbearance Agreement**"), pursuant to which Comerica, on terms, will agree to forbear in requiring repayment of the Comerica Indebtedness from the date of the agreement to February 28, 2009 (the "**Forbearance Period**"). A copy of proposed form of the Forbearance Agreement (which is to be attached as

Exhibit "A" to the Accommodation Agreement described below) is attached as Exhibit "H" to this affidavit.

54. Pursuant to the Forbearance Agreement, SKD Company will be on a "remittance basis" in accordance with its security agreement with Comerica and will be required to immediately surrender all of its cash inflows (other than in formula borrowing and participations purchased from the Funding Customers as described below) to Comerica. Comerica has agreed not to sweep certain bank accounts of SKD Company (being (i) payroll accounts, and (ii) accounts maintained for payment of certain statutory obligations (collectively, the "Trust Accounts")), to the extent of funds deposited to those accounts, and will permit cheques to be drawn on the Trust Accounts for the purpose of paying the obligations for which they were funded.

55. Pursuant to the Forbearance Agreement, the borrowing base under the Comerica Facility is being amended and, absent a default, Comerica is agreeing, in its discretion, to continue to make available advances to the SKD Borrowers under the Comerica Facility, inclusive of the Customer Operations Funding (defined below) that is being provided through subordinated participations purchased by GM, Ford, Chrysler and Honda (collectively, the "Funding Customers")

CASH FLOW PROJECTIONS

56. SKD Company has prepared cash flow projections (the "Cashflow Projections") for the period ending February 28, 2009, which are attached as Exhibit "I" to this Affidavit. The Cashflow Projections have been prepared based on certain assumptions, including that Comerica will continue to forbear in requiring repayment in full of the Comerica Indebtedness through to February 28, 2009, that SKD Company will be able to secure additional advances under the Comerica Credit Agreement, inclusive of the Customer Operations Funding, and that Customers will comply with the expedited payments as provided for under the Accommodation Agreement (defined below).

ACCOMMODATION AND ACCESS AGREEMENTS AND INTERIM FUNDING

57. As noted above, the Comerica Facility have matured. While Comerica appears prepared to continue to make in formula advances to SKD Company in accordance with the terms of the Forbearance Agreement, it is not prepared to make any out of formula advances, as a result of which, without additional funding, SKD Company would not have sufficient funds with which to operate during the restructuring period.

58. Subject to the approval of this Honourable Court, SKD Company has negotiated a multi-party customer agreement (the "**Accommodation Agreement**") with Comerica and certain of its OEM customers, including Ford, Chrysler and Honda, that, among other things, deals with the terms of continued production by SKD Company for the Customers during the restructuring process. GM is not a party to the Accommodation Agreement, as it does not require further production from SKD Company and is proceeding with arrangements to resource the production of the component parts that SKD Company had been producing. A copy of the proposed form of Accommodation Agreement is attached as Exhibit "**J**" to this Affidavit.

59. The Accommodation Agreement provides, among other things, for expedited payment of accounts receivable by the Customers, a mechanism for the resolution of existing commercial issues, and the provision of additional funding for the SKD Borrowers (the "**Customer Operations Funding**") for a period of time during which SKD Company will continue production of component parts for the Customers and also pursue a marketing and sales process (the "**Sales Process**"). The Accommodation Agreement provides for resourcing by the Customers in the event that a sales process acceptable to the Customers is not completed within the stipulated time frames and provides restrictions on certain Customer setoff rights. At the end of the Term or in the event of a resourcing, the Accommodation Agreement also includes agreements by the Customers to purchase inventories and returnable packaging, as well as, at the Customers' option, certain tooling, machinery, and equipment owned by SKD Company used in relation to the production of component parts for the Customers.

60. The Customer Operations Funding is being made available to the SKD Borrowers through the purchase by the Funding Customers of subordinated participations in the Comerica Facility pursuant to an Amended and Restated Subordinated Participation Agreement (the

"Participation Amount"). A copy of the Amended and Restated Participation Agreement is attached as Exhibit **"K"** to this Affidavit. The additional advances funded by the Funding Customers are being advanced by Comerica to the SKD Borrowers, pursuant to an amendment to the Comerica Credit Agreement implemented through the Forbearance Agreement. Pursuant to the terms of the Accommodation Agreement, the Funding Customers are to fund borrowings under the Comerica Facility in an aggregate amount consistent with an agreed upon budget (the **"Budget"**) and subject to an overall cap.

61. The Customer Operations Funding is to be paid by Funding Customers to Comerica and loaned by Comerica to SKD Company based on weekly estimates provided by SKD Company of the amounts necessary to satisfy its operating obligations during the applicable week. The Customer Operations Funding is not to be used for program launch or other Customer-specific costs, which are to be funded and borne by the applicable Customer. The Budget is for the period to and including February 28, 2009, being the same date that the Forbearance Period expires. Even though the Accommodation Agreement is not yet effective, the Funding Customers have agreed to provide interim financing to and including January 20, 2009, to permit the SKD Group, including SKD Company, to operate in order to complete the negotiations of all required agreements and to commence this proceeding. This interim funding is being provided by way of purchased participations under the Comerica Facility and as part of the Customer Operations Funding.

62. SKD Company does not currently have operating funding for the period following February 28, 2009.

63. The Accommodation Agreement contemplates that SKD Company will conduct the Sales Process and establishes certain milestones for SKD Company in relation to the Sales Process.

64. Absent the Accommodation Agreement being entered into, SKD Company will not have the financial means to continue its operations. The Funding Customers are, among other things, agreeing to restrict setoff rights, to resolve outstanding commercial issues and to purchase (subject to the prior receipt of vesting orders, which will be sought at a later date) assets designated to the production of their respective component parts in the event a going concern

sale cannot be concluded prior to the end of the Forbearance Period. As such, if a sale cannot be concluded, the Accommodation Agreement will also facilitate an orderly wind down process with the prospect of increasing the realizations available from the assets of SKD Company over those which would be realized in a forced liquidation (bankruptcy) process.

65. It is a term of the Accommodation Agreement that SKD Company also enter into an access and security agreement (the "Access Agreement"), and that Comerica acknowledge and consent to the Access Agreement. A copy of the proposed form of Access Agreement (to be attached as Exhibit "B" to the Accommodation Agreement) is attached as Exhibit "L" to this Affidavit. The Access Agreement grants to the Funding Customers a right to use and to occupy the facilities of SKD Company and its operating assets for a period of time for the purposes of production of component parts (the "Right of Access").

66. The Access Agreement also grants to the Funding Customers a security interest in the assets of SKD Company as collateral security for the obligations of SKD Company to provide any Customer or its designee a Right of Access as provided for under the Access Agreement. The security interest granted to Funding Customers under the Access Agreement does not attach to accounts nor does it permit such Funding Customers to sell or foreclose upon the property and assets of SKD Company. Such security interest expires at the end of the Term (as defined in the Access Agreement), or should a Right of Access be exercised before the end of the Term, upon conclusion of the Occupancy Period. In the event that the Right of Access is exercised, the Access Agreement requires the applicable Customer to assume responsibility for the costs of production of its component parts, including in relation to the use of the Operating Assets and Real Estate relating to the facilities of SKD Company that are to be occupied, all as more particularly set forth in the Access Agreement (with capitalized terms not otherwise defined having the meaning set forth in the Access Agreement).

67. It is my belief that entering into the Accommodation Agreement and the Access Agreement will permit SKD Company to operate for a period of time, allow it to proceed with the Sales Process, and will result in a better recovery scenario for creditors than will otherwise be the case.

68. Comerica is willing, subject to the terms of the Forbearance Arrangement, to defer its requirement that the Comerica Indebtedness be repaid during the Forbearance Period. It is not, however, prepared to forbear indefinitely.

69. Absent additional funding, SKD Company has insufficient funding to continue to operate.

ADDITIONAL PARTICIPATIONS AND ALLOCATION AGREEMENT

70. In connection with the Subordinated Participation Agreement, Comerica, the Funding Customers, SKD AG, SKD Company, NMC, SKD Holding, SKD, L.P., 2515080, EASSA Mexico and SKD Mexico entered into an Additional Participations and Allocation Agreement (the "**Additional Participations and Allocation Agreement**") which sets forth certain requirements for the distribution of the proceeds of the collateral of SKD Company and SKD AG. A copy of the Additional Participations and Allocation Agreement is attached as Exhibit "**M**" to this Affidavit.

71. Among other things, the Additional Participations and Allocation Agreement provides a mechanism (the "**Waterfall**") for the payment of the proceeds remaining after repayment of the senior obligations of the SKD Borrowers to Comerica (being the loan obligations other than the Participation Amount) (the "**Remaining Proceeds**") from the collateral (a) owned by the SKD Group in Canada (the "**Canadian Collateral**"), and (b) owned by the SKD Group in the United States and Mexico (the "**U.S. Collateral**"). The Remaining Proceeds are to be paid by Comerica to a disbursing agent, for allocation pursuant to the Waterfall. The Waterfall provides for repayment of advances made under the subordinated participations to SKD Company from the Canadian Collateral, and for advances made under the subordinated participations to SKD AG from the U.S. Collateral. In the event that there are insufficient proceeds from the Canadian Collateral to repay the amounts owed to the Funding Customers in relation to amounts advanced to SKD Company (the "**Canadian Participants Deficiency**"), 50% of the Canadian Participants Deficiency shall be paid to the Funding Customers from the proceeds of the U.S. Collateral in accordance with their respective percentages. The Waterfall further provides for the manner of disposition of the remaining proceeds from the U.S. Collateral.

PROPOSED CCAA MONITOR

72. Richter was engaged by SKD Company in December 2008 and since then has been working with SKD Company in the period leading up to the filing of this application. Richter is well qualified to act as Monitor. Its professionals have recognized experience and competency in acting as monitor in CCAA proceedings. Richter is not the auditor of SKD Company.

73. Richter is consenting to being appointed as Monitor. Its written consent will be filed with the Court as part of these application materials. Richter will file its first report to this Honourable Court on the hearing of this application to provide its initial views and perspectives on various matters to assist this Honourable Court (the **"First Report"**) in relation to the relief requested in the initial order in these proceedings (the **"Initial Order"**).

74. In addition to the powers and obligations provided for under the CCAA, the Applicants are seeking an order from this Honourable Court to grant the Monitor the powers, rights and obligations set forth in the draft Initial Order they are requesting be made, as well as the benefit of the Administration Charge (defined below).

SALES PROCESS

75. The Applicants believe that the core business of SKD Company may be viable and, if restructured and properly financed, could operate profitably.

76. Given the nature of SKD Company's business and the need for its customers to have uninterrupted operations and continuity in the delivery of the component parts produced by SKD Company, I believe that a lengthy sales process could permanently impair a successful restructuring or going concern sale. I also believe it is essential that any sales process be conducted on an expedited basis, in order to minimize the risk of losing key customers and employees. In any event, Comerica is only willing to forbear and the Funding Customers are only agreeable to providing the Customer Operations Funding through to the end of February. There are only a limited number of suppliers operating in this market that would likely be considered suitable candidates by the continuing customers of SKD Company.

77. The proposed Monitor concurs with SKD Company that its businesses be marketed for sale pursuant to the proposed Sales Process. During this period, the Applicants and the Monitor will attempt on an expedited basis to identify parties potentially interested in a sale transaction, including by approaching parties who have expressed an interest in the businesses of SKD Company prior to this filing and other business competitors that would be considered acceptable candidates to the customers of SKD Company. If considered advisable, the Monitor will advertise the acquisition opportunity in appropriate publications, contact prospective purchasers and take such other measures as the Applicants and the Monitor consider appropriate to canvass the sales of the businesses and assets of SKD Company and to secure one or more agreements of purchase and sale. It is a term of the Accommodation Agreement that any sale must be to a Qualified Buyer (as defined therein), and that any sale transaction be approved by this Honourable Court by February 25, 2009.

78. In the event that a sales transaction or other restructuring opportunity is not successfully completed, I believe that orderly arrangements with the Funding Customers and an orderly wind down process will provide employment to the employees of SKD Company for a period of time and will maximize the prospect of recoveries to unsecured creditors of SKD Company.

79. As a result of the current financial circumstances of SKD Company, it is necessary for the Applicants to obtain an Order under the CCAA providing for a stay of proceedings in relation to both the Applicants and SKD Company to ensure that the business and operations of SKD Company are, to the fullest extent possible, protected until a sales process can be conducted.

PROPOSED CCAA ADMINISTRATION AND DIRECTOR AND OFFICER CHARGES AND RELATED MATTERS

80. A successful restructuring of the Applicants will only be possible with the continued participation of the persons providing direction and executive management for SKD Company, who are essential to its ongoing viability and operations, and who are concerned about their potential personal liability for acting in their capacities as such during a period of time in which SKD Company is insolvent and is attempting to restructure.

81. It is in the best interests of SKD Company for the Applicants to have in place executive direction and governance, as disruption to its business activities and the momentum and direction of the restructuring could otherwise occur. The Applicants and SKD Company believe that it is necessary and appropriate that the Initial Order include an indemnity in favour of former, existing and future directors and officers of the Applicants, as well as a charge to secure such indemnity (the "**Directors' Charge**").

82. The Applicants have reviewed with the proposed Monitor the amount of the potential director and officer liabilities to be covered by the Directors' Charge. The Applicants are seeking to include in the Initial Order a Directors' Charge in the amount of \$3,000,000. This estimate has been prepared taking into consideration estimated potential directors and officers' obligations, including in relation to payroll and related remittances, pension plan contributions and vacation pay liabilities.

83. For the reasons set out herein and in the First Report, the Applicants are seeking to include in the Initial Order an Administration Charge (the "**Administration Charge**") in the amount of \$1,000,000 to secure the payment obligations to the Monitor, counsel to the Monitor, and the legal and financial advisors to SKD Company, incurred both prior to and after the making of the Initial Order, in addition to any other retainers provided to such professionals. Of necessity, in light of the limitations on operations funding available to SKD Company, the Sales Process that has been proposed is to be conducted in a very compressed time frame. Also, the terms of the Accommodation and other agreements to which SKD Company are a party will require intensive administration and reporting. The amount of the proposed Administration Charge has been established having regard to the nature and magnitude of the work that is anticipated must be performed by the Monitor and its counsel and the legal and financial advisors to SKD Company, as well as the experience of the various professionals that are involved. I believe that the Monitor considers the proposed amount of the Administration Charge to be reasonable in the circumstances.

TECHNICAL FILING REQUIREMENTS

84. As set forth herein, the Applicants have indebtedness well in excess of \$5,000,000. Absent a filing, and the continued financial support of Comerica during the

restructuring, SKD Company has insufficient funding with which to operate. In addition, on a liquidation basis, SKD Company's assets are insufficient to meet all of its obligations.

NATURE OF RESTRUCTURING CONTEMPLATED

85. SKD Company is strong operationally and consistently performs to its customers' exacting standards. It is actively pursuing options in order to preserve its core business operations and employment for its employees. To move forward in an orderly manner in these uncertain circumstances will require forbearance and measured judgment from key constituencies, including its customers, employees, critical vendors and Comerica. SKD Company is committed to working with these core constituencies on a restructuring strategy.

86. Even if SKD Company's assets were to be liquidated on an orderly basis, it is possible that the resulting proceeds would result in realizations for the unsecured creditors of SKD Company, after payment of any secured indebtedness and priority payables. This underscores the need to implement a process that is sufficiently funded and controlled in order to maximize the opportunity for a successful outcome for the stakeholders of SKD Company. I believe that this CCAA filing is in the best interests of the creditors of SKD Company.

87. I am confident that the Applicants are responsibly and with good faith and due diligence pursuing options for the restructuring of SKD Company and that, given a reasonable opportunity of time, the Applicants and SKD Company will be able to present a plan or compromise or arrangement or a sale scenario that will afford a far better result for all of the stakeholders of the Applicants and SKD Company.

URGENCY OF APPLICATION

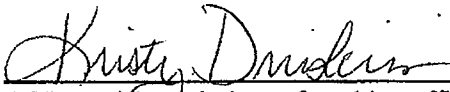
88. In light of imminent liquidity demands, SKD Company does not have money with which to operate unless these proceedings are immediately commenced. It is my belief that this filing, with its attendant stay of proceedings and the availability of the Customer Operations Funding, will provide SKD Company the appropriate time to continue its operations to pursue and complete its restructuring and sales process efforts. As a result of the nature of the business of SKD Company, and its dependence on customer agreements and product supply, a stay of proceedings is essential for its continued operations.

89. The Initial Order being sought will provide the necessary foundation for the Applicants to engage in a dialogue with stakeholders, engage in an expedited marketing and sales process and explore other options, including an orderly wind down of operations to protect the creditors and other stakeholders of the Applicants and SKD Company should a sale or restructuring not materialize within a reasonable period of time.

90. It is essential that there be a period of stability in order to maintain the employee, customer and supplier relationships that are critical to a successful outcome. I believe that the relief sought in the Initial Order will permit SKD Company to continue to operate, preserve the *status quo*, protect the rights of creditors and other stakeholders and preserve employment, pending consideration and approval of the restructuring efforts of the Applicants and SKD Company.

91. This affidavit is sworn in support of the application of the Applicants for an order under the CCAA and for no other or improper purpose.

SWORN BEFORE ME at the)
City of Birmingham)
in the State of Michigan,)
this 21st day of January 2009)


A Notary/Commissioner for taking affidavits, etc.



John Chen

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

Court File No: 09-CL-

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

AFFIDAVIT OF JOHN CHEN
(SWORN JANUARY 21, 2009)

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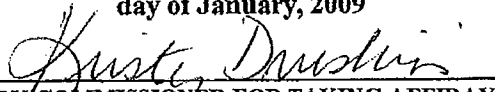
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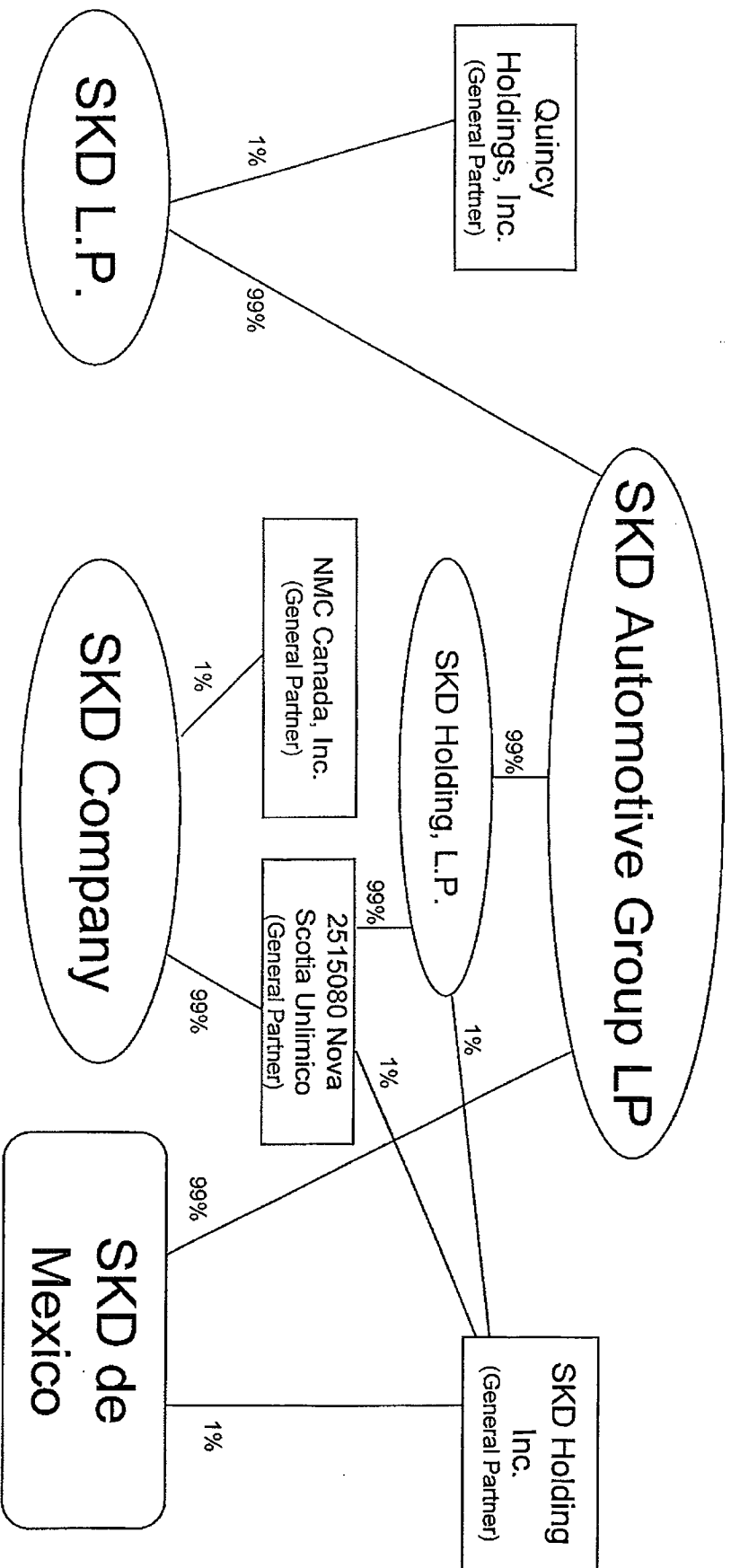
Tab A

**This is Exhibit "A" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**



A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

SKD Automotive Group



Tab B

This is Exhibit "B" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009



A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

SKD Company
Bank Accounts as at December 4, 2008

	Account Name (Individual or Entity)	Name of Bank	Bank Address	Account Number	Type of Account	Currency	Purpose of Account
1	SKD Company	Toronto Dominion Bank	Quellette ave at Wyandotte 596 quellette ave Windsor, On. N9A 6J8	0857083 Base a/c, 0857091 Sweep a/c	Master Account - Cdn Corp	CDN	Master Account - Cdn Corp
2	SKD Company	Toronto Dominion Bank	Quellette ave at Wyandotte 596 quellette ave Windsor, On. N9A 6J8	7308544 Base a/c, 7301248 Sweep a/c	Master Account - SKD Co.	USD	Master Account - SKD Co.
3	SKD Company	Comerica Bank / Royal Bank of Canada	200 Bay Street, Royal Bank Plaza, South Tower, Suite 2210, Toronto, Ontario, M5J	1016542	Master Account - SKD Milton	CDN	Master Account - SKD Milton CLEARING
4	SKD Company	Comerica Bank / Royal Bank of Canada	200 Bay Street, Royal Bank Plaza, South Tower, Suite 2210, Toronto, Ontario, M5J	1016534	Master Account - SKD Brampton	CDN	Master Account - SKD Brampton CLEARING
5	SKD Company	Comerica Bank / Royal Bank of Canada	200 Bay Street, Royal Bank Plaza, South Tower, Suite 2210, Toronto, Ontario, M5J	1016559	Master Account - SKD Admin	CDN	Master Account - SKD Admin CLEARING
6	SKD Company	Comerica Bank / Royal Bank of Canada	200 Bay Street, Royal Bank Plaza, South Tower, Suite 2210, Toronto, Ontario, M5J	1016930	Sweep Account - Clearing	CDN	Sweep Account - Concentration
7	SKD Company	Comerica Bank / Royal Bank of Canada	200 Bay Street, Royal Bank Plaza, South Tower, Suite 2210, Toronto, Ontario, M5J	4005419	Master Account - SKD Milton	USD	Master Account - SKD Milton, Brampton, Admin.

Tab C

**This is Exhibit "C" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

Kristy Duda

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.



**Security Agreement
(All Assets)**

As of December 14, 2004, for value received, the undersigned ("Debtor") grants to COMERICA BANK ("Bank"), a Michigan banking corporation and an authorized foreign bank under the Bank Act (Canada), a continuing security interest and lien (sometimes referred to herein as a "security interest") in the Collateral (as defined below) on the terms set out in this Security Agreement (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness of Debtor to Bank ("Indebtedness"). Indebtedness includes, without limitation, any and all obligations and liabilities of Debtor to Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which Debtor would otherwise be liable to Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs and expenses incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Debtor or made by Debtor in favour of Bank or in connection with any proceeding involving Bank as a result of any financial accommodation to Debtor; and all other costs and expenses of collecting Indebtedness including, without limitation, fees of counsel. Debtor agrees to pay Bank all such costs and expenses incurred by Bank immediately upon demand and, until paid, all costs and expenses shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to fees of counsel shall be deemed a reference to reasonable fees of counsel (determined on a solicitor and client basis), costs and expenses of both in-house and outside counsel and paralegals, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether legal fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees and represents as follows:

SECTION 1 - COLLATERAL.

1.1 Collateral shall include all of the present and after acquired personal property and undertaking of Debtor, wherever located, including without limitation all Goods (including all parts, accessories, attachments, special tools, additions and Accessions thereto), Chattel Paper, Money, Documents of Title (whether negotiable or not), Instruments, Intangibles and Securities now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (1) all Inventory of whatever kind and wherever situate,
- (2) all Equipment of whatever kind and wherever situate including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind,
- (3) all claims, book accounts and book debts and generally all accounts, debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts"),
- (4) all deeds, documents, writings, papers, ledgers, books of account, records, computer printouts, microfilm, microfiche and other computer prepared information and other books relating to or being evidence or records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable,
- (5) all contractual rights and insurance claims and all goodwill;
- (6) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and

applications for registration of any of the foregoing, including, without limitation, the intellectual property listed on Schedule "A" attached hereto (collectively "Intellectual Property"); and

- (7) specific items listed below and/or on attached Schedule "B", if any, is/are also included in Collateral:
-
-

(as used in this Agreement, all of the foregoing, the "Collateral"). The Collateral shall not include any deposit account maintained in the name of Debtor with Royal Run which is required to be maintained with Royal Sun in connection with the Debtor's pension plans.

1.2 The security interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefor but upon the enforcement of the security interest Debtor shall stand possessed of such last day in trust and assign the same to any person acquiring such term.

1.3 The terms "Goods", "Chattel Paper", "Money", "Document of Title", "Equipment", "Consumer Goods", "Instrument", "Intangible", "Security", "Proceeds", "Inventory", and "Accessions" whenever used herein shall be interpreted pursuant to their respective meanings ascribed to them in the Personal Property Security Act (Ontario), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "PPSA." Provided always that the term "Goods" when used herein shall not include Consumer Goods of Debtor. Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof". The term "Proceeds" whenever used herein and interpreted as above shall by way of example include trade-ins, Equipment, cash, bank accounts, notes, Chattel Paper, Goods, contract rights, accounts and any other personal property or obligation received when such Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of.

SECTION 2 - WARRANTIES, COVENANTS AND AGREEMENTS.

Debtor warrants, covenants and agrees as follows:

2.1 Debtor shall in accordance with the terms of the Credit Agreement (as defined below) furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and, subject to the terms of the Credit Agreement, allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.

2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favour of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favour of Bank other than Permitted Liens (as defined in the Revolving Credit Agreement dated December 14, 2004 between Debtor, Borrower, certain affiliates of Debtor and Bank, as the same may be amended or modified from time to time and which is referred to herein as the "Credit Agreement"); (c) there are no financing statements on file, other than those in favour of Bank and those filed with respect to Permitted Liens; (d) no person, other than Bank (or any agent on behalf of Bank), has possession and/or control of any Collateral of such nature that perfection of a security interest may be accomplished by possession and/or control; and (e) Debtor acquired its rights in the Collateral in the ordinary course of its business.

2.3 Debtor does not have interest in, or title to, any Intellectual Property except as set forth on Schedule "A". Except as disclosed in the Credit Agreement, all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations.

2.4 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favour of Bank and Permitted Liens. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except for inventory in the ordinary course of its business and other dispositions expressly permitted under the terms of the Credit Agreement, Debtor will not

return any Inventory to its supplier. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.

2.5 Debtor will do all acts and will execute or cause to be executed all writings requested by Bank to establish, maintain and continue an exclusive first priority, perfected security interest of Bank in the Collateral, subject only to Permitted Liens. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personally, to secure payment of the indebtedness, and Debtor is not relying upon assets in which Bank may have a lien or security interest for payment of the indebtedness.

2.6 Debtor shall obtain the written consent of Bank prior to Debtor changing the location of its chief executive office, its principal place of business, its domicile (within the meaning of the Civil Code of Quebec) or its books and records, acquiring any new such locations, or keeping, maintaining or storing any Collateral at any location other than the locations identified in Section 5.19 below. Upon obtaining the written consent of Bank and before changing any such location or acquiring another such location (whether by purchase, lease or otherwise), Debtor shall provide Bank with such financing statements, financing change statements, charges, assignments, hypothecs, security interests, security agreements, landlord agreements, warehouseman/bailee agreements and other agreements and legal opinions as Bank may reasonably require in order to assure and maintain Bank's first priority, perfected security interest on the Collateral.

2.7 Debtor will deliver to Bank from time to time promptly upon request (which request shall only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure or if required in order to perfect Bank's security interest) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral for the purpose of protecting the security interest or the priority of such security of Bank in any such Documents of Title, Instruments, Securities or Chattel Paper.

2.8 Debtor will pay within the time that they are to be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand therefor, together with interest thereon at the highest lawful default rate which could be charged by Bank on any indebtedness.

2.9 Debtor will keep the Collateral in good condition (ordinary wear and tear excepted) and will use commercially reasonable efforts to protect it from loss, damage and deterioration. Debtor has and will maintain at all times with respect to the Collateral, insurance as required under the terms of the Credit Agreement.

2.10 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable ("Accounts Receivable" consists of all accounts, intangibles, chattel paper, contract rights, deposit accounts, documents and instruments), Debtor shall be deemed to have warranted that, except as otherwise indicated by Debtor, to the best of Debtor's knowledge (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing; (c) there are no material set-offs, recoupments, credits, contra accounts, counterclaims or defences against any of those Accounts Receivable; (d) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a Receiver (as defined below) for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (e) as to each Account Receivable, the account debtor is not an affiliate of Debtor, the Government of Canada or any department, agency or instrumentality of the Government of Canada or any of its provinces, territories or municipalities, or a citizen or resident of any jurisdiction outside of Canada, the United States or Mexico. Debtor will do all acts and will execute all writings requested by Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any material modification, compromise or substitution for any Account Receivable without the prior written consent of Bank. Debtor shall, at Bank's request, arrange for verification of Accounts Receivable directly with account debtors or by other methods acceptable to Bank.

2.11 [Intentionally Left Blank].

2.12 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange, such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests

any such redelivery, Debtor will deliver with such request a duly executed financing statement or financing change statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.

2.13 At any time following the occurrence of an Event of Default and the expiration of any applicable period of grace or cure and without notice, Bank may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger, amalgamation or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take any actions in its own name or in Debtor's name as Bank, in its sole discretion, deems necessary or appropriate to establish exclusive possession and/or control over any Collateral of such nature that perfection of Bank's security interest may be accomplished by possession and/or control.

2.14 Subject to the terms of the Credit Agreement, Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to such Collateral so delivered all the rights and powers of Bank under this Agreement. Following any such assignment, the assignor shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.

2.15 Debtor has delivered to Bank a guarantee of the obligations and liabilities of SKD Automotive Group, Limited Partnership and SKD Company (individually and collectively, "Borrower") to Bank. Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.

2.16 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, affiliates, officers, and directors from and against any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and attorney fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law by Debtor.

SECTION 3 - COLLECTION OF PROCEEDS.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary (which direction may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure). Immediately upon notice to Debtor by Bank (which notice may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guarantee and all rights in the nature of a lien or security interest which Debtor now or later has regarding the Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank and/or its employees or agents to endorse the name of Debtor upon any cheques or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to Money. Bank shall not have any duty as to the collection or protection of Collateral or the Proceeds of it, nor as to the

preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed to be a consent by Bank to any sale, lease or other disposition of any Collateral.

3.2 Debtor agrees that immediately upon Bank's request (which request may only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the Indebtedness shall be on a "remittance basis" as follows: Debtor shall at its sole expense establish and maintain (and Bank, at Bank's option may establish and maintain at Debtor's expense): (a) a lock box (the "Lock Box"), to which Bank shall have exclusive access and control. Debtor expressly authorizes Bank, from time to time, to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than payments by electronic funds transfer) shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and (b) a non interest bearing deposit account with Bank which shall be titled as designated by Bank (the "Cash Collateral Account") to which Bank shall have exclusive access and control. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as required by Bank to establish and maintain the Lock Box and the Cash Collateral Account.

3.3 All items or amounts which are remitted to the Lock Box, to the Cash Collateral Account, or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (a) be applied to the payment of the Indebtedness, whether then due or not, in such order or at such time of application as Bank may determine in its sole discretion, or, (b) be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor suffers or may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages; loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies hereunder. Debtor further agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, and all related expenses or liabilities, including, without limitation, litigation costs and fees of counsel.

SECTION 4 - DEFAULTS, ENFORCEMENT AND APPLICATION OF PROCEEDS.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

- (a) Any failure to pay the Indebtedness or any other Indebtedness when due, or such portion of it as may be due, by acceleration or otherwise and continuance thereof beyond any applicable period of grace or cure; or
- (b) The occurrence of an Event of Default (as defined in the Credit Agreement).

4.2 Upon the occurrence of any Event of Default (after giving effect to any applicable period of grace or cure), Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

- (1) Exercise all the rights and remedies upon default, in foreclosure or otherwise, available to secured parties under the provisions of the PPSA and other applicable law or in equity;
- (2) Institute legal proceedings to enforce (including foreclosure upon) the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;
- (3) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral;
- (4) Appoint, remove and reappoint any person or persons, including an employee or agent of Bank to be a receiver ("Receiver") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of Debtor and not of Bank, and Bank shall not in any way be

responsible for any misconduct, negligence or nonfeasance of such Receiver, his employees or agents. Except as otherwise directed by Bank, all money received by such Receiver shall be received in trust for and paid to Bank. Such Receiver shall have all of the powers and rights of Bank described in this Section 4.2(4) or as otherwise provided under the PPSA or the Bankruptcy and Insolvency Act (Canada). Bank may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver. Debtor shall pay all costs, charges and expenses incurred by Bank or any Receiver or any nominee or agent of Bank, whether directly or for services rendered (including, without limitation, fees of outside counsel calculated on a solicitor and his own client basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing this Agreement and all such expenses together with any money owing as a result of any borrowing permitted hereby or pursuant to any applicable law shall be a charge on the proceeds of realization and shall be secured hereby; and/or

- (5) Personally or by its agents, attorneys, or appointment of a Receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at one or more public or private sales, leaseings or other disposition, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under applicable law are expressly waived by Debtor to the fullest extent permitted.

Debtor recognizes that Bank may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act (Ontario) (the "Securities Act") and other applicable securities laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Debtor acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale and notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Bank shall not be under any obligation to delay a sale of any of the Collateral for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act, or under other applicable securities laws, even if the issuer would agree to do so.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limitation, as to the amounts of the principal of and interest on the indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

4.3 Bank shall not be liable or accountable for any failure to exercise any of its rights or remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, Bank shall not have any obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or Proceeds and whether or not in Bank's possession and Bank shall not be liable or accountable for failure to do so.

4.4 Debtor shall, at the request of Bank, notify the account debtors or obligors of Bank's security interest in the Collateral and direct payment of it to Bank. Bank may itself, upon the occurrence of an Event of Default, so notify and direct any account debtor or obligor to make payment to Bank. At the request of Bank, whether or not an Event of Default shall have occurred, Debtor shall immediately take such actions as Bank shall request to establish exclusive possession

and/or control by Bank over any Collateral which is of such a nature that perfection of a security interest may be accomplished by possession and/or control.

4.5 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses of enforcement and all fees of counsel and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand. Debtor agrees that Bank shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Bank agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Bank may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Bank may apply any discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Bank.

4.6 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law for the collection of the Indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor or any Guarantor and Bank.

4.7 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.8 Debtor (a) irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest and which, except as to (2) below may only be exercised following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor, and (b) authorizes Bank or any agent or employee of Bank, in its own name, at Debtor's expense, to do any of the following, as Bank in its sole discretion, deems appropriate:

- (1) to demand, receive, sue for, and give receipts or acquittances for any money due or to become due on any Collateral and to endorse any item representing any payment on or proceeds of the Collateral;
- (2) to execute and file in the name of and on behalf of Debtor all financing statements, financing change statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and
- (3) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.9 Upon request by Bank to Debtor, which may only be made following the occurrence of an Event of Default (after expiration of any applicable period of grace or cure), Debtor also agrees to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

SECTION 5 - MISCELLANEOUS.

5.1 All notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor in the manner provided for in the Credit Agreement.

5.2 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.3 Bank has the right, subject to the terms of the Credit Agreement, to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Indebtedness and any related obligations, including without limitation, this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the Indebtedness or this Agreement, however obtained. Debtor further agrees that Bank may provide information relating to

this Agreement or relating to Debtor to Bank's parent, affiliates, subsidiaries, and service providers; provided that such entities shall be required to hold such information confidential to the same extent and in the same manner as Bank is required to hold such information confidential.

5.4 In addition to Bank's other rights, (following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any indebtedness at any time(s) either before or after maturity or demand without notice to anyone. Any such action shall not constitute an acceptance of collateral in discharge of Indebtedness.

5.5 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require Bank to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Borrower, Debtor or any other person, or otherwise comply with the provisions of Part 5 of the PPSA; or (c) pursue any other remedy in Bank's power. Debtor waives notice of acceptance of this Agreement and, except for notices required to be given under the terms of the Credit Agreement, presentment, demand, protest, notice of protest, dishonour, notice of dishonour, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any Indebtedness. Debtor unconditionally and irrevocably waives each and every defence and set-off of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the Indebtedness, and acknowledges that as of the date of this Agreement no such defence or set-off exists.

5.6 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from Borrower any amounts paid or the value of any Collateral given by Debtor pursuant to this Agreement.

5.7 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least fifteen days before the date of the action shall be reasonable notice of the action and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when given as provided in the Credit Agreement.

5.8 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the Indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.9 This Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by Bank and is, and is intended to be, a continuing Agreement.

5.10 The headings used in this Agreement are for convenience only and are not to be considered a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.

5.11 When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

5.12 Nothing herein contained shall in any way obligate Bank to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness.

5.13 The security interest created hereby is intended to attach when this Agreement is signed by Debtor and delivered to Bank.

5.14 If for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement it becomes necessary to convert into the currency of such jurisdiction (herein called the "Other Currency") any amount due hereunder in any currency other than the Other Currency (the "Original Currency"), then conversion shall be made at the rate of exchange prevailing for the Original Currency on the Business Day before the day on which judgment is given. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, Applicant will, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Other Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Agreement in such other Original Currency. Any additional amount due from Applicant under this Section 5.14 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

5.15 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the successors and assigns of Debtor. Nothing in this Section 5.15 is deemed to be a consent by Bank to any assignment by Debtor.

5.16 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

5.17 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. This Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, as the same may from time to time be in effect including, where applicable, the PPSA.

5.18 To the extent that any of the indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that indebtedness at any time(s), whether or not any Event of Default has occurred.

5.19 Debtor represents and warrants that Debtor's exact name is as set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place [mark applicable provision]:

Debtor is an individual, and Debtor is located (as determined pursuant to s. 7(4) of the PPSA) at Debtor's principal residence which is (street address, city and province): _____

Debtor is a corporation which is organized under the laws of the Province of Ontario and Debtor is located at its sole place of business or, if it has more than one place of business, is located (as determined pursuant to s. 7(4) of the PPSA) at its chief executive office, which is (street address, city and province): 375 Wheelabrator Way, Milton, Ontario, Canada L9T 3C1.

If Collateral is located at other than the address above, such Collateral is located and shall be maintained at:

See Attached Schedule C of Collateral Locations
STREET ADDRESS

CITY PROVINCE POSTAL CODE

Collateral shall be maintained only at the locations identified in this Section 5.19.

6. DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

7. **Special Provisions Applicable to this Agreement.** In the event of an express inconsistency between a provision of this Agreement and a corresponding provision of the Credit Agreement, the provisions of the Credit Agreement shall control.

IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date first written above.

Debtor:

DEBTOR NAME TYPED/PRINTED

NMC CANADA INC.

By: 
SIGNATURE OF VYTAS AMBUTAS

Its: Secretary
TITLE (If applicable)

SCHEDULE A
Intellectual Property

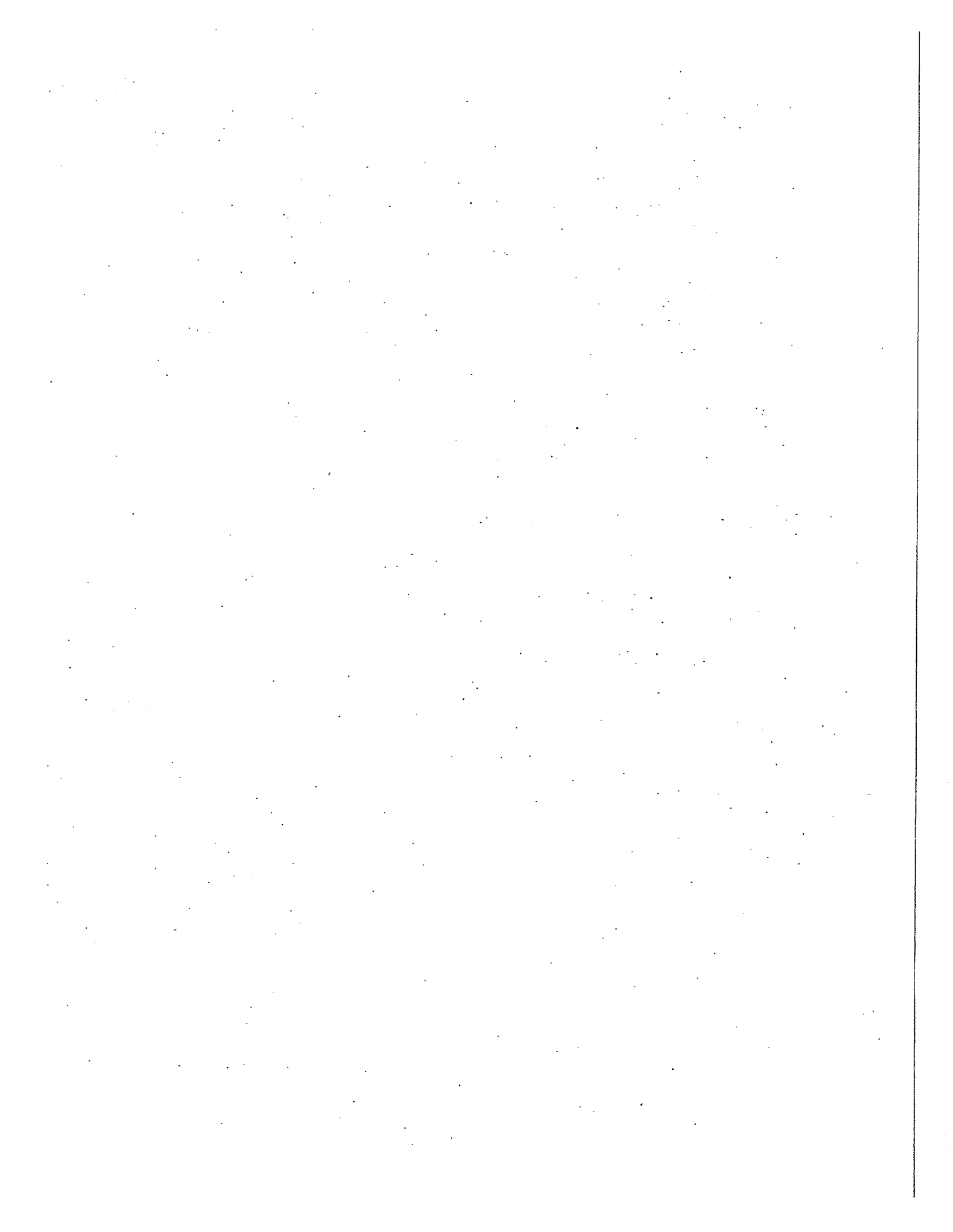
None.

SCHEDULE B
Additional Collateral

None.

SCHEDULE OF COLLATERAL LOCATIONS

- NMC Canada Inc.
 1. 251 Goyeau Street, Windsor, Ontario, Canada N9A 6V2





**Security Agreement
(All Assets)**

As of December 14, 2004, for value received, the undersigned ("Debtor") grants to COMERICA BANK ("Bank"), a Michigan banking corporation and an authorized foreign bank under the Bank Act (Canada), a continuing security interest and lien (sometimes referred to herein as a "security interest") in the Collateral (as defined below) on the terms set out in this Security Agreement (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness of Debtor to Bank ("Indebtedness"). Indebtedness includes, without limitation, any and all obligations and liabilities of Debtor to Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which Debtor would otherwise be liable to Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs and expenses incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Debtor or made by Debtor in favour of Bank or in connection with any proceeding involving Bank as a result of any financial accommodation to Debtor; and all other costs and expenses of collecting Indebtedness including, without limitation, fees of counsel. Debtor agrees to pay Bank all such costs and expenses incurred by Bank immediately upon demand and, until paid, all costs and expenses shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to fees of counsel shall be deemed a reference to reasonable fees of counsel (determined on a solicitor and client basis), costs and expenses of both in-house and outside counsel and paralegals, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether legal fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees and represents as follows:

SECTION 1 - COLLATERAL.

1.1 Collateral shall include all of the present and after acquired personal property and undertaking of Debtor, wherever located, including without limitation all Goods (including all parts, accessories, attachments, special tools, additions and Accessions thereto), Chattel Paper, Money, Documents of Title (whether negotiable or not), Instruments, Intangibles and Securities now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (1) all Inventory of whatever kind and wherever situate,
- (2) all Equipment of whatever kind and wherever situate including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind,
- (3) all claims, book accounts and book debts and generally all accounts, debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts"),
- (4) all deeds, documents, writings, papers, ledgers, books of account, records, computer printouts, microfilm, microfiche and other computer prepared information and other books relating to or being evidence or records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable,
- (5) all contractual rights and insurance claims and all goodwill;
- (6) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and

applications for registration of any of the foregoing, including, without limitation, the intellectual property listed on Schedule "A" attached hereto (collectively "Intellectual Property"); and

- (7) specific items listed below and/or on attached Schedule "B", if any, is/are also included in Collateral:
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(as used in this Agreement, all of the foregoing, the "Collateral"). The Collateral shall not include any deposit account maintained in the name of Debtor with Royal Run, which is required to be maintained with Royal Sun in connection with the Debtor's pension plans.

1.2 The security interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefor but upon the enforcement of the security interest Debtor shall stand possessed of such last day in trust and assign the same to any person acquiring such term.

1.3 The terms "Goods", "Chattel Paper", "Money", "Document of Title", "Equipment", "Consumer Goods", "Instrument", "Intangible", "Security", "Proceeds", "Inventory", and "Accessions" whenever used herein shall be interpreted pursuant to their respective meanings ascribed to them in the Personal Property Security Act (Ontario), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "PPSA." Provided always that the term "Goods" when used herein shall not include Consumer Goods of Debtor. Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof". The term "Proceeds" whenever used herein and interpreted as above shall by way of example include trade-ins, Equipment, cash, bank accounts, notes, Chattel Paper, Goods, contract rights, accounts and any other personal property or obligation received when such Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of.

SECTION 2 - WARRANTIES, COVENANTS AND AGREEMENTS.

Debtor warrants, covenants and agrees as follows:

2.1 Debtor shall in accordance with the terms of the Credit Agreement (as defined below) furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and, subject to the terms of the Credit Agreement, allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.

2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favour of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favour of Bank other than Permitted Liens (as defined in the Revolving Credit Agreement dated December 14, 2004 between Debtor, Borrower, certain affiliates of Debtor and Bank, as the same may be amended or modified from time to time and which is referred to herein as the "Credit Agreement"); (c) there are no financing statements on file, other than those in favour of Bank and those filed with respect to Permitted Liens; (d) no person, other than Bank (or any agent on behalf of Bank), has possession and/or control of any Collateral of such nature that perfection of a security interest may be accomplished by possession and/or control; and (e) Debtor acquired its rights in the Collateral in the ordinary course of its business.

2.3 Debtor does not have interest in, or title to, any Intellectual Property except as set forth on Schedule "A". Except as disclosed in the Credit Agreement, all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations.

2.4 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favour of Bank and Permitted Liens. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except for Inventory in the ordinary course of its business and other dispositions expressly permitted under the terms of the Credit Agreement, Debtor will not

return any Inventory to its supplier. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.

2.5 Debtor will do all acts and will execute or cause to be executed all writings requested by Bank to establish, maintain and continue an exclusive first priority, perfected security interest of Bank in the Collateral, subject only to Permitted Liens. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personally, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which Bank may have a lien or security interest for payment of the Indebtedness.

2.6 Debtor shall obtain the written consent of Bank prior to Debtor changing the location of its chief executive office, its principal place of business, its domicile (within the meaning of the Civil Code of Quebec) or its books and records, acquiring any new such locations, or keeping, maintaining or storing any Collateral at any location other than the locations identified in Section 5.19 below. Upon obtaining the written consent of Bank and before changing any such location or acquiring another such location (whether by purchase, lease or otherwise), Debtor shall provide Bank with such financing statements, financing change statements, charges, assignments, hypothecs, security interests, security agreements, landlord agreements, warehouseman/bailee agreements and other agreements and legal opinions as Bank may reasonably require in order to assure and maintain Bank's first priority, perfected security interest on the Collateral.

2.7 Debtor will deliver to Bank from time to time promptly upon request (which request shall only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure or if required in order to perfect Bank's security interest) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral for the purpose of protecting the security interest or the priority of such security of Bank in any such Documents of Title, Instruments, Securities or Chattel Paper.

2.8 Debtor will pay within the time that they are to be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand therefor, together with interest thereon at the highest lawful default rate which could be charged by Bank on any Indebtedness.

2.9 Debtor will keep the Collateral in good condition (ordinary wear and tear excepted) and will use commercially reasonable efforts to protect it from loss, damage and deterioration. Debtor has and will maintain at all times with respect to the Collateral, insurance as required under the terms of the Credit Agreement.

2.10 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable ("Accounts Receivable" consists of all accounts, intangibles, chattel paper, contract rights, deposit accounts, documents and instruments), Debtor shall be deemed to have warranted that, except as otherwise indicated by Debtor, to the best of Debtor's knowledge (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing, (c) there are no material set-offs, recoupments, credits, contra accounts, counterclaims or defences against any of those Accounts Receivable, (d) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a Receiver (as defined below) for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (e) as to each Account Receivable, the account debtor is not an affiliate of Debtor, the Government of Canada or any department, agency or instrumentality of the Government of Canada or any of its provinces, territories or municipalities, or a citizen or resident of any jurisdiction outside of Canada, the United States or Mexico. Debtor will do all acts and will execute all writings requested by Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any material modification, compromise or substitution for any Account Receivable without the prior written consent of Bank. Debtor shall, at Bank's request, arrange for verification of Accounts Receivable directly with account debtors or by other methods acceptable to Bank.

2.11 [Intentionally Left Blank].

2.12 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange, such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests

any such redelivery, Debtor will deliver with such request a duly executed financing statement or financing change statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.

2.13 At any time following the occurrence of an Event of Default and the expiration of any applicable period of grace or cure and without notice, Bank may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger, amalgamation or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take any actions in its own name or in Debtor's name as Bank, in its sole discretion, deems necessary or appropriate to establish exclusive possession and/or control over any Collateral of such nature that perfection of Bank's security interest may be accomplished by possession and/or control.

2.14 Subject to the terms of the Credit Agreement, Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to such Collateral so delivered all the rights and powers of Bank under this Agreement. Following any such assignment, the assignor shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.

2.15 Debtor has delivered to Bank a guarantee of the obligations and liabilities of SKD Automotive Group, Limited Partnership and SKD Company (individually and collectively, "Borrower") to Bank. Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.

2.16 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, affiliates, officers, and directors from and against any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and attorney fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law by Debtor.

SECTION 3 - COLLECTION OF PROCEEDS.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary (which direction may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure). Immediately upon notice to Debtor by Bank (which notice may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guarantee and all rights in the nature of a lien or security interest which Debtor now or later has regarding the Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank and/or its employees or agents to endorse the name of Debtor upon any cheques or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to Money. Bank shall not have any duty as to the collection or protection of Collateral or the Proceeds of it, nor as to the

preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed to be a consent by Bank to any sale, lease or other disposition of any Collateral.

3.2 Debtor agrees that immediately upon Bank's request (which request may only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the Indebtedness shall be on a "remittance basis" as follows: Debtor shall at its sole expense establish and maintain (and Bank, at Bank's option may establish and maintain at Debtor's expense): (a) a lock box (the "Lock Box"), to which Bank shall have exclusive access and control. Debtor expressly authorizes Bank, from time to time, to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than payments by electronic funds transfer) shall be remitted, for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and (b) a non interest bearing deposit account with Bank which shall be titled as designated by Bank (the "Cash Collateral Account") to which Bank shall have exclusive access and control. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as required by Bank to establish and maintain the Lock Box and the Cash Collateral Account.

3.3 All items or amounts which are remitted to the Lock Box, to the Cash Collateral Account, or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (a) be applied to the payment of the Indebtedness, whether then due or not, in such order or at such time of application as Bank may determine in its sole discretion, or, (b) be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor suffers or may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages, loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies hereunder. Debtor further agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, and all related expenses or liabilities, including, without limitation, litigation costs and fees of counsel.

SECTION 4 - DEFAULTS, ENFORCEMENT AND APPLICATION OF PROCEEDS.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

- (a) Any failure to pay the Indebtedness or any other indebtedness when due, or such portion of it as may be due, by acceleration or otherwise and continuance thereof beyond any applicable period of grace or cure; or
- (b) The occurrence of an Event of Default (as defined in the Credit Agreement).

4.2 Upon the occurrence of any Event of Default (after giving effect to any applicable period of grace or cure), Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

- (1) Exercise all the rights and remedies upon default, in foreclosure or otherwise, available to secured parties under the provisions of the PPSA and other applicable law or in equity;
- (2) Institute legal proceedings to enforce (including foreclosure upon) the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;
- (3) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral;
- (4) Appoint, remove and reappoint any person or persons, including an employee or agent of Bank to be a receiver ("Receiver") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of Debtor and not of Bank, and Bank shall not in any way be

responsible for any misconduct, negligence or nonfeasance of such Receiver, his employees or agents. Except as otherwise directed by Bank, all money received by such Receiver shall be received in trust for and paid to Bank. Such Receiver shall have all of the powers and rights of Bank described in this Section 4.2(4) or as otherwise provided under the PPSA or the Bankruptcy and Insolvency Act (Canada). Bank may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver. Debtor shall pay all costs, charges and expenses incurred by Bank or any Receiver or any nominee or agent of Bank, whether directly or for services rendered (including, without limitation, fees of outside counsel calculated on a solicitor and his own client basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing this Agreement and all such expenses together with any money owing as a result of any borrowing permitted hereby or pursuant to any applicable law shall be a charge on the proceeds of realization and shall be secured hereby; and/or

- (5) Personally or by its agents, attorneys, or appointment of a Receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at one or more public or private sales, leaseings or other disposition, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under applicable law are expressly waived by Debtor to the fullest extent permitted.

Debtor recognizes that Bank may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act (Ontario) (the "Securities Act") and other applicable securities laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Debtor acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale and notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Bank shall not be under any obligation to delay a sale of any of the Collateral for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act, or under other applicable securities laws, even if the issuer would agree to do so.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limitation, as to the amounts of the principal of and interest on the indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

4.3 Bank shall not be liable or accountable for any failure to exercise any of its rights or remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, Bank shall not have any obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or Proceeds and whether or not in Bank's possession and Bank shall not be liable or accountable for failure to do so.

4.4 Debtor shall, at the request of Bank, notify the account debtors or obligors of Bank's security interest in the Collateral and direct payment of it to Bank. Bank may itself, upon the occurrence of an Event of Default, so notify and direct any account debtor or obligor to make payment to Bank. At the request of Bank, whether or not an Event of Default shall have occurred, Debtor shall immediately take such actions as Bank shall request to establish exclusive possession

and/or control by Bank over any Collateral which is of such a nature that perfection of a security interest may be accomplished by possession and/or control.

4.5 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses of enforcement and all fees of counsel and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the indebtedness, first to interest, then to principal, then to remaining indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand. Debtor agrees that Bank shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Bank agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Bank may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Bank may apply any discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Bank.

4.6 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law for the collection of the indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor or any Guarantor and Bank.

4.7 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.8 Debtor (a) irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest and which, except as to (2) below may only be exercised following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor, and (b) authorizes Bank or any agent or employee of Bank, in its own name, at Debtor's expense, to do any of the following, as Bank in its sole discretion, deems appropriate:

- (1) to demand, receive, sue for, and give receipts or acquittances for any money due or to become due on any Collateral and to endorse any item representing any payment on or proceeds of the Collateral;
- (2) to execute and file in the name of and on behalf of Debtor all financing statements, financing change statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and
- (3) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.9 Upon request by Bank to Debtor, which may only be made following the occurrence of an Event of Default (after expiration of any applicable period of grace or cure), Debtor also agrees to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

SECTION 5 - MISCELLANEOUS.

5.1 All notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor in the manner provided for in the Credit Agreement.

5.2 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.3 Bank has the right, subject to the terms of the Credit Agreement, to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the indebtedness and any related obligations, including without limitation, this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the indebtedness or this Agreement, however obtained. Debtor further agrees that Bank may provide information relating to

this Agreement or relating to Debtor to Bank's parent, affiliates, subsidiaries, and service providers; provided that such entities shall be required to hold such information confidential to the same extent and in the same manner as Bank is required to hold such information confidential.

5.4 In addition to Bank's other rights, (following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any indebtedness at any time(s) either before or after maturity or demand without notice to anyone. Any such action shall not constitute an acceptance of collateral in discharge of indebtedness.

5.5 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require Bank to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Borrower, Debtor or any other person, or otherwise comply with the provisions of Part 5 of the PPSA; or (c) pursue any other remedy in Bank's power. Debtor waives notice of acceptance of this Agreement and, except for notices required to be given under the terms of the Credit Agreement, presentment, demand, protest, notice of protest, dishonour, notice of dishonour, notice of default, notice of intent to accelerate or demand payment of any indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any indebtedness. Debtor unconditionally and irrevocably waives each and every defence and set-off of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the indebtedness, and acknowledges that as of the date of this Agreement no such defence or set-off exists.

5.6 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from Borrower any amounts paid or the value of any collateral given by Debtor pursuant to this Agreement.

5.7 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least fifteen days before the date of the action shall be reasonable notice of the action and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when given as provided in the Credit Agreement.

5.8 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.9 This Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by Bank and is, and is intended to be, a continuing Agreement.

5.10 The headings used in this Agreement are for convenience only and are not to be considered a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.

5.11 When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

5.12 Nothing herein contained shall in any way obligate Bank to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute indebtedness.

5.13 The security interest created hereby is intended to attach when this Agreement is signed by Debtor and delivered to Bank.

5.14 If for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement it becomes necessary to convert into the currency of such jurisdiction (herein called the "Other Currency") any amount due hereunder in any currency other than the Other Currency (the "Original Currency"), then conversion shall be made at the rate of exchange prevailing for the Original Currency on the Business Day before the day on which judgment is given. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which judgment is given and the date of payment of the amount due, Applicant will, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Other Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Agreement in such other Original Currency. Any additional amount due from Applicant under this Section 5.14 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

5.15 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the indebtedness or any portion of it, and shall bind Debtor and the successors and assigns of Debtor. Nothing in this Section 5.15 is deemed to be a consent by Bank to any assignment by Debtor.

5.16 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

5.17 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. This Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, as the same may from time to time be in effect including, where applicable, the PPSA.

5.18 To the extent that any of the indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that indebtedness at any time(s), whether or not any Event of Default has occurred.

5.19 Debtor represents and warrants that Debtor's exact name is as set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place (mark applicable provision):

Debtor is an individual, and Debtor is located (as determined pursuant to s. 7(4) of the PPSA) at Debtor's principal residence which is (street address, city and province): _____

Debtor is a company which is organized under the laws of the Province of Nova Scotia and Debtor is located at its sole place of business or, if it has more than one place of business, is located (as determined pursuant to s. 7(4) of the PPSA) at its chief executive office, which is (street address, city and province): Summit Place, 1601 Lower Water Street, P.O. Box 730, Halifax, Nova Scotia, Canada B3J 2V1.

If Collateral is located at other than the address above, such Collateral is located and shall be maintained at:

See Attached Schedule C of Collateral Locations
STREET ADDRESS

CITY PROVINCE POSTAL CODE

Collateral shall be maintained only at the locations identified in this Section 5.19.

6. DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

7. Special Provisions Applicable to this Agreement. In the event of an express inconsistency between a provision of this Agreement and a corresponding provision of the Credit Agreement, the provisions of the Credit Agreement shall control.

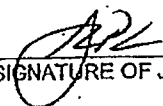
IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date first written above.

Debtor:

DEBTOR NAME TYPED/PRINTED

2515080 NOVA SCOTIA COMPANY

By: _____


SIGNATURE OF JOHN CHEN

Its: _____

Vice President
TITLE (If applicable)

SCHEDULE A
Intellectual Property

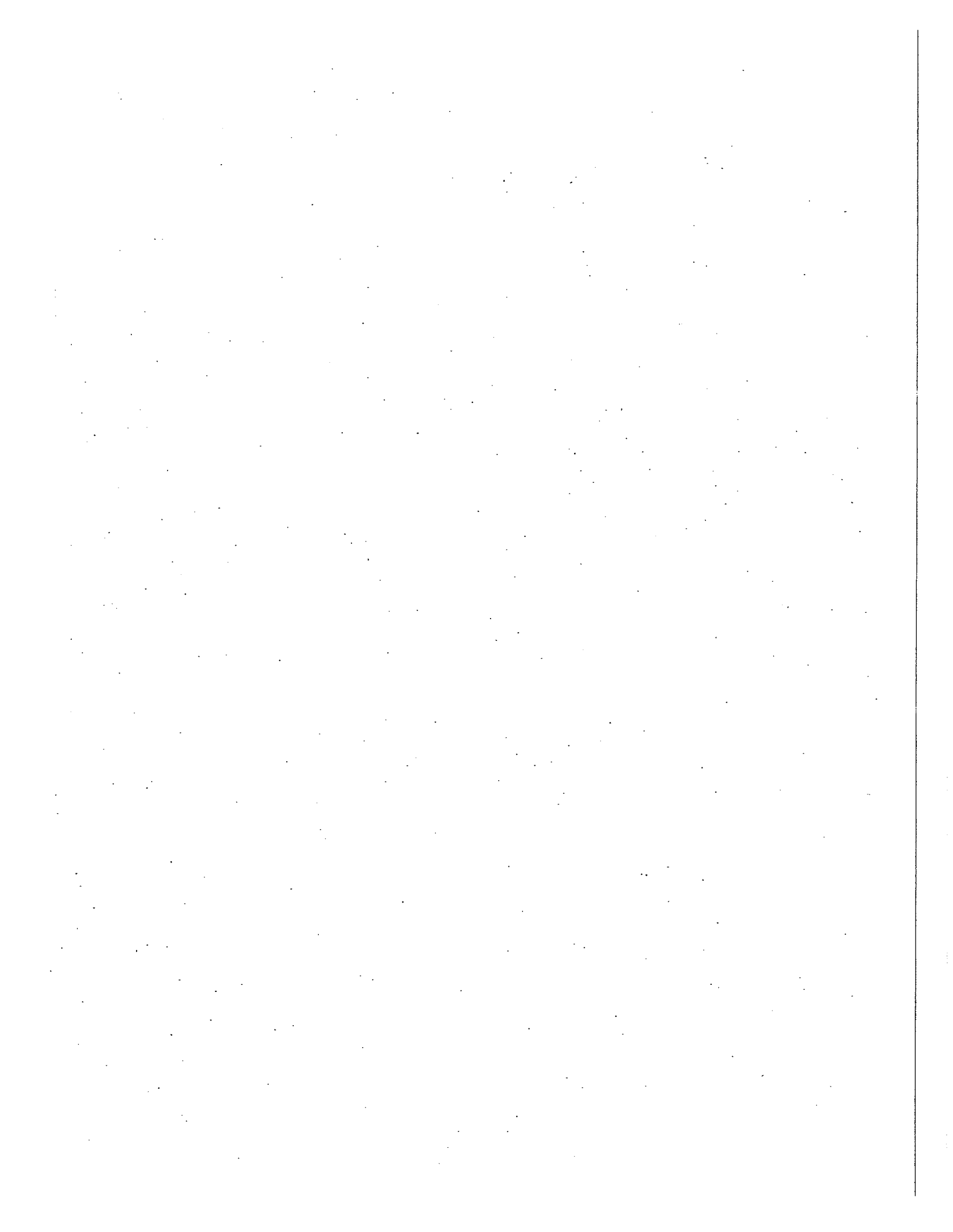
None.

SCHEDULE B
Additional Collateral

None.

SCHEDULE OF COLLATERAL LOCATIONS

- 2515080 Nova Scotia Company
 1. 1601 Lower Water Street, Halifax, Nova Scotia, Canada B3J 2V1
 2. 6 Holtby Avenue, Brampton, Ontario, Canada L6X 2M1





**Security Agreement
(All Assets)**

As of December 14, 2004, for value received, the undersigned ("Debtor") grants to COMERICA BANK ("Bank"), a Michigan banking corporation and an authorized foreign bank under the Bank Act (Canada), a continuing security interest and lien (sometimes referred to herein as a "security interest") in the Collateral (as defined below) on the terms set out in this Security Agreement (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") to secure payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness of Debtor to Bank ("Indebtedness"). Indebtedness includes, without limitation, any and all obligations and liabilities of Debtor to Bank, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all obligations or liabilities for which Debtor would otherwise be liable to Bank were it not for the invalidity or unenforceability of them by reason of any bankruptcy, insolvency or other law, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; all costs and expenses incurred by Bank in establishing, determining, continuing, or defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Debtor or made by Debtor in favour of Bank or in connection with any proceeding involving Bank as a result of any financial accommodation to Debtor; and all other costs and expenses of collecting Indebtedness including, without limitation, fees of counsel. Debtor agrees to pay Bank all such costs and expenses incurred by Bank immediately upon demand and, until paid, all costs and expenses shall bear interest at the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Agreement to fees of counsel shall be deemed a reference to reasonable fees of counsel (determined on a solicitor and client basis), costs and expenses of both in-house and outside counsel and paralegals, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether legal fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise. Debtor further covenants, agrees and represents as follows:

SECTION 1 - COLLATERAL.

1.1 Collateral shall include all of the present and after acquired personal property and undertaking of Debtor, wherever located, including without limitation all Goods (including all parts, accessories, attachments, special tools, additions and Accessions thereto), Chattel Paper, Money, Documents of Title (whether negotiable or not), Instruments, Intangibles and Securities now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all Proceeds and renewals thereof, accretions thereto and substitutions therefor including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (1) all Inventory of whatever kind and wherever situate,
- (2) all Equipment of whatever kind and wherever situate including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind,
- (3) all claims, book accounts and book debts and generally all accounts, debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts"),
- (4) all deeds, documents, writings, papers, ledgers, books of account, records, computer printouts, microfilm, microfiche and other computer prepared information and other books relating to or being evidence or records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable,
- (5) all contractual rights and insurance claims and all goodwill;
- (6) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and

applications for registration of any of the foregoing, including, without limitation, the intellectual property listed on Schedule "A" attached hereto (collectively "Intellectual Property"); and

- (7) specific items listed below and/or on attached Schedule "B", if any, is/are also included in Collateral:
-
-

(as used in this Agreement, all of the foregoing, the "Collateral"). The Collateral shall not include any deposit account maintained in the name of Debtor with Royal Sun which is required to be maintained with Royal Sun in connection with the Debtor's pension plans.

1.2 The security interest granted hereby shall not extend or apply to, and Collateral shall not include, the last day of the term of any lease or agreement therefor but upon the enforcement of the security interest Debtor shall stand possessed of such last day in trust and assign the same to any person acquiring such term.

1.3 The terms "Goods", "Chattel Paper", "Money", "Document of Title", "Equipment", "Consumer Goods", "Instrument", "Intangible", "Security", "Proceeds", "Inventory", and "Accessions" whenever used herein shall be interpreted pursuant to their respective meanings ascribed to them in the Personal Property Security Act (Ontario), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "PPSA." Provided always that the term "Goods" when used herein shall not include Consumer Goods of Debtor. Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof". The term "Proceeds" whenever used herein and interpreted as above shall by way of example include trade-ins, Equipment, cash, bank accounts, notes, Chattel Paper, Goods, contract rights, accounts and any other personal property or obligation received when such Collateral or Proceeds are sold, exchanged, collected or otherwise disposed of.

SECTION 2 - WARRANTIES, COVENANTS AND AGREEMENTS.

Debtor warrants, covenants and agrees as follows:

2.1 Debtor shall in accordance with the terms of the Credit Agreement (as defined below) furnish to Bank, in form and at intervals as Bank may request, any information Bank may reasonably request and, subject to the terms of the Credit Agreement, allow Bank to examine, inspect, and copy any of Debtor's books and records. Debtor shall, at the request of Bank, mark its records and the Collateral to clearly indicate the security interest of Bank under this Agreement.

2.2 At the time any Collateral becomes, or is represented to be, subject to a security interest in favour of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) none of the Collateral is subject to any security interest other than that in favour of Bank other than Permitted Liens (as defined in the Revolving Credit Agreement dated December 14, 2004 between Debtor, Borrower, certain affiliates of Debtor and Bank, as the same may be amended or modified from time to time and which is referred to herein as the "Credit Agreement"); (c) there are no financing statements on file, other than those in favour of Bank and those filed with respect to Permitted Liens; (d) no person, other than Bank (or any agent on behalf of Bank), has possession and/or control of any Collateral of such nature that perfection of a security interest may be accomplished by possession and/or control; and (e) Debtor acquired its rights in the Collateral in the ordinary course of its business.

2.3 Debtor does not have interest in, or title to, any Intellectual Property except as set forth on Schedule "A". Except as disclosed in the Credit Agreement, all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations.

2.4 Debtor will keep the Collateral free at all times from all claims, liens, security interests and encumbrances other than those in favour of Bank and Permitted Liens. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit to be sold, transferred or leased, any or all of the Collateral, except for inventory in the ordinary course of its business and other dispositions expressly permitted under the terms of the Credit Agreement, Debtor will not

return any inventory to its supplier. Bank or its representatives may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.

2.5 Debtor will do all acts and will execute or cause to be executed all writings requested by Bank to establish, maintain and continue an exclusive first priority, perfected security interest of Bank in the Collateral, subject only to Permitted Liens. Debtor agrees that Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personally, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which Bank may have a lien or security interest for payment of the Indebtedness.

2.6 Debtor shall obtain the written consent of Bank prior to Debtor changing the location of its chief executive office, its principal place of business, its domicile (within the meaning of the Civil Code of Quebec) or its books and records, acquiring any new such locations, or keeping, maintaining or storing any Collateral at any location other than the locations identified in Section 5.19 below. Upon obtaining the written consent of Bank and before changing any such location or acquiring another such location (whether by purchase, lease or otherwise), Debtor shall provide Bank with such financing statements, financing change statements, charges, assignments, hypothecs, security interests, security agreements, landlord agreements, warehouseman/balee agreements and other agreements and legal opinions as Bank may reasonably require in order to assure and maintain Bank's first priority, perfected security interest on the Collateral.

2.7 Debtor will deliver to Bank from time to time promptly upon request (which request shall only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure or if required in order to perfect Bank's security interest) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral for the purpose of protecting the security interest or the priority of such security of Bank in any such Documents of Title, Instruments, Securities or Chattel Paper.

2.8 Debtor will pay within the time that they are to be paid without interest or penalty all taxes, assessments and similar charges which at any time are or may become a lien, charge, or encumbrance upon any Collateral, except to the extent contested in good faith and bonded in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand therefor, together with interest thereon at the highest lawful default rate which could be charged by Bank on any Indebtedness.

2.9 Debtor will keep the Collateral in good condition (ordinary wear and tear excepted) and will use commercially reasonable efforts to protect it from loss, damage and deterioration. Debtor has and will maintain at all times with respect to the Collateral, insurance as required under the terms of the Credit Agreement.

2.10 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of the Accounts Receivable ("Accounts Receivable" consists of all accounts, intangibles, chattel paper, contract rights, deposit accounts, documents and instruments), Debtor shall be deemed to have warranted that, except as otherwise indicated by Debtor, to the best of Debtor's knowledge (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing, (c) there are no material set-offs, recoupments, credits, contra accounts, counterclaims or defences against any of those Accounts Receivable, (d) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor, nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a Receiver (as defined below) for, assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (e) as to each Account Receivable, the account debtor is not an affiliate of Debtor, the Government of Canada or any department, agency or instrumentality of the Government of Canada or any of its provinces, territories or municipalities, or a citizen or resident of any jurisdiction outside of Canada, the United States or Mexico. Debtor will do all acts and will execute all writings requested by Bank to perform, enforce performance of, and collect all Accounts Receivable. Debtor shall neither make nor permit any material modification, compromise or substitution for any Account Receivable without the prior written consent of Bank. Debtor shall, at Bank's request, arrange for verification of Accounts Receivable directly with account debtors or by other methods acceptable to Bank.

2.11 [Intentionally Left Blank].

2.12 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of (a) the ultimate sale or exchange thereof; or (b) presentation, collection, renewal, or registration of transfer thereof; or (c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing with it preliminary to sale or exchange, such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest in it or in the proceeds or products of it unless Bank specifically so agrees in writing. If Debtor requests

any such redelivery, Debtor will deliver with such request a duly executed financing statement or financing change statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and immediately delivered to Bank for application on the Indebtedness. Bank may (in its sole discretion) deliver any or all of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from all liability or responsibility for such Collateral. Bank, at its option, may require delivery of any Collateral to Bank at any time with such endorsements or assignments of the Collateral as Bank may request.

2.13 At any time following the occurrence of an Event of Default and the expiration of any applicable period of grace or cure and without notice, Bank may (a) cause any or all of the Collateral to be transferred to its name or to the name of its nominees; (b) receive or collect by legal proceedings or otherwise all dividends, interest, principal payments and other sums and all other distributions at any time payable or receivable on account of the Collateral, and hold the same as Collateral, or apply the same to the Indebtedness, the manner and distribution of the application to be in the sole discretion of Bank; (c) enter into any extension, subordination, reorganization, deposit, merger, amalgamation or consolidation agreement or any other agreement relating to or affecting the Collateral, and deposit or surrender control of the Collateral, and accept other property in exchange for the Collateral and hold or apply the property or money so received pursuant to this Agreement; and (d) take any actions in its own name or in Debtor's name as Bank, in its sole discretion, deems necessary or appropriate to establish exclusive possession and/or control over any Collateral of such nature that perfection of Bank's security interest may be accomplished by possession and/or control.

2.14 Subject to the terms of the Credit Agreement, Bank may assign any of the Indebtedness and deliver any or all of the Collateral to its assignee, who then shall have with respect to such Collateral so delivered all the rights and powers of Bank under this Agreement. Following any such assignment, the assignor shall be fully discharged from all liability and responsibility with respect to Collateral so delivered.

2.15 Debtor has delivered to Bank a guarantee of the obligations and liabilities of SKD Automotive Group, Limited Partnership ("Borrower") to Bank. Debtor delivers this Agreement based solely on Debtor's independent investigation of (or decision not to investigate) the financial condition of Borrower and is not relying on any information furnished by Bank. Debtor assumes full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate now or later. Debtor waives any duty on the part of Bank, and agrees that Debtor is not relying upon nor expecting Bank to disclose to Debtor any fact now or later known by Bank, whether relating to the operations or condition of Borrower, the existence, liabilities or financial condition of any guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness, or otherwise, notwithstanding any effect such fact may have upon Debtor's risk or Debtor's rights against Borrower. Debtor knowingly accepts the full range of risk encompassed in this Agreement, which risk includes without limit the possibility that Borrower may incur Indebtedness to Bank after the financial condition of Borrower, or Borrower's ability to pay debts as they mature, has deteriorated.

2.16 Debtor shall defend, indemnify and hold harmless Bank, its employees, agents, shareholders, affiliates, officers, and directors from and against any and all claims, damages, fines, expenses, liabilities or causes of action of whatever kind, including without limit consultant fees, legal expenses, and attorney fees, suffered by any of them as a direct or indirect result of any actual or asserted violation of any law by Debtor.

SECTION 3 - COLLECTION OF PROCEEDS.

3.1 Debtor agrees to collect and enforce payment of all Collateral until Bank shall direct Debtor to the contrary (which direction may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure). Immediately upon notice to Debtor by Bank (which notice may only be given following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) and at all times after that, Debtor agrees to fully and promptly cooperate and assist Bank in the collection and enforcement of all Collateral and to hold in trust for Bank all payments received in connection with Collateral and from the sale, lease or other disposition of any Collateral, all rights by way of suretyship or guarantee and all rights in the nature of a lien or security interest which Debtor now or later has regarding the Collateral. Immediately upon and after such notice, Debtor agrees to (a) endorse to Bank and immediately deliver to Bank all payments received on Collateral or from the sale, lease or other disposition of any Collateral or arising from any other rights or interests of Debtor in the Collateral, in the form received by Debtor without commingling with any other funds, and (b) immediately deliver to Bank all property in Debtor's possession or later coming into Debtor's possession through enforcement of Debtor's rights or interests in the Collateral. Debtor irrevocably authorizes Bank and/or its employees or agents to endorse the name of Debtor upon any cheques or other items which are received in payment for any Collateral, and to do any and all things necessary in order to reduce these items to Money. Bank shall not have any duty as to the collection or protection of Collateral or the Proceeds of it, nor as to the

preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior parties with respect to the Collateral. Nothing in this Section 3.1 shall be deemed to be a consent by Bank to any sale, lease or other disposition of any Collateral.

3.2 Debtor agrees that immediately upon Bank's request (which request may only be made following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the Indebtedness shall be on a "remittance basis" as follows: Debtor shall at its sole expense establish and maintain (and Bank, at Bank's option may establish and maintain at Debtor's expense): (a) a lock box (the "Lock Box"), to which Bank shall have exclusive access and control. Debtor expressly authorizes Bank, from time to time, to remove contents from the Lock Box, for disposition in accordance with this Agreement. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor (other than payments by electronic funds transfer) shall be remitted; for the credit of Debtor, to the Lock Box, and Debtor shall include a like statement on all invoices; and (b) a non interest bearing deposit account with Bank which shall be titled as designated by Bank (the "Cash Collateral Account") to which Bank shall have exclusive access and control. Debtor agrees to notify all account debtors and other parties obligated to Debtor that all payments made to Debtor by electronic funds transfer shall be remitted to the Cash Collateral Account, and Debtor, at Bank's request, shall include a like statement on all invoices. Debtor shall execute all documents and authorizations as required by Bank to establish and maintain the Lock Box and the Cash Collateral Account.

3.3 All items or amounts which are remitted to the Lock Box, to the Cash Collateral Account, or otherwise delivered by or for the benefit of Debtor to Bank on account of partial or full payment of, or with respect to, any Collateral shall, at Bank's option, (a) be applied to the payment of the indebtedness, whether then due or not, in such order or at such time of application as Bank may determine in its sole discretion, or, (b) be deposited to the Cash Collateral Account. Debtor agrees that Bank shall not be liable for any loss or damage which Debtor suffers or may suffer as a result of Bank's processing of items or its exercise of any other rights or remedies under this Agreement, including without limitation indirect, special or consequential damages, loss of revenues or profits, or any claim, demand or action by any third party arising out of or in connection with the processing of items or the exercise of any other rights or remedies hereunder. Debtor further agrees to indemnify and hold Bank harmless from and against all such third party claims, demands or actions, and all related expenses or liabilities, including, without limitation, litigation costs and fees of counsel.

SECTION 4 - DEFAULTS, ENFORCEMENT AND APPLICATION OF PROCEEDS.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

- (a) Any failure to pay the Indebtedness or any other indebtedness when due, or such portion of it as may be due, by acceleration or otherwise and continuance thereof beyond any applicable period of grace or cure; or
- (b) The occurrence of an Event of Default (as defined in the Credit Agreement).

4.2 Upon the occurrence of any Event of Default (after giving effect to any applicable period of grace or cure), Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

- (1) Exercise all the rights and remedies upon default, in foreclosure or otherwise, available to secured parties under the provisions of the PPSA and other applicable law or in equity;
- (2) Institute legal proceedings to enforce (including foreclosure upon) the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any Collateral or the proceeds of any sale of it;
- (3) Institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all Collateral;
- (4) Appoint, remove and reappoint any person or persons, including an employee or agent of Bank to be a receiver ("Receiver") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of Debtor and not of Bank, and Bank shall not in any way be

responsible for any misconduct, negligence or nonfeasance of such Receiver, his employees or agents. Except as otherwise directed by Bank, all money received by such Receiver shall be received in trust for and paid to Bank. Such Receiver shall have all of the powers and rights of Bank described in this Section 4.2(4) or as otherwise provided under the PPSA or the Bankruptcy and Insolvency Act (Canada). Bank may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver. Debtor shall pay all costs, charges and expenses incurred by Bank or any Receiver or any nominee or agent of Bank, whether directly or for services rendered (including, without limitation, fees of outside counsel calculated on a solicitor and his own client basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing this Agreement and all such expenses together with any money owing as a result of any borrowing permitted hereby or pursuant to any applicable law shall be a charge on the proceeds of realization and shall be secured hereby; and/or

- (5) Personally or by its agents, attorneys, or appointment of a Receiver, enter upon any premises where Collateral may then be located, and take possession of all or any of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, hold, operate, sell, lease, or dispose of all or any Collateral at one or more public or private sales, leaseings or other disposition, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease, or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under applicable law are expressly waived by Debtor to the fullest extent permitted.

Debtor recognizes that Bank may be unable to effect a public sale of any or all of the Collateral by reason of certain prohibitions contained in the Securities Act (Ontario) (the "Securities Act") and other applicable securities laws, but may be compelled to resort to one or more private sales thereof to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Debtor acknowledges and agrees that any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale and notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Bank shall not be under any obligation to delay a sale of any of the Collateral for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act, or under other applicable securities laws, even if the issuer would agree to do so.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limitation, as to the amounts of the principal of and interest on the indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

4.3 Bank shall not be liable or accountable for any failure to exercise any of its rights or remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, Bank shall not have any obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or Proceeds and whether or not in Bank's possession and Bank shall not be liable or accountable for failure to do so.

4.4 Debtor shall, at the request of Bank, notify the account debtors or obligors of Bank's security interest in the Collateral and direct payment of it to Bank. Bank may itself, upon the occurrence of an Event of Default, so notify and direct any account debtor or obligor to make payment to Bank. At the request of Bank, whether or not an Event of Default shall have occurred, Debtor shall immediately take such actions as Bank shall request to establish exclusive possession

and/or control by Bank over any Collateral which is of such a nature that perfection of a security interest may be accomplished by possession and/or control.

4.5 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses of enforcement and all fees of counsel and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand. Debtor agrees that Bank shall be under no obligation to accept any noncash proceeds in connection with any sale or disposition of Collateral unless failure to do so would be commercially unreasonable. If Bank agrees in its sole discretion to accept noncash proceeds (unless the failure to do so would be commercially unreasonable), Bank may ascribe any commercially reasonable value to such proceeds. Without limiting the foregoing, Bank may apply any discount factor in determining the present value of proceeds to be received in the future or may elect to apply proceeds to be received in the future only as and when such proceeds are actually received in cash by Bank.

4.6 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law for the collection of the Indebtedness or for the recovery of any other sum to which Bank may be entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Borrower, Debtor or any Guarantor and Bank.

4.7 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.8 Debtor (a) irrevocably appoints Bank or any agent of Bank (which appointment is coupled with an interest and which, except as to (2) below may only be exercised following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor, and (b) authorizes Bank or any agent or employee of Bank, in its own name, at Debtor's expense, to do any of the following, as Bank in its sole discretion, deems appropriate:

- (1) to demand, receive, sue for, and give receipts or acquittances for any money due or to become due on any Collateral and to endorse any item representing any payment on or proceeds of the Collateral;
- (2) to execute and file in the name of and on behalf of Debtor all financing statements, financing change statements or other filings deemed necessary or desirable by Bank to evidence, perfect, or continue the security interests granted in this Agreement; and
- (3) to do and perform any act on behalf of Debtor permitted or required under this Agreement.

4.9 Upon request by Bank to Debtor, which may only be made following the occurrence of an Event of Default (after expiration of any applicable period of grace or cure), Debtor also agrees to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

SECTION 5 - MISCELLANEOUS.

5.1 All notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor in the manner provided for in the Credit Agreement.

5.2 Bank assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.3 Bank has the right, subject to the terms of the Credit Agreement, to sell, assign, transfer, negotiate or grant participations or any interest in, any or all of the Indebtedness and any related obligations, including without limitation, this Agreement. In connection with the above, but without limiting its ability to make other disclosures to the full extent allowable, Bank may disclose all documents and information which Bank now or later has relating to Debtor, the Indebtedness or this Agreement, however obtained. Debtor further agrees that Bank may provide information relating to

this Agreement or relating to Debtor to Bank's parent, affiliates, subsidiaries, and service providers; provided that such entities shall be required to hold such information confidential to the same extent and in the same manner as Bank is required to hold such information confidential.

5.4 In addition to Bank's other rights, (following the occurrence of an Event of Default and expiration of any applicable period of grace or cure) any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any indebtedness at any time(s) either before or after maturity or demand without notice to anyone. Any such action shall not constitute an acceptance of collateral in discharge of indebtedness.

5.5 Debtor, to the extent not expressly prohibited by applicable law, waives any right to require Bank to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Borrower, Debtor or any other person, or otherwise comply with the provisions of Part 5 of the PPSA; or (c) pursue any other remedy in Bank's power. Debtor waives notice of acceptance of this Agreement and, except for notices required to be given under the terms of the Credit Agreement, presentment, demand, protest, notice of protest, dishonour, notice of dishonour, notice of default, notice of intent to accelerate or demand payment of any indebtedness, any and all other notices to which the undersigned might otherwise be entitled, and diligence in collecting any indebtedness. Debtor unconditionally and irrevocably waives each and every defence and set-off of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Debtor under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Debtor now or later securing the indebtedness, and acknowledges that as of the date of this Agreement no such defence or set-off exists.

5.6 Debtor waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from Borrower any amounts paid or the value of any collateral given by Debtor pursuant to this Agreement.

5.7 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to Debtor at least fifteen days before the date of the action shall be reasonable notice of the action and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when given as provided in the Credit Agreement.

5.8 Notwithstanding any prior revocation, termination, surrender, or discharge of this Agreement in whole or in part, the effectiveness of this Agreement shall automatically continue or be reinstated in the event that any payment received or credit given by Bank in respect of the indebtedness is returned, disgorged, or rescinded under any applicable law, including, without limitation, bankruptcy or insolvency laws, in which case this Agreement, shall be enforceable against Debtor as if the returned, disgorged, or rescinded payment or credit had not been received or given by Bank, and whether or not Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Agreement, Debtor agrees upon demand by Bank to execute and deliver to Bank those documents which Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation.

5.9 This Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by Bank and is, and is intended to be, a continuing Agreement.

5.10 The headings used in this Agreement are for convenience only and are not to be considered a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.

5.11 When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

5.12 Nothing herein contained shall in any way obligate Bank to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute indebtedness.

5.13 The security interest created hereby is intended to attach when this Agreement is signed by Debtor and delivered to Bank.

5.14 If for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Agreement it becomes necessary to convert into the currency of such jurisdiction (herein called the "Other Currency") any amount due hereunder in any currency other than the Other Currency (the "Original Currency"), then conversion shall be made at the rate of exchange prevailing for the Original Currency on the Business Day before the day on which judgment is given. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, Applicant will, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Other Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Agreement in such other Original Currency. Any additional amount due from Applicant under this Section 5.14 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

5.15 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the indebtedness or any portion of it, and shall bind Debtor and the successors and assigns of Debtor. Nothing in this Section 5.15 is deemed to be a consent by Bank to any assignment by Debtor.

5.16 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

5.17 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement. The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement. This Agreement constitutes the entire agreement of Debtor and Bank with respect to this Agreement. No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank. This Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, as the same may from time to time be in effect, including, where applicable, the PPSA.

5.18 To the extent that any of the indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that indebtedness at any time(s), whether or not any Event of Default has occurred.

5.19 Debtor represents and warrants that Debtor's exact name is as set forth in this Agreement. Debtor further represents and warrants the following and agrees that Debtor is, and at all times shall be, located in the following place [mark applicable provision]:

Debtor is an individual, and Debtor is located (as determined pursuant to s. 7(4) of the PPSA) at Debtor's principal residence which is (street address, city and province): _____

Debtor is a general partnership which is organized under the laws of the Province of Ontario and Debtor is located at its sole place of business or, if it has more than one place of business, is located (as determined pursuant to s. 7(4) of the PPSA) at its chief executive office, which is (street address, city and province): 375 Wheelabrator Way, Milton, Ontario, Canada L9T 3C1.

If Collateral is located at other than the address above, such Collateral is located and shall be maintained at:

See Attached Schedule C of Collateral Locations
STREET ADDRESS

CITY PROVINCE POSTAL CODE

Collateral shall be maintained only at the locations identified in this Section 5.19.

6. DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

7. Special Provisions Applicable to this Agreement. In the event of an express inconsistency between a provision of this Agreement and a corresponding provision of the Credit Agreement, the provisions of the Credit Agreement shall control.

IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date first written above.

Debtor:

DEBTOR NAME TYPED/PRINTED

SKD COMPANY, by its General Partners

NMC CANADA INC.

By: 
SIGNATURE OF VYTAS AMBUTAS

Its: Secretary
TITLE (If applicable)

2515080 NOVA SCOTIA COMPANY

By: 
SIGNATURE OF JOHN CHEN

Its: Vice President
TITLE (If applicable)

SCHEDULE A
Intellectual Property

None.

SCHEDULE B
Additional Collateral

None.

SCHEDULE OF COLLATERAL LOCATIONS

- **SKD Company**

1. 375 Wheelabrator Way, Milton, Ontario, Canada L9T 3C1
2. 251 Goyeau Street, Windsor, Ontario, Canada N9A 6V2
3. 38 & 40 Holtby Avenue, Brampton, Ontario, Canada L6X 2M1
4. 7345 East Danbro Crescent, Mississauga, Ontario, Canada L5N 6P8
5. 407 S. Main Street, Bloomington, IL 61701

Tab D

**This is Exhibit "D" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

Kristy Dushis

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

38-40 HOLTBY AVENUE
BRAMPTON, ONTARIO

LRO # 43 Charge By Partnership
The applicant(s) hereby applies to the Land Registrar.

Registered as PR774234 on 2004 12 15 at 10:37
yyyy mm dd Page 1 of 7

Properties

PIN 14096 - 0276 LT *Estate/Qualifier* Fee Simple Lt Conversion Qualified
Description PT BLK D PL 639 BRAMPTON AS IN HO1124448 ; S/T VS94445 BRAMPTON
Address 00038 HOLTBY AVENUE
BRAMPTON

PIN 14096 - 0275 LT *Estate/Qualifier* Fee Simple Lt Conversion Qualified
Description PT BLK D PL 639 BRAMPTON AS IN RO737538 ; BRAMPTON
Address 00040 HOLTBY AVENUE
BRAMPTON

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name 2515080 NOVA SCOTIA COMPANY
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

I, JOHN CHEN, VICE-PRESIDENT, have the authority to bind the corporation.
This document is not authorized under Power of Attorney by this party.
I am a partner.

Name NMC CANADA INC.
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

I, VYTAS AMBUTAS, SECRETARY, have the authority to bind the corporation.
This document is not authorized under Power of Attorney by this party.
I am a partner.

Name SKD COMPANY
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

This is the firm name of the Partnership/Limited Partnership.

Chargee(s) **Capacity** **Share**

Name COMERICA BANK
Address for Service Comerica Bank, Canada Branch
200 Bay Street, Suite 2210
Royal Bank Plaza, South Tower
Toronto, Ontario
M5J 2J2

Statements

Schedule: See Schedules

Provisions

Principal \$90,000,000.00 **Currency** CDN
Calculation Period

LRO # 43 Charge By Partnership
The applicant(s) hereby applies to the Land Registrar.

Registered as PR774234 on 2004 12 15 at 10:37
yyyy mm dd Page 2 of 7

Provisions

Balance Due Date On Demand
Interest Rate Twenty-five percent (25%) per annum
Payments
Interest Adjustment Date
Payment Date
First Payment Date
Last Payment Date
Standard Charge Terms 885
Insurance Amount full insurable value
Guarantor

Signed By

Andrew Henry Kerr 309- Westcourt Place 251 Goyeau acting for Chargor(s) Signed 2004 12 15
St
Windsor N9A 6V2
Tel 519-252-2211
Fax 5192520132

Submitted By

KERR AND KERR 309- Westcourt Place 251 Goyeau St. 2004 12 15
Windsor N9A 6V2
Tel 519-252-2211
Fax 5192520132

Fees/Taxes/Payment

Statutory Registration Fee \$60.00
Total Paid \$60.00

SCHEDULE

- A. WHEREAS 2515080 NOVA SCOTIA COMPANY and NMC CANADA INC., carrying on business as a partnership known as SKD COMPANY (hereinafter called the "Chargor") is obligated to Comerica Bank (the "Chargee").
- B. AND WHEREAS the Chargor has at the request of the Chargee agreed to give this Charge as a continuing collateral security for payment and satisfaction to the Chargee of all obligations, debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, at any time owing by the Chargor to the Chargee or remaining owing or unpaid by the Chargor to the Chargee heretofore or hereafter incurred or arising and whether incurred by or arising from any agreement or dealings between the Chargee and the Chargor or from any agreement or dealings with any third party by which the Chargee may be or become in any manner whatsoever a creditor of the Chargor or however otherwise incurred or arising anywhere within or outside Canada and whether the Chargor be bound alone or with another or others and whether as principal or surety and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again (such obligations, debts and liabilities being hereinafter called the "Liabilities").
-
1. The Chargor charges the lands and premises described in this Charge (the "Charged Property") with the payment to the Chargee of the principal and interest and all other monies secured by this Charge upon the terms set out in this Charge.
2. PROVIDED THIS CHARGE to be void upon the Chargor, its successors or assigns or any of them, paying on demand to the Chargee, its successors or assigns, the ultimate balance of the Liabilities, the principal component of such Liabilities not exceeding the sum of NINETY MILLION (\$90,000,000.00) DOLLARS together with interest on the Liabilities at the rate of twenty-five per centum (25%) per annum, calculated half-yearly, not in advance, and payable monthly as well after as before maturity, default and judgment, with interest on overdue interest at the same rate as on the principal sum, and all other amounts payable by the Chargor hereunder and paying any taxes, rates, levies, charges or assessments upon the Charged Property no matter by whom or what authority imposed and observing and performing all covenants, provisos and conditions herein contained.
3. IT IS AGREED BY AND BETWEEN THE PARTIES HERETO as follows:
- (a) That no part of any Liabilities of the Chargor to the Chargee existing at the date of this Charge or incurred or arising thereafter, shall be deemed to be unsecured by this Charge.
- (b) That this Charge is and shall be a continuing collateral security to the Chargee for the amount of such Liabilities and interest as herein provided and shall be deemed to be taken as security for the ultimate balance of such Liabilities; AND these presents shall not, nor shall anything herein contained operate so as to create any merger or discharge of any debt owing to the Chargee or of any lien, bond, promissory note, bill of exchange or other security held by or which may hereafter be held by the Chargee from the Chargor or from the Chargor or from any other person or persons and this Charge shall not in any way prejudicially affect any security held or which may hereafter be held by the Chargee for the said Liabilities or any part thereof, or the liability of any endorser or any other person or persons upon any such lien, bond, bill of exchange, promissory note or other security or contract or any renewal or renewals thereof held by the Chargee for or on account of the said Liabilities or any part or parts thereof, nor shall the remedies of the Chargee in respect thereof be prejudiced or delayed in any manner whatsoever by the taking of this Charge.
- (c) That any and all payments made in respect of the said Liabilities and interest and the monies or other proceeds realized from the sale of any securities held therefor including this Charge may be applied and reapplied notwithstanding any previous

application on such part or parts of such Liabilities or interest as the Chargee may see fit or may be held unappropriated in a separate collateral account for such time as the Chargee may see fit.

- (d) That the Chargee may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities and guarantees from and give the same and any and all existing securities and guarantees up to, may abstain from taking securities or guarantees from or from perfecting securities or guarantees of, may accept compositions from and may otherwise deal with the Chargor, the Chargor and all other persons, securities and guarantees as the Chargee may see fit without prejudicing the rights of the Chargee under this Charge.
 - (e) That the taking of judgment in respect of the said Liabilities or any instrument or instruments now or hereafter representing or evidencing the said Liabilities or under any of the covenants herein or in any such instrument contained or implied shall not operate as a merger of the said Liabilities or such instrument, instruments or covenants nor affect the Chargee's right to interest at the rate and times herein provided nor affect nor prejudice any rights or remedies given to the Chargee by the terms hereof.
4. The Chargee, its agents and employees shall have the right to enter upon the Charged Property at all reasonable times to make investigations or examination (including, without limitation, the examination of the Chargor's financial records) concerning the performance by the Chargor of its obligations under this Charge and to have access to any and all of the buildings and improvements forming part of the Charged Property for the purpose of inspecting or protecting the same. The Chargor shall take all reasonable steps, including legal proceedings, to protect its own right, title and interest in the Charged Property and to enable the Chargee to defend the interest of the Chargee therein.
5. Without limiting the Chargee's remedies hereunder, if the Chargor fails to pay or perform any of its obligations hereunder relating to the Charged Property, the Chargee may, at any time (but shall be under no obligation to) pay or perform the same and the amount or cost of any such payment or performance, with interest at the interest rate set out herein, shall immediately be due and payable and shall be added to the Liabilities secured by this Charge.
6. In the event of:
- (a) the Chargor selling, conveying, transferring, or entering into any agreement of sale or transfer of the title of the Charged Property to a purchaser, grantee or transferee not approved in writing by the Chargee; or
 - (b) if such a purchaser, grantee or transferee should fail to (a) apply for and receive the Chargee's written approval as aforesaid, (b) personally assume all the obligations of the Chargor under this Charge, and (c) execute an Assumption Agreement in the form required by the Chargee,
- then at the option of the Chargee all monies hereby secured with accrued interest thereon shall forthwith become due and payable. Nothing contained herein shall obligate the Chargee to approve of a sale, conveyance or transfer of the Charged Premises.
7. Without limiting the demand nature of this Charge, the occurrence at any time or times of any of the following shall constitute a default under this Charge:
- (a) If a petition shall be filed or an involuntary proceeding, case or proposal shall be commenced against the Chargor under any bankruptcy, insolvency, debt restructuring, reorganization, incorporation, readjustment of debt dissolution, liquidation, winding up or similar law now or hereafter in effect, seeking the liquidation reorganization, dissolution, winding-up composition or readjustment of debts of the Chargor, the appointment of a trustee, receiver, receiver and manager, custodian, liquidator, administrator or other person with like powers for the Chargor or all or any material part of the Chargor's assets, or any similar relief;

- (b) The commencement by the Chargor, the making of any order for substantive relief against the Chargor in, any bankruptcy, insolvency, debt restructuring, reorganization, incorporation, readjustment of debt, dissolution, liquidation or other similar proceedings (including without limitation proceedings under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act*, the corporation statute under which the Chargor is organized or other similar legislation) or the filing of any notice of intention with respect to any of the foregoing;
- (c) The seizure of all or any material part of the Chargor's assets by any creditor or creditor's representative, including without limitation, a privately appointed or sheriff;
- (d) The direct or indirect sale, transfer, lease of, or the granting of any security interest (whether prior or subordinate) in, all or any part of the Charged Property, without the prior written consent of the Chargee, which may be unreasonably withheld; and
- (e) A default as set out in the Loan Agreement.

If any of the foregoing occur, the Chargee shall have the right to proceed to exercise its remedies both under this Charge and at law.

- 8. If any provision of this Charge is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Charge.
- 9. Chargor shall indemnify and hold harmless Chargee and its affiliates, and the directors, officers, agents and employees of Chargee and its affiliates from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) in connection with or arising out of or based upon any investigation, litigation or proceeding, whether threatened or actual, related to this Charge, the Charged Property or the occupancy, ownership, maintenance or management of the Charged Property by Chargor, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of Chargor. This indemnification shall be in addition to any other liability which Chargor otherwise has to Chargee.
- 10. In this Charge the following words and phrases have the following meanings:
 - (a) "Contaminant" includes, but is not limited to, any pollutants, dangerous substances, liquid waste, industrial waste, hauled liquid waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants including any of the foregoing as defined in any Environmental Law.
 - (b) "Environmental Activity" means any past, present or future activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its release, emission, discharge, escape, leaching, dispersal or migration into the natural environment, including the movement through or in the air, soil, surface water or groundwater.
 - (c) "Environmental Law" means any and all applicable international, federal, provincial, municipal or local laws, by-laws, statutes, regulations, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations relating to the environment, occupational health and safety, health protection or any Environmental Activity.
 - (d) "Release" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, erupt, throw, dump and exhaust and when used as a noun has a similar meaning.

The Chargor covenants and agrees that it will comply in all respects with the requirements of any Environmental Law applicable to the Charged Property.

In the event of any Release of a Contaminant, the threat of a Release of a Contaminant, or the presence of any Contaminant affecting the Charged Property, whether or not the same originates or emanates from the Charged Property or any contiguous real property and/or if the Chargor shall fail to comply with any of the requirements of the Environmental Laws, the Chargee may at its election, but without the obligation so to do, give such notices and/or cause such work to be performed and/or take any and all other actions as the Chargee shall deem necessary or advisable in order to abate the discharge of any Contaminant, remove the Contaminant or cure the Chargor's non-compliance.

If the Chargee, or someone on the Chargee's behalf, retains the services of any lawyer or solicitor or any engineer, scientist or any environmental consultant or other consultant in connection with any environmental matter, the Chargor shall pay all costs and fees thereby incurred (including, without limitation, legal fees on a solicitor and client basis) if retained as a result of any breach of Environmental Law or in connection with any enquiry or investigation by a federal, provincial, municipal or local government or agency in connection with Environmental Law or if the services performed are reasonably necessary for the performance of the Chargee's functions under this Charge or for the preservation or protection of the Charged Property. If the Chargor should fail to pay such costs or fees forthwith the Chargee may but shall not be obliged to pay the same.

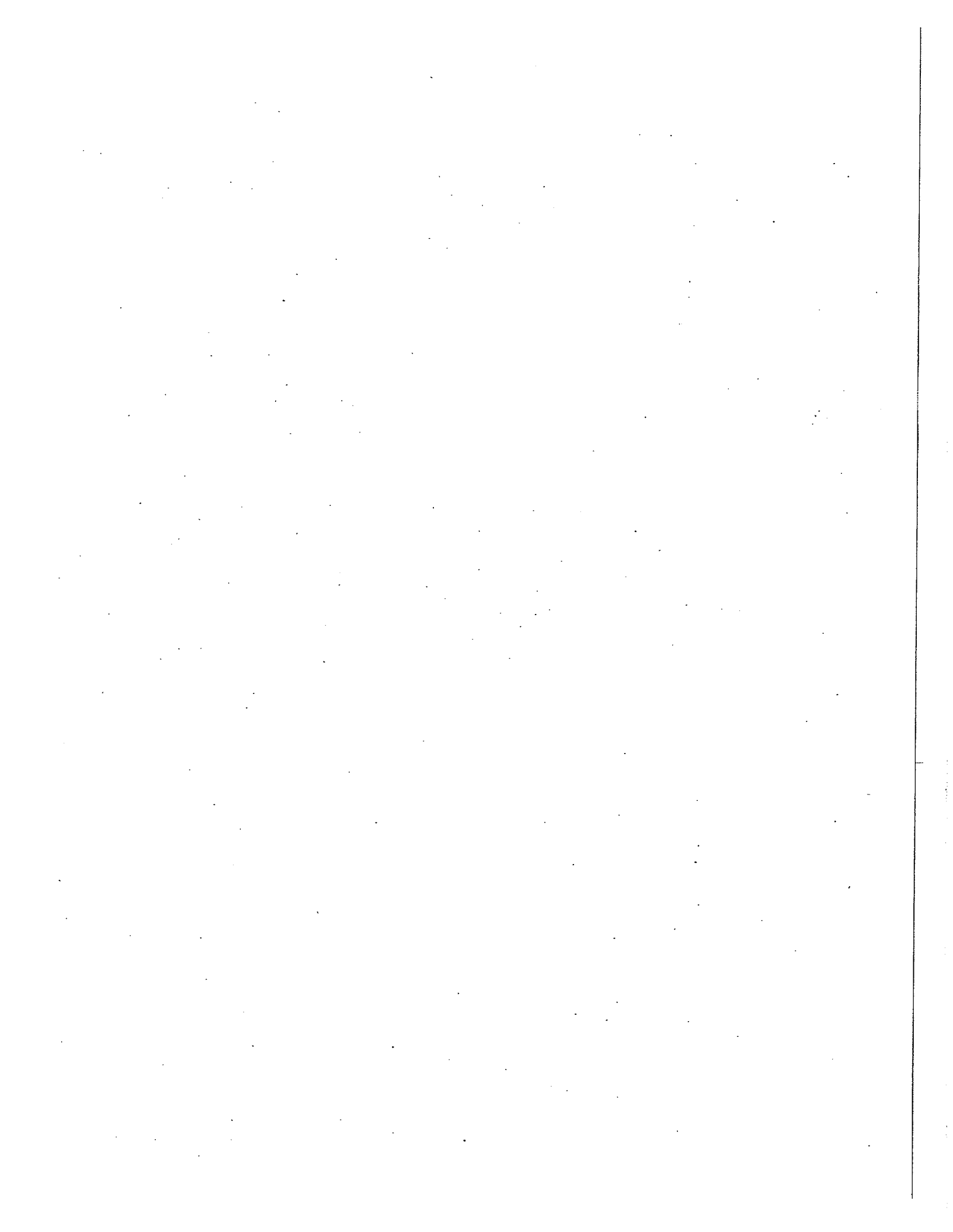
All obligations, costs, charges, fees and expenses which the Chargee incurs with respect to any matter referred to in this section shall be added to the debt hereby secured and be a charge on the Charged Property and shall bear interest at the rate set out in this Charge and shall be payable forthwith by the Chargor to the Chargee and in default the Chargee may exercise any and all of its remedies hereunder.

11. This Charge shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
12. If, for the purpose of obtaining judgment in any court, determining the amount outstanding under this Charge or for any other purpose, it is necessary to convert an amount in one currency (the "Original Currency") into another currency (the "Second Currency"), the Equivalent Amount (as hereinafter defined) of the Second Currency shall be used. If the conversion relates to a judgment, the conversion shall be performed as of the date two Business Days preceding that on which judgment is given. For all other purposes, the conversion shall be performed as of the date and time of determination.

The Chargor agrees that any obligations in respect of any Original Currency due from it to the Chargee shall, notwithstanding any judgment or payment in any Second Currency, be discharged only to the extent that, on the Business Day following receipt of any sum so paid or adjudged to be due in the Second Currency, the Chargee may, in accordance with normal banking procedures, purchase, in the Toronto, Ontario, Canada foreign exchange market, the Original Currency with the amount of the Second Currency so paid or so adjudged to be due; and if the amount of the Original Currency so purchased is less than the amount of the Original Currency due to the Chargee, the Chargor agrees, as a separate obligation and notwithstanding any such payment or judgment, to pay the Chargee the amount of the Second Currency required to purchase the amount of the Original Currency necessary to make up such difference on such date together with interest at the rate of TWENTY FIVE per centum (25%) per annum and expenses (including legal fees) from such date to the date of payment.

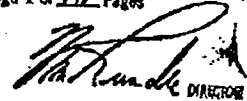
13. In the event of a conflict or inconsistency between the terms of this Charge and the terms of the loan agreement among the Chargor, the Chargee and others dated December 14, 2004 as amended, restated or modified from time to time (the "Loan Agreement"), the terms of the Loan Agreement shall prevail to the extent of such conflict or inconsistency. For greater certainty, any provision contained in this Charge shall not conflict with or be inconsistent with the Loan Agreement by reason that such provision is contained in this Charge but not in the Loan Agreement.

14. Notwithstanding any other provision of this Charge, this Schedule or Standard Charge Terms No. 885, which form a part of this Charge:
- (a) the Chargor shall not be in default under this Charge because of the occurrence of any default set out in section 7 of this Schedule unless such default would constitute a default under section 12 of the Loan Agreement read without reference to default under any other Document (as defined in the Loan Agreement);
 - (b) the Chargor may enter into any lease, grant any security interest, or enter into any other agreement or arrangement if entry into such lease, the granting of such security interest, or the entry into such other agreement or arrangement is permitted by the Credit Agreement read without reference to any other Document; and
 - (c) the Chargor shall not be required to remit payment of any amount on account of taxes or on account of any other amounts not specifically required to be paid by the Chargor to the Chargee under the Loan Agreement unless and until the Chargor is in default under this Charge or an Event of Default (as defined in the Loan Agreement) has occurred.



LAND REGISTRATION REFORM ACT, 1984

SET OF STANDARD CHARGE TERMS


DIRECTOR

Filed by McMillan, Binch

Filing Date:
Filing Number:

The following set of standard charge terms shall be deemed to be included in every charge in which the set is referred to by its filing number, as provided in Section 9 of the Land Registration Reform Act, 1984.

1. CHARGE

The chargor or chargors (herein called the "Chargor") named in any charge of which this set of standard charge terms forms a part by reference to its filing number in such charge (herein called the "Charge") charges the lands and premises described in the Charge (herein and in the Charge called the "Charged Premises") with the payment to the chargee named in the Charge (herein and in the Charge called the "Chargee") of the principal and interest and all other monies secured by the Charge upon the terms as set out in the Charge including this set of standard charge terms and whenever reference is made in this set of standard charge terms to the Charge it shall include this set of standard charge terms.

2. DEFEASANCE

(a) The provisions relating to defeasance contained in subsection 6(2) of the Land Registration Reform Act, 1984, shall be and are hereby expressly excluded from the terms of the Charge.

(b) The following proviso shall apply if and only if a specific proviso for defeasance is not included in a schedule to the Charge: Provided that this Charge shall be void upon the Chargor, his heirs, executors, administrators, successors or assigns or any of them paying or causing to be paid to the Chargee, its heirs, executors, administrators, successors or assigns the principal sum set forth in the Charge and interest thereon as well after as before maturity and default and judgment at the rate set forth in the Charge at the days and times and in the manner set forth in the Charge and all other amounts payable by the Chargor hereunder and paying any taxes, rates, levies, charges or assessments and including, without limitation, utility charges, upon the Charged Premises no matter by whom or what authority imposed and observing and performing all covenants, provisos and conditions herein contained.

3. APPLICATION OF PAYMENTS

Provided that if the Charge is repayable by blended instalments of principal and interest the instalments payable under the Charge are to be applied firstly to interest calculated as provided in the Charge on the principal monies from time to time outstanding and the balance of the said instalments shall be applied on account of principal; except however in the case of default by the Chargor, the Chargee may then apply any payments received during the period of default in whatever order it may elect as between principal, taxes, interest, repairs, insurance premiums or other advances made on behalf of the Chargor.

4. COMPOUND INTEREST

It is agreed that in case default shall be made in payment of any sum to become due for interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the

rate aforesaid, and in case the interest and compound interest are not paid on the next interest payment date after the date of default a rest shall be made, and compound interest at the rate aforesaid shall be payable on the aggregate amount then due, as well after as before maturity, and so on from time to time, and all such interest and compound interest shall be a charge upon the Charged Premises secured by the Charge.

5. TAXES

With respect to municipal taxes, school taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the Charged Premises, it is mutually agreed between the parties to the Charge that:

- (a) The Chargee may deduct from the final advance of the monies secured by the Charge an amount sufficient to pay the taxes which have become or will become due and payable at the date for adjustment of interest referred to in the Charge and are unpaid at the date of such final advance.
- (b) Subject as provided in subparagraph (c) below, the Chargor shall pay all taxes as they fall due and will provide the Chargee with receipts confirming payment of same as the Chargee may require.
- (c) At the request of the Chargee the Chargor shall pay to the Chargee in monthly instalments on the dates on which instalments of principal and interest are payable hereunder, sums sufficient to enable the Chargee to pay in each year during the term of the Charge, the whole amount of taxes as estimated by the Chargee from time to time on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof; and the Chargor shall also pay to the Chargee on demand the amount, if any, by which the actual taxes exceed such estimated amounts, and the Chargor shall be charged interest, at the Charge rate, on the debit balance, if any, of taxes in the tax account outstanding after payment of taxes by the Chargee, until such debit balance is fully repaid.
- (d) The Chargee will apply such deduction and payments on the taxes chargeable against the said lands so long as the Chargor is not in default under any covenant, proviso or agreement contained herein, but nothing herein contained shall obligate the Chargee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Chargee shall have been so applied, there shall be default by the Chargor in respect of any payment of principal or interest as herein provided, the Chargee may apply such sum or sums in or towards payment of the principal and or interest in default.
- (e) If subparagraph (c) applies the Chargor will transmit to the Chargee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by him.

6. DEEMED COVENANTS EXCLUDED

The covenants deemed to be included in a charge by subsection 7(1) of the Land Registration Reform Act, 1984 shall be and are hereby expressly excluded from the terms of the Charge.

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7. COVENANTS IN LIEU OF STATUTORY COVENANTS

The Chargor doth hereby, for himself, his heirs, executors, administrators and successors and assigns covenant, promise and agree to and with the Chargee, his heirs, executors, administrators, successors and assigns, as follows:

(i) To Pay and Observe Covenants

That the Chargor, shall pay or cause to be paid to the Chargee, without deduction or abatement the principal money secured by the Charge with interest as set out in the Charge at the times and in the manner therein limited for payment thereof, and shall do, observe, perform, fulfil and keep all the provisions, covenants, agreements and stipulations particularly set forth in the Charge, and, without limitation, shall pay any taxes, rates, levies, charges or assessments including, without limitation, utility charges, upon the Charged Premises or in respect thereof, no matter by whom or by what authority imposed, which the Chargee has paid or have been rendered liable to pay and shall also pay all other sums as the Chargee may be entitled to under the Charge.

(ii) For Good Title

That the Chargor, at the time of execution and delivery of the Charge, is, and stands solely, rightfully and lawfully seized of a good, sure, perfect, absolute and indefeasible title in fee simple to the Charged Premises free of any trusts, reservations, limitations, provisos or conditions (except those contained in the original grant thereof from the Crown) or any other matter or thing to alter, charge, change, encumber or defeat the same.

(iii) Right to Charge

That the Chargor has good right, full power and lawful and absolute authority to charge the Charged premises with their appurtenances unto the Chargee, in the manner set out in the Charge.

(iv) Quiet Possession on Default

That from and after default in the payment of the principal money mentioned in the Charge, or the interest thereof, or any part thereof, or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained in the Charge, contrary to the true intent and meaning thereof, then in every such case, it shall be lawful for the Chargee, peaceably and quietly to enter into, have, hold, use, occupy, possess and enjoy the Charged Premises or intended so to be, with their appurtenances, without the let, suit, hindrance, interruption or denial of the Chargor, or any other person or persons whomsoever, free and clear of all arrears of taxes and assessments whatsoever due or payable upon or in respect of the Charged Premises or any part thereof and of and from all former conveyances, mortgages, charges, rights, annuities, debts, executions and recognizances and of any other charges or encumbrances whatsoever.

(v) Further Assurances

That from and after default shall happen to be made of or in the payment of the principal amount, or the interest thereon, or any part of the principal or interest, as set forth in the Charge or of or in the doing, observing, performing, fulfilling or keeping of some one or more of the provisions, agreements or stipulations in the Charge contrary to the true intent and meaning hereof, then and in every such case the Chargor, and all and every person or persons whatsoever having, or

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lawfully claiming, or who shall or may have or lawfully claim any estate, right, title, interest or trust of, in, to or out of the Charged Premises by, from, under or in trust for him, shall and will, from time to time, and at all times thereafter, make, do, suffer and execute or cause or procure to be made, done, suffered and executed, all and every such further and other reasonable act or acts, deed or deeds, devices, conveyances, and assurances in the law for the further, better and more perfectly and absolutely conveying and assuring the Charged Premises unto the Chargee, as by the Chargee, or its or their solicitor shall or may be lawfully and reasonably devised, advised, or required.

(vi) Done No Act To Encumber

That the Chargor has not at any time heretofore made, done, committed, executed or wilfully or knowingly suffered any act, deed, matter or thing whatsoever whereby the lands described in the Charge or intended so to be, or any part thereof, are, is or shall or may be in any way impeached, charged, affected or encumbered in title, estate or otherwise howsoever.

(vii) Insurance

(a) And that the Chargor will forthwith insure and during the continuance of the Charge keep insured against loss or damage by fire, and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, the Charged Premises for the full replacement value thereof in lawful money of Canada in a company acceptable to the Chargee;

(b) That the Chargor covenants and agrees to maintain at all times during the continuance of this Charge liability insurance in an amount and issued by an insurer acceptable to the Chargee stating that the Chargor is insured against loss from liability imposed by law as owner and, where applicable, as landlord of the Charged Premises for personal injury, death and damage to or loss of property of any person;

(c) That the Chargor covenants and agrees to maintain at all times during the continuance of this Charge insurance issued by insurers acceptable to the Chargee insuring the boilers, pressure vessels, machinery and like equipment (if any) attached to and forming part of the Charged Premises against loss or damage by explosion, rupture of steam pipes and other usual risks covered by boiler insurance;

(d) That the Chargor at all times during the continuance of this Charge will maintain insurance issued by an insurer and in form and terms acceptable to the Chargee insuring the rental income of the Charged Premises in an amount acceptable to the Chargee;

(e) That the Chargor shall pay all premiums and sums of money necessary in connection with such insurance as the same shall become due, and each policy of insurance (except liability policies) shall provide that loss, if any, shall be payable to the Chargee as its interest may appear, subject to the standard form of mortgage clause attached to the policy but such mortgage clause to provide that at least 30 days notice will be given to the mortgagee before cancellation of any policy; and the Chargor will forthwith assign, transfer and deliver over unto the Chargee the policy or policies of insurance and receipts thereto appertaining; and each policy shall provide that it will not be terminated or expire unless the Chargee shall have first received 30 days prior written notice of such termination or expiration; and if the Chargor shall neglect to keep the Charged Premises insured as aforesaid, or to deliver such policies and receipts or to produce to the Chargee at least thirty days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be

entitled but shall not be obliged to insure the Charged Premises and if the Chargee shall pay any premiums or sums of money for insurance for the Charged Premises the amount of such payment shall be added to the debt secured by the Charge and shall bear interest at the rate applicable to principal as set out in the Charge from the time of such payments and shall be repayable at the time appointed for the next ensuing payment of interest on the said debt; and the Chargor shall (except in the case of liability policies) forthwith on the happening of any loss or damage, furnish at his own expense all necessary proofs and do all necessary acts to enable the Chargee to obtain payment of the insurance monies and the production of the Charge shall be sufficient authority for the said insurance company to pay any such loss to the Chargee, and the said insurance company is hereby directed thereupon to pay the same to the Chargee; and any insurance monies received may, at the option of the Chargee, be applied in rebuilding, reinstating or repairing the Charged Premises or be paid to the Chargor or any other person appearing by the registered title to be or to have been the owner of the Charged Premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Chargee, in whole or in part on the Charge debt or any part thereof whether due or not then due;

(F) If the Charged Premises are part of a condominium the insurance provisions set out in paragraphs (a) to (e) above will not apply and the following will apply to the Charge:

And that the Chargor or the Condominium Corporation or both of them will forthwith insure and during the continuance of the Charge keep insured in favour of the Chargee against loss or damage by fire and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, and other risks or hazards normally insured against by a standard fire insurance or additional perils supplemental contract of insurance, for the full replacement value thereof in lawful money of Canada; each policy of insurance shall provide that loss, if any, shall be payable to the Chargee as his interest may appear, subject to the standard form of mortgage clause attached to the policy; and the Chargor or the Condominium Corporation or both of them will forthwith assign, transfer and deliver unto the Chargee the policy or policies of insurance and receipts thereof appertaining; and each policy shall provide that it will not be terminated or expire unless the Chargee shall have first received 30 days prior written notice of such termination or expiration; and if the Chargor or Condominium Corporation or both of them shall neglect to keep the said buildings or any of them insured aforesaid, or to deliver such policy or policies, and receipts or produce to the Chargee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be entitled but shall not be obligated to insure the Charged Premises; and the Chargor or the Condominium Corporation or both of them shall forthwith on the happening of any loss or damage comply fully with the terms of the policy, or policies, of insurance and, without limiting the generality of the obligation of the Chargor to observe and perform all the duties and obligations imposed on him by the Condominium Act and by the Declaration and By-laws of the Condominium Corporation as hereinafter provided, shall comply with the insurance provisions of the Declaration; and the Chargor as a member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation of the aforementioned covenants.

8. RELEASE

And the Chargor hath released, remised and forever quitted claim, and by these presents doth release, remise, and forever quit claim unto the Chargee, all right, title, interest, claim and demand whatsoever, of, unto and out of the said lands and premises hereby charged or intended so to be, and every part

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and parcel thereof, so as that the Chargor, shall not at any time hereafter have, claim, pretend to, challenge or demand the said lands and premises or any part thereof, in any manner howsoever, subject always to the proviso for defeasance.

9. ENTRY AFTER DEFAULT AND POWER OF SALE

Provided that the Chargee on default by the Chargor of payment of the principal and interest or any part thereof as herein and by the Charge required or in the observing, performing, fulfilling or keeping of one or more of the covenants of the Chargor provided in the Charge may enter into possession of the lands and premises hereby charged or intended so to be and take the rents, issues and profits and whether in or out of possession make such lease or leases as he or they shall think fit, and also on fifteen days' default as aforesaid and after giving at least thirty-five days' written notice to the persons and in the manner and form prescribed by Part III of the Mortgages Act, R.S.O. 1980, C. 296 as it may be amended from time to time, may sell the lands and premises charged by the Charge or intended so to be or any part or parts thereof by public auction or private contract, or partly the one and partly the other, and may convey and assure the same when so sold to the purchaser or purchasers thereof, his or their heirs, successors or assigns, or as he or they shall direct and may do all such assurances, acts, matters and things as may be found necessary for the purposes aforesaid, and the Chargee shall not be responsible for any loss which may arise by reason of any such leasing or sale as aforesaid unless the same shall happen by reason of its or their wilful neglect or default. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable it is agreed that notice may be effectually given by leaving it with a grown-up person on the Charged Premises, if occupied, or by placing it on some portion of the Charged Premises if unoccupied, or at the option of the Chargee, by mailing it in a registered letter addressed to the Chargor at his last known address, or by publishing it once in a newspaper published in the county or district in which the Charged Premises are situate, and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person or persons to be affected thereby may be unknown, unascertained or under disability. And it is hereby further agreed that the proceeds of sale hereunder may be applied in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the Charged Premises or by reason of non-payment or procuring payment of monies, secured hereby or otherwise, and that the Chargee may sell all or any part of the Charged Premises on such terms as to credit and otherwise as shall appear to it most advantageous and for such prices as can reasonably be obtained therefor and may make any stipulations as to title or evidence or commencement of title or otherwise which it shall deem proper, and may buy in or rescind or vary any contract for the sale of the whole or any part of the Charged Premises and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Chargee shall be bound to pay the Chargor only such monies as have been actually received from purchasers after the satisfaction of the claims of the Chargee and for any of said purposes may make and execute all agreements and assurances as it shall think fit. Any purchaser or lessee shall not be bound to see to the propriety or regularity of any sale or lease or be affected by express notice that any sale or lease is improper and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder; and that the title of a purchaser or lessee upon a sale or lease made in professed exercise of the above power shall not be liable to be impeached on the ground that no case had arisen to authorize the exercise of such power or that such power had been improperly or irregularly exercised, or that such notice had not been given, but any person damaged by an unauthorized, improper or irregular exercise of the power shall have his remedy against the person exercising the

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power in damages only. The Chargee may sell fixtures, machinery, crops and standing or fallen trees apart from the lands, and the purchaser as well as the Chargee shall have all necessary access for securing, cutting and removal. It is agreed between the parties to the Charge that nothing in this section contained shall prejudice or diminish any other rights and remedies and powers of the Chargee hereunder or in the Charge contained or existing at law by virtue thereof.

And it is further agreed between the parties to the Charge that until such sale or sales shall be made as aforesaid, the Chargee shall and will stand possessed of the rents and profits of the said Charged Premises in case it shall take possession of them on default as aforesaid and after such sale or sales shall stand possessed of the monies to arise and be produced from such sales, or which might arise from any insurance upon the Charged Premises or any part thereof upon trust firstly in payment of all the expenses incident to the sales, leases, conveyances, or attempted sales, or leases, secondly all costs, charges, damages and expense of the Chargee relating to taxes, rents, insurance, repairs, utilities and any other amounts which the Chargee may have paid relating to the Charged Premises, thirdly in discharge of all interest and costs then due in respect of the Charge, fourthly in discharge of the principal money secured by the Charge, fifthly in payment of the subsequent encumbrancers according to their priorities and the residue shall be paid to the Chargor as he may direct and shall also, in such event, at the request, costs and charges of the Chargor transfer, release and assure unto the Chargor or to such person or persons as he shall direct and appoint, all such parts of the Charged Premises as shall remain unsold for the purposes aforesaid, discharged from all the Charge, but no person who shall be required to make or execute any such assurances shall be compelled for the making thereof to go or travel from his usual place of abode. Provided always, and it is hereby further declared and agreed by and between the parties to these presents, that notwithstanding the power of sale and the other powers and provisions contained in the Charge the Chargee shall have and be entitled to its right of foreclosure of the fee interest or equity of redemption of the Chargor in the lands hereby charged as fully and effectually as it might have exercised and enjoyed the same in case the power of sale, and the other former provisos and trusts incident thereto had not been herein contained.

10. DISTRESS

Provided that and it is further stipulated, provided and agreed by and between the Parties to the charge that the Chargee may distrain for arrears of interest against the Charged Premises or any part thereof and recover by way of rent reserved as in the case of a demise the arrears of interest and all costs and expenses incurred in such levy or distress and may also distrain for arrears of principal and monthly payments of taxes, if required, in the same manner as if the same were arrears of interest.

11. PRINCIPAL DUE ON DEFAULT

Provided that, and it is hereby further expressly declared and agreed, that if any default shall occur in the payment of the interest money secured by the Charge, or any part thereof, or on payment of any instalment or principal as the same mature or of any instrument, promissory note, bill of exchange or other obligations now or at any time held by the Chargee in respect of or representing or securing the money hereby secured or any part thereof, or in the performance of any covenant, proviso or agreement herein contained or if any waste be committed or suffered on the Charged Premises when at the option of the Chargee, the principal money secured by the Charge or intended so to be shall forthwith become due and payable in like manner and

with the like consequences and effects as if the time herein mentioned for payment of such principal money had fully come and expired, subject to any relief afforded to the Chargor at law. The Chargee may, however, waive its right to call in the principal and shall not be therefore debarred from asserting and exercising its right to call in the principal upon the happening of any future default or breach.

12. CHARGOR'S QUIET POSSESSION UNTIL DEFAULT

And provided and it is agreed that until default in the payment of principal or interest secured by the Charge or intended so to be, or any part of either of the same or in the performance of any of the provisions set forth in the Charge it shall be lawful for the Chargor, peaceably and quietly to have, hold, use, occupy, possess and enjoy the Charged Premises, and receive and take the rents and profits thereof to its own use and benefit, without let, suit, hindrance, interruption, or denial by the Chargee, or of or by any other person or persons whomsoever lawfully claiming, or who shall, or may lawfully claim by, from, under or in trust for it, them or any or either of them.

13. BUILDINGS, ADVANCES AND COST OF SEARCH

And it is the intention of the parties hereto that the building or buildings erected or to be erected on the said lands form part of the security for the full amount of the monies secured by the Charge; and that all advances are to be made in such manner at such times and in such amounts up to the full amount of said monies as the Chargee in its sole discretion may determine and subject always to the provision to which the Chargor hereby agrees that notwithstanding the execution or registration of the Charge or the advancement of any part of the monies, the Chargee is not bound to advance the monies or any unadvanced portion thereof and the advance of the monies and any part thereof from time to time shall be in the sole discretion of the Chargee, but nevertheless the Charge shall take effect forthwith upon the execution thereof by the Chargor and the expenses of the examination of the title and of the Charge and valuation are to be secured by the Charge in the event of the whole or any balance of the principal sum not being advanced, the same to be a charge upon the Charged Premises and shall be without demand thereof, payable forthwith with interest at the rate provided for in the Charge and in default the said Chargee's power of sale, and all other remedies under the Charge shall be exercisable.

14. FIXTURES

It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed or otherwise now on or hereafter put upon the said premises, including but without limiting the generality of the foregoing, all fences, heating, piping, plumbing, aeriels, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, radiators and covers, fixed mirrors, fitted blinds, storm windows and storm doors, window screens and screen doors, shutters and awnings, floor coverings, and all apparatus and equipment appurtenant thereto, and all farm machinery and improvements, fixed or otherwise and even though not attached to the lands otherwise than by their own weight, are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and shall be a portion of the security for the indebtedness herein mentioned.

15. PARTIAL RELEASE

Provided that the Chargee may at all times release any part or parts of the Charged Premises or any other security or any surety for payment of all or any part of the monies hereby secured or may release the Chargor or any other person from any covenant

or other liability to pay the said monies or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any monies except those actually received by the Chargee and without thereby releasing any other part of the Charged Premises, or any other securities or covenants herein contained, it being especially agreed that notwithstanding any such release the Charged Premises, securities and covenants remaining unreleased shall stand charged with the whole of the monies secured by the Charge.

16. DEFAULT IN PRIOR CHARGES

Provided and it is hereby further agreed by and between the Chargor and the Chargee that should default be made by the Chargor in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage or charge to which the Charge is subject, then and in that event the monies hereby secured shall forthwith become due and be payable, at the option of the Chargee, and all the powers in and by the Charge conferred shall become exercisable, and the powers of sale herein contained may be exercised as herein provided.

17. LIENS AND CONSTRUCTION

Provided also that upon the registration of any lien against the Charged Premises, or in the event of any buildings being erected thereon being allowed to remain unfinished or without any work being done on them for a period of ten (10) days, the principal and interest hereby secured shall, at the option of the Chargee, forthwith become due and payable.

18. WASTE, VACANCY AND REPAIR

And the Chargor covenants and agrees with the Chargee that the Chargor will not permit waste to be committed or suffered on the Charged Premises and that he will maintain the buildings or other improvements on the Charged Premises in good order and repair to the satisfaction of the Chargee and will not permit or suffer them to become or remain vacant and that the Chargee whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Charged Premises, and the reasonable cost of such inspection shall be added to the debt secured by the Charge.

19. ALTERATIONS

And the Chargor covenants and agrees with the Chargee that the Chargor will not make or permit to be made any alterations or additions to the Charged Premises without the consent of the Chargee.

20. NON-MERGER

Provided and it is agreed, that the taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenant or affect the Chargee's right to interest at the rate and times herein provided; and further that said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

21. RIGHTS ON DEFAULT

And the Chargor covenants and agrees with the Chargee that in the event of default in the payment of any instalment of principal, interest or taxes hereby secured or any other monies payable hereunder by the Chargor or on breach of any covenant, proviso or agreement herein contained after all or any part of the monies hereby secured have been advanced, the Chargee may at such time or times as it may deem necessary and without the concurrence

of any other person enter upon the Charged Premises and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the said lands, or for inspecting, taking care of, leasing, collecting the rents of, and managing generally the Charged premises as it may deem expedient, and all reasonable costs, charges and expenses including allowances for the time and service of any employee of the Chargee or other person appointed for the above purposes shall be forthwith payable to the Chargee, and shall be a charge upon the said lands secured by the Charge and shall bear interest at the rate aforesaid until paid.

22. OBLIGATIONS SURVIVE SALE

Provided further that no sale or other dealing by the Chargor with the Charged Premises or any part thereof shall in any way change the liability of the Chargor or in any way alter the rights of the Chargee as against the Chargor or any other person liable for payment of the monies secured by the Charge.

23. PRIOR ENCUMBRANCES

It is further stipulated, provided and agreed, that the Chargee may pay the amount of any encumbrance, lien or charge now or hereafter existing, or to arise or to be claimed upon the Charged Premises having priority over this Charge, including any taxes, utility charges or other rates on the Charged Premises or any of them, or any amounts payable to the Condominium Corporation, and may pay all costs, charges and expenses and all solicitors' charges or commissions, as between a solicitor and his client, which may be incurred in taking, recovering and keeping possession of the Charged Premises and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize this security, or in respect of the collection of any overdue interest, principal, insurance premiums or any other monies whatsoever payable by the Chargor hereunder whether any action or any judicial proceedings to enforce such payments has been taken or not, and the amount so paid and insurance premiums for fire or other risks or hazards and any other monies paid hereunder by the Chargee shall be added to the debt hereby secured and be a charge on the Charged Premises and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Chargor to the Chargee, and the non-payment of such amount shall be a default of payment within the meaning of those words in the paragraph dealing with power of sale and shall entitle the Chargee to exercise the power of sale and all other remedies hereby given. In the event of the Chargee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the monies advanced on the security or otherwise, he shall be entitled to all the rights, equities and securities of the person or persons, company, corporation, or Government so paid off, and is hereby authorized to retain any discharge thereof, without registration, for a longer period than six months if he thinks proper to do so.

24. ONTARIO NEW HOME WARRANTIES PLAN ACT, 1976

If the Chargee incurs any cost or expense of any nature or kind in any way arising from or relating to the Act above referred to and the Regulations thereunder (the "Act"), including, without any limitation whatsoever, any cost or expense relating to registration as a Vendor under the Act or enrolling the Charged Premises or entering into any agreement or agreements relating to performance of warranty obligations or performing any warranty obligations, all such cost and expense shall be added to the debt hereby secured and be a charge on the Charged Premises in priority to all other encumbrances registered or arising subsequent to the Charge and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Chargor to the Chargee.

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25. EXTENSIONS

Provided that no extension of time given by the Chargee to the Chargor, or anyone claiming under the Chargor or any other dealing with the owner of the Charged Premises, shall in any way affect or prejudice the rights of the Chargee against the Chargor or any other person liable for the payment of the monies hereby secured.

26. BONUS ON DEFAULT

Provided also that on default of payment of any of the monies hereby secured or payable the Chargee shall be entitled to require payment, in addition to all other monies hereby secured or payable hereunder, of a bonus equal to three months interest in advance at the rate aforesaid upon the principal money hereby secured, and the Chargor shall not be entitled to require a discharge of the Charge without such payment.

27. DISCHARGE

The Chargee shall have a reasonable time after payment of the monies secured by the Charge in full within which to prepare and execute a discharge (or, if requested, an assignment) of the Charge, and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Chargee and all legal and other expenses for the preparation and execution of such discharge and assignment shall be borne by the Chargor.

28. OTHER SECURITY

The Charge is in addition to and not in substitution for any other security held by the Chargee including any promissory note or notes for all or any part of the monies secured hereunder, and it is understood and agreed that the Chargee may pursue its remedies thereunder or hereunder concurrently or successively at its option. Any judgment or recovery hereunder or under any other security held by the Chargee for the monies secured by the Charge shall not affect the right of the Chargee to realize upon this or any other such security.

29. PLACE OF PAYMENT

Provided that all such payments hereby secured shall be made to Chargee at the address designated in the Charge, or at such other place as the Chargee may designate in writing to the Chargor from time to time.

30. SPOUSE'S CONSENT

And the spouse of the Chargor so named in the Charge hereby consents to the transaction evidenced by the Charge and releases all interest in the Charged Premises to the extent necessary to give effect to the rights of the Chargee hereunder, and agrees that the Chargee may, without further notice, deal with the Charged Premises and the debt hereby created as the Chargee may see fit.

31. FAMILY LAW ACT

The Chargor covenants and agrees that

- (a) he or the owner from time to time of the Charged Premises will advise and keep advised the Chargee as to whether he (i.e. the Chargor or the owner from time to time) is a spouse as defined by Section 1 of the Family Law Act, 1986 (the "Act"), or any amendments thereto, and if so, the name of his spouse, and of any change in his spousal status or in the status of the Charged Premises as a matrimonial home within the meaning of the Act, and

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- (b) forthwith on request he will furnish the Chargee with such evidence in connection with any of the matters referred to in clause (a) above as the Chargee may from time to time require, including, without limitation, his and his spouse's name, address and birth date and his and his spouse's authorization to the Registrar under The Vital Statistics Act of the Province of Ontario to provide the Chargee from time to time on request all information in its possession relative to any marriage, divorce or death of the Chargor or his spouse, and on default the principal money, interest and all other monies hereby secured shall, at the option of the Chargee, forthwith become due and payable.

32. SEVERABILITY OF ANY INVALID PROVISIONS

It is agreed that in the event that at any time any provision of these presents is illegal or invalid under or inconsistent with the provisions of any applicable statute or regulation thereunder or would by reason of the provisions of any such statute or regulation render the Chargee unable to collect the amount of any loss sustained by it as a result of making the above recited loan which it would otherwise be able to collect under such statute, then such provision shall not apply and shall be construed so as not to apply to the extent that it is so illegal, invalid or inconsistent or would so render the Chargee unable to collect the amount of any such loss.

33. COVENANTOR OR GUARANTOR

If a party is named in the Charge or schedule thereto as covenantor or guarantor then each such party (the "Guarantor"), jointly and severally in the case of more than one guarantor and unconditionally for himself, his heirs, executors, administrators and assigns, in consideration of the loan referred to in the Charge and the sum of One (\$1.00) Dollar now paid by the Chargee to him (receipt whereof is hereby acknowledged),

- (a) covenants with the Chargee, as principal debtor and not as surety, that he will well and truly pay or cause to be paid to the Chargee all monies payable hereunder on the days and times and in the manner herein limited and appointed for the payment thereof;
- (b) unconditionally guarantees full performance and discharge by the Chargor of all the obligations of the Chargor under the provisions of this Charge at the times and in the manner herein provided;
- (c) covenants and agrees to indemnify and save harmless the Chargee against and from all losses, damages, costs and expenses which the Chargee may sustain, incur or be or become liable for by reason of:
- (i) the failure for any reason whatsoever of the Chargor to pay the monies expressed to be payable pursuant to this Charge or to do and perform any other acts, matter or thing pursuant to the provisions of this Charge;
- (ii) any act, action or proceeding of or by the Chargee for or in connection with the recovery of the said monies or the obtaining of performance by the Chargor or any other person liable hereunder of any other act, matter or thing pursuant to the provisions of this Charge;
- (d) agrees that the Chargee shall not be obliged to proceed against the Chargor or any other person liable

hereunder or to enforce or exhaust any security before proceeding to enforce the obligations of the Guarantor herein stipulated and the enforcement of such obligations may take place before, after or contemporaneously with enforcement of any debt or obligation of the Chargor or any other person liable hereunder or the enforcement of any security for any such debt or obligation;

- (e) agrees that any waiver by the Chargee of any right or remedy available to it against the Chargor or the granting by the Chargee to the Chargor of any extension of time shall in no way affect the obligations of the Guarantor hereunder;
- (f) agrees that upon written demand being made by the Chargee, the Guarantor will reimburse the Chargee, to the extent that reimbursement is not made by the Chargor, for all costs and expenses, including legal fees and disbursements incurred by the Chargee in recovering from the Chargor any monies hereby secured or in the enforcement of this Guarantee;
- (g) agrees that until all monies hereby secured have been paid to the Chargee in full, the Guarantor shall have no right of subrogation and the Guarantor hereby waives unconditionally any right to participate in any collateral security given by the Chargor to the Chargee;
- (h) agrees that the Chargee may at any time and from time to time without the consent of or notice to the Guarantor, without incurring any responsibility to the Guarantor and without thereby relieving the Guarantor of any of its obligations hereunder;
 - (i) change the manner, place or terms of payment of any monies payable by the Chargor hereunder;
 - (ii) settle or compromise any of the Chargor's obligations hereunder;
 - (iii) exercise or refrain from exercising any rights or remedies against the Chargor;
 - (iv) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property pledged or mortgaged to the Chargee to secure the Chargor's obligations hereunder.

34. NO PREJUDICE FROM FAILURE TO ENFORCE RIGHTS

Provided that no failure to enforce at any time or from time to time any of the rights of the Chargee hereunder shall prejudice such rights or any other rights of the Chargee; no performance or payment by the Chargee in respect of any breach or default hereunder of the Chargor shall relieve the Chargor from any default hereunder; and no waiver at any time or from time to time of any such rights of the Chargee shall prejudice such rights in the event of any future default or breach.

35. FARM LANDS

If the Charged Premises are farm lands, the Chargor will in each year during the currency of the Charge either put into crop or summerfallow in good, proper and husbandlike manner every portion of the Charged Premises which has been or may hereafter be brought under cultivation and will keep the Charged Premises clean and free from all noxious weeds and generally see that the Charged Premises does not depreciate in any way.

36. CONDOMINIUMS

If the Charge is of land within a Condominium the following provisions shall apply:

(1) The Chargor covenants and agrees at all times and from time to time to observe and perform all duties and obligations imposed on him by the Condominium Act and by the Declaration and the By-laws, as amended from time to time, of the Condominium Corporation, by virtue of his ownership of the said lands. Any breach of the said duties and obligations shall constitute a breach of covenant under the Charge.

(2) Without limiting the generality of the foregoing, the Chargor covenants and agrees that he will pay promptly when due any contributions to common expenses required of him as an Owner of the said lands and in the event of his default in doing so the Chargee, at its option, may pay the same and the amount so paid shall be added to the debt secured by the Charge and shall be a charge on the Charged Premises and shall bear interest at the same rate from the time of such payments and shall be payable forthwith by the Chargor to the Chargee whether or not any payment in default has priority to the Charge or any part of the monies secured thereby.

(3) The Chargor hereby irrevocably authorizes and empowers the Chargee to exercise the right of the Chargor as an Owner of the said lands to vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that,

- (a) The Chargee may at any time or from time to time give notice in writing to the Chargor and the said Condominium Corporation that the Chargee does not intend to exercise the said right to vote or consent and in that event until the Chargee revokes the said notice the Chargor may exercise the right to vote. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter.
- (b) The Chargee shall not by virtue of the assignment to the Chargee of the right to vote or consent be under any obligation to vote or consent or to protect the interests of the Chargor.
- (c) The exercise of the right to vote or consent shall not constitute the Chargee a Chargee in possession.

37. RENEWAL

Provided that the Charge may be renewed or extended by an agreement in writing at maturity for any term with or without an increased rate of interest notwithstanding that there may be subsequent encumbrancers, and it shall not be necessary to register any such agreement in order to retain priority for the Charge so altered over any instrument registered subsequently to the Charge. Provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Chargor.

38. RECEIVERSHIP

Notwithstanding anything herein contained, it is declared and agreed that any time and from time to time when there shall be default under the provisions of the Charge, the Chargee may, at such time and from time to time and with or without entry into possession of the Charged Premises, or any part thereof, by instrument in writing appoint any person, whether an officer or officers or an employee or employees of the Chargee or not, to be a receiver (which term as used herein includes a receiver manager and also includes the plural as well as the singular) of the

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Charged Premises, or any part thereof, and of the rents and profits thereof, and with or without security, and may from time to time by similar writing remove any receiver and appoint another in his stead, and that, in making any such appointment or removal, the Chargee shall be deemed to be acting as the agent or attorney for the Chargor, but no such appointment shall be revocable by the Chargor. Upon the appointment of any such receiver from time to time the following provisions shall apply:

- (a) Every such receiver shall have unlimited access to the Charged Premises as agent and attorney for the Chargor (which right of access shall not be revocable by the Chargor) and shall have full power and unlimited authority to -
 - (i) collect the rents and profits from tenancies whether created before or after these presents,
 - (ii) rent any portion of the Charged Premises which may become vacant on such terms and conditions as he considers advisable and enter into and execute leases, accept surrenders and terminate lease,
 - (iii) complete the construction of any building or buildings or other erections or improvements on the Charged Premises left by the Chargor in an unfinished state or award the same to others to complete and purchase, repair and maintain any personal property including, without limitation, appliances and equipment, necessary or desirable to render the premiums operable or rentable, and take possession of and use or permit others to use all or any part of the Chargor's materials, supplies, plans, tools, equipment (including appliances) and property of every kind and description,
 - (iv) manage, operate, repair, alter or extend the Charged Premises or any part thereof.
- The Chargor undertakes to ratify and confirm whatever any such receiver may do in the premises.
- (b) The Chargee may at its discretion vest the receiver with all or any of the rights and powers of the Chargee.
- (c) The Chargee may fix the reasonable remuneration of the receiver who shall be entitled to deduct the same out of the revenue or the sale proceeds of the Charged Premises.
- (d) Every such receiver shall be deemed the agent or attorney of the Chargor and, in no event, the agent of the Chargee and the Chargee shall not be responsible for his acts or omissions.
- (e) The appointment of any such receiver by the Chargee shall not result in or create any liability or obligation on the part of the Chargee to the receiver or to the Chargor or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Chargee a Chargee in possession of the Charged Premises.
- (f) No such receiver shall be liable to the Chargor to account for monies other than monies actually received

by him in respect of the Charged Premises, or any part thereof, and out of such monies so received every such receiver shall, in the following order, pay:

- (i) his remuneration aforesaid;
- (ii) all costs and expenses of every nature and kind incurred by him in connection with the exercise of his powers and authority hereby conferred;
- (iii) interest, principal and other money which may, from time to time, be or become charged upon the Charged Premises in priority to these presents, including taxes;
- (iv) to the Chargee all interest, principal and other monies due hereunder to be paid in such order as the Chargee in its discretion shall determine;
- (v) and thereafter, every such receiver shall be accountable to the Chargor for any surplus.

The remuneration and expenses of the receiver shall be paid by the Chargor on demand and shall be a charge on the Charged Premises and shall bear interest from the date of demand at the same rate as applies to the principal hereby secured.

- (g) Save as to claims for accounting under clauses (f) of this paragraph, the Chargor hereby releases and discharges any such receiver from every claim of every nature, whether sounding in damages or not which may arise or be caused to the Chargor or any person claiming through or under him by reason or as a result of anything done by such receiver unless such claim be the direct and proximate result of dishonesty or fraud.
- (h) The Chargee may, at any time and from time to time, terminate any such receivership by notice in writing to the Chargor and to any such receiver.
- (i) The statutory declaration of an officer of the Chargee as to default under the provisions of these presents and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual.
- (j) The rights and powers conferred herein in respect of the receiver are supplemental to and not in substitution of any other rights and powers which the Chargee may have.

39. COMPLIANCE WITH LAW

The Chargor covenants and agrees to promptly observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority and agency concerning the Charged Premises and will at its own expense make any and all improvements thereon or alterations thereto, structural or otherwise, which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation. The Chargee, whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Charged Premises and make such improvements and alterations as the Chargee deems necessary to render the Charged premises in compliance with such laws, rules, requirements, orders, directions, ordinances or regulations and the reasonable cost of such inspection, improvements and

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alterations with interest at the rate set forth in the Charge shall be payable forthwith and be a charge upon the Charged Premises secured by the Charge.

40. CHARGE EXPENSES

The Chargor agrees to pay the reasonable and necessary costs, charges and expenses of and incidental to this Charge, and to any and all other documents required in connection therewith, and of any amendment or renewal thereof, and of anything done in connection with the enforcement of the security granted thereby or the procuring or the payment of any monies payable hereunder including, without limiting the generality of the foregoing, all solicitor's fees, costs and expenses of examination of title, and the obtaining of the opinion of counsel for the Chargee thereon and all costs and expenses valuing the Charged Premises in connection with the foregoing. The Chargor further agrees that such amounts shall be paid forthwith upon demand and until paid shall bear interest at the rate provided for in the Charge and shall be a charge on the Charged Premises.

41. INTERPRETATION

And it is hereby agreed and declared that the expression "the Chargor" used in these presents shall include the heirs, executors, administrators, successors and assigns of the Chargor or any of them as appropriate in the context and the expression "the Chargee" shall include the heirs, executors, administrators, successors and assigns of the Chargee or any of them as appropriate in the context and (if the Charge affects a Condominium) the expression "the Condominium Corporation" shall mean the Condominium Corporation referred to in the description and the expression "Declaration" shall mean the declaration registered in connection with the Condominium Corporation, and words in the singular include the plural, any words in the plural include the singular, and words importing the masculine gender include the feminine and neuter genders where the context so requires, and that all covenants, liabilities and obligations entered into or imposed hereunder upon the Chargor shall be equally binding upon his, her or their respective heirs, executors, administrators, successors and assigns and that all such covenants, liabilities and obligations shall be joint and several, and that all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargee shall be equally secured to and exercisable by and shall enure for the benefit of his heirs, executors, administrators, successors and assigns.

42. PARAGRAPH HEADINGS

The paragraph headings herein are inserted for convenience of reference only and are deemed not to form part of the Charge and are not to be considered in the construction or interpretation of the Charge or any part thereof.

43. DATE OF CHARGE

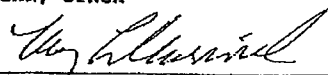
This Charge, unless otherwise specifically provided, shall be deemed to be dated as of the date of signature thereof by the first named Chargor.

44. TRUE COPY

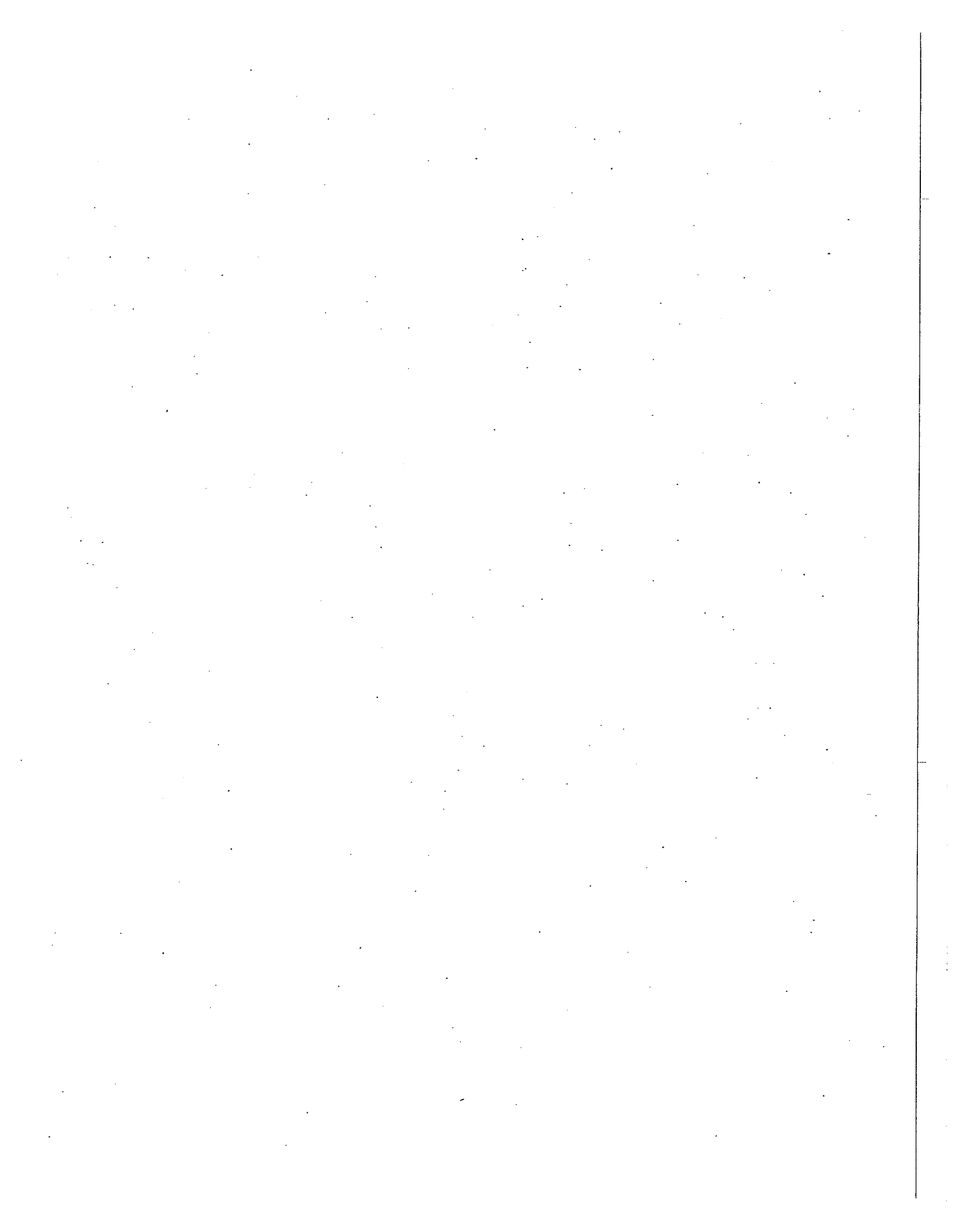
The Chargor acknowledges receipt of a true copy of the within Charge.

DATED the 29th day of March, 1988.

McMILLAN, BINCH

Per: 
Nancy L. Carnwath, Partner

DIRECTOR OF LAND REGISTRATION
STANDARD CHARGE TERMS
FIGURE NO. 885



375 wheelabrator way
Milton, ONTARIO

LRO # 20 Charge By Partnership
The applicant(s) hereby applies to the Land Registrar.

Registered as HR343862 on 2004 12 15 at 10:05
yyyy mm dd Page 1 of 7

Properties

PIN 24977 - 0280 LT *Estate/Qualifier* Fee Simple Lt Conversion Qualified
Description PT LT 1, CON 3 ESQ., PART 1, 20R8280, S/T 592935; T/W 674511
MILTON/ESQUESING AMENDED DESC SEPT 25, 98 & 13 09 99 BY J. MENARD
Address 00375 WHEELABRATOR WAY
MILTON

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name 2515080 NOVA SCOTIA COMPANY
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

I, JOHN CHEN, VICE-PRESIDENT, have the authority to bind the corporation.
This document is not authorized under Power of Attorney by this party.
I am a partner.

Name NMC CANADA INC.
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

I, VYTAS AMBUTAS, SECRETARY, have the authority to bind the corporation.
This document is not authorized under Power of Attorney by this party.
I am a partner.

Name SKD COMPANY (FIRM NAME)
Address for Service c/o National Material LP
1965 Pratt Blvd.
Elk Grove Village, Illinois
60007-5905, USA

This is the firm name of the Partnership/Limited Partnership.

Charges(s) *Capacity* *Share*

Name COMERICA BANK
Address for Service Comerica Bank, Canada Branch
200 Bay Street, Suite 2210
Royal Bank Plaza, South Tower
Toronto, Ontario
M5J 2J2

Statements

Schedule: See Schedules

Provisions

Principal \$90,000,000.00 *Currency* CDN
Calculation Period
Balance Due Date On Demand
Interest Rate Twenty-five percent (25%) per annum
Payments

Provisions

Interest Adjustment Date
Payment Date
First Payment Date
Last Payment Date
Standard Charge Terms 885
Insurance Amount full insurable value
Guarantor

Signed By

Andrew Henry Kerr 309-- Westcourt Place 251 Goyeau acting for Chargor(s) Signed 2004 12 15
St.
Windsor N9A 6V2
Tel 519-252-2211
Fax 5192520132

Submitted By

KERR AND KERR 309-- Westcourt Place 251 Goyeau St. 2004 12 15
Windsor N9A 6V2
Tel 519-252-2211
Fax 5192520132

Fees/Taxes/Payment

Statutory Registration Fee \$60.00
Total Paid \$60.00

SCHEDULE

- A. WHEREAS 2515080 NOVA SCOTIA COMPANY and NMC CANADA INC., carrying on business as a partnership known as SKD COMPANY (hereinafter called the "Chargor") is obligated to Comerica Bank (the "Chargee").
- B. AND WHEREAS the Chargor has at the request of the Chargee agreed to give this Charge as a continuing collateral security for payment and satisfaction to the Chargee of all obligations, debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, at any time owing by the Chargor to the Chargee or remaining owing or unpaid by the Chargor to the Chargee heretofore or hereafter incurred or arising and whether incurred by or arising from any agreement or dealings between the Chargee and the Chargor or from any agreement or dealings with any third party by which the Chargee may be or become in any manner whatsoever a creditor of the Chargor or however otherwise incurred or arising anywhere within or outside Canada and whether the Chargor be bound alone or with another or others and whether as principal or surety and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again (such obligations, debts and liabilities being hereinafter called the "Liabilities").
-
1. The Chargor charges the lands and premises described in this Charge (the "Charged Property") with the payment to the Chargee of the principal and interest and all other monies secured by this Charge upon the terms set out in this Charge.
2. PROVIDED THIS CHARGE to be void upon the Chargor, its successors or assigns or any of them, paying on demand to the Chargee, its successors or assigns, the ultimate balance of the Liabilities, the principal component of such Liabilities not exceeding the sum of NINETY MILLION (\$90,000,000.00) DOLLARS together with interest on the Liabilities at the rate of twenty-five per centum (25%) per annum, calculated half-yearly, not in advance, and payable monthly as well after as before maturity, default and judgment, with interest on overdue interest at the same rate as on the principal sum, and all other amounts payable by the Chargor hereunder and paying any taxes, rates, levies, charges or assessments upon the Charged Property no matter by whom or what authority imposed and observing and performing all covenants, provisos and conditions herein contained.
3. IT IS AGREED BY AND BETWEEN THE PARTIES HERETO as follows:
- (a) That no part of any Liabilities of the Chargor to the Chargee existing at the date of this Charge or incurred or arising thereafter, shall be deemed to be unsecured by this Charge.
- (b) That this Charge is and shall be a continuing collateral security to the Chargee for the amount of such Liabilities and interest as herein provided and shall be deemed to be taken as security for the ultimate balance of such Liabilities; AND these presents shall not, nor shall anything herein contained operate so as to create any merger or discharge of any debt owing to the Chargee or of any lien, bond, promissory note, bill of exchange or other security held by or which may hereafter be held by the Chargee from the Chargor or from any other person or persons and this Charge shall not in any way prejudicially affect any security held or which may hereafter be held by the Chargee for the said Liabilities or any part thereof, or the liability of any endorser or any other person or persons upon any such lien, bond, bill of exchange, promissory note or other security or contract or any renewal or renewals thereof held by the Chargee for or on account of the said Liabilities or any part or parts thereof, nor shall the remedies of the Chargee in respect thereof be prejudiced or delayed in any manner whatsoever by the taking of this Charge.
- (c) That any and all payments made in respect of the said Liabilities and interest and the monies or other proceeds realized from the sale of any securities held therefor including this Charge may be applied and reapplied notwithstanding any previous

application on such part or parts of such Liabilities or interest as the Chargee may see fit or may be held unappropriated in a separate collateral account for such time as the Chargee may see fit.

- (d) That the Chargee may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities and guarantees from and give the same and any and all existing securities and guarantees up to, may abstain from taking securities or guarantees from or from perfecting securities or guarantees of, may accept compositions from and may otherwise deal with the Chargor, the Chargor and all other persons, securities and guarantees as the Chargee may see fit without prejudicing the rights of the Chargee under this Charge.
 - (e) That the taking of judgment in respect of the said Liabilities or any instrument or instruments now or hereafter representing or evidencing the said Liabilities or under any of the covenants herein or in any such instrument contained or implied shall not operate as a merger of the said Liabilities or such instrument, instruments or covenants nor affect the Chargee's right to interest at the rate and times herein provided nor affect nor prejudice any rights or remedies given to the Chargee by the terms hereof.
4. The Chargee, its agents and employees shall have the right to enter upon the Charged Property at all reasonable times to make investigations or examination (including, without limitation, the examination of the Chargor's financial records) concerning the performance by the Chargor of its obligations under this Charge and to have access to any and all of the buildings and improvements forming part of the Charged Property for the purpose of inspecting or protecting the same. The Chargor shall take all reasonable steps, including legal proceedings, to protect its own right, title and interest in the Charged Property and to enable the Chargee to defend the interest of the Chargee therein.
5. Without limiting the Chargee's remedies hereunder, if the Chargor fails to pay or perform any of its obligations hereunder relating to the Charged Property, the Chargee may, at any time (but shall be under no obligation to) pay or perform the same and the amount or cost of any such payment or performance, with interest at the interest rate set out herein, shall immediately be due and payable and shall be added to the Liabilities secured by this Charge.
6. In the event of:
- (a) the Chargor selling, conveying, transferring, or entering into any agreement of sale or transfer of the title of the Charged Property to a purchaser, grantee or transferee not approved in writing by the Chargee; or
 - (b) if such a purchaser, grantee or transferee should fail to (a) apply for and receive the Chargee's written approval as aforesaid, (b) personally assume all the obligations of the Chargor under this Charge, and (c) execute an Assumption Agreement in the form required by the Chargee,

then at the option of the Chargee all monies hereby secured with accrued interest thereon shall forthwith become due and payable. Nothing contained herein shall obligate the Chargee to approve of a sale, conveyance or transfer of the Charged Premises.

7. Without limiting the demand nature of this Charge, the occurrence at any time or times of any of the following shall constitute a default under this Charge:
- (a) If a petition shall be filed or an involuntary proceeding, case or proposal shall be commenced against the Chargor under any bankruptcy, insolvency, debt restructuring, reorganization, incorporation, readjustment of debt dissolution, liquidation, winding up or similar law now or hereafter in effect, seeking the liquidation reorganization, dissolution, winding-up composition or readjustment of debts of the Chargor, the appointment of a trustee, receiver, receiver and manager, custodian, liquidator, administrator or other person with like powers for the Chargor or all or any material part of the Chargor's assets, or any similar relief;

- (b) The commencement by the Chargor, the making of any order for substantive relief against the Chargor in, any bankruptcy, insolvency, debt restructuring, reorganization, incorporation, readjustment of debt, dissolution, liquidation or other similar proceedings (including without limitation proceedings under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act*, the corporation statute under which the Chargor is organized or other similar legislation) or the filing of any notice of intention with respect to any of the foregoing;
- (c) The seizure of all or any material part of the Chargor's assets by any creditor or creditor's representative, including without limitation, a privately appointed or sheriff;
- (d) The direct or indirect sale, transfer, lease of, or the granting of any security interest (whether prior or subordinate) in, all or any part of the Charged Property, without the prior written consent of the Chargee, which may be unreasonably withheld; and
- (e) A default as set out in the Loan Agreement.

If any of the foregoing occur, the Chargee shall have the right to proceed to exercise its remedies both under this Charge and at law.

- 8. If any provision of this Charge is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Charge.
- 9. Chargor shall indemnify and hold harmless Chargee and its affiliates, and the directors, officers, agents and employees of Chargee and its affiliates from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) in connection with or arising out of or based upon any investigation, litigation or proceeding, whether threatened or actual, related to this Charge, the Charged Property or the occupancy, ownership, maintenance or management of the Charged Property by Chargor, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of Chargor. This indemnification shall be in addition to any other liability which Chargor otherwise has to Chargee.
- 10. In this Charge the following words and phrases have the following meanings:
 - (a) "Contaminant" includes, but is not limited to, any pollutants, dangerous substances, liquid waste, industrial waste, hauled liquid waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants including any of the foregoing as defined in any Environmental Law.
 - (b) "Environmental Activity" means any past, present or future activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its release, emission, discharge, escape, leaching, dispersal or migration into the natural environment, including the movement through or in the air, soil, surface water or groundwater.
 - (c) "Environmental Law" means any and all applicable international, federal, provincial, municipal or local laws, by-laws, statutes, regulations, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations relating to the environment, occupational health and safety, health protection or any Environmental Activity.
 - (d) "Release" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump and exhaust and when used as a noun has a similar meaning.

The Chargor covenants and agrees that it will comply in all respects with the requirements of any Environmental Law applicable to the Charged Property.

In the event of any Release of a Contaminant, the threat of a Release of a Contaminant, or the presence of any Contaminant affecting the Charged Property, whether or not the same originates or emanates from the Charged Property or any contiguous real property and/or if the Chargor shall fail to comply with any of the requirements of the Environmental Laws, the Chargee may at its election, but without the obligation so to do, give such notices and/or cause such work to be performed and/or take any and all other actions as the Chargee shall deem necessary or advisable in order to abate the discharge of any Contaminant, remove the Contaminant or cure the Chargor's non-compliance.

If the Chargee, or someone on the Chargee's behalf, retains the services of any lawyer or solicitor or any engineer, scientist or any environmental consultant or other consultant in connection with any environmental matter, the Chargor shall pay all costs and fees thereby incurred (including, without limitation, legal fees on a solicitor and client basis) if retained as a result of any breach of Environmental Law or in connection with any enquiry or investigation by a federal, provincial, municipal or local government or agency in connection with Environmental Law or if the services performed are reasonably necessary for the performance of the Chargee's functions under this Charge or for the preservation or protection of the Charged Property. If the Chargor should fail to pay such costs or fees forthwith the Chargee may but shall not be obliged to pay the same.

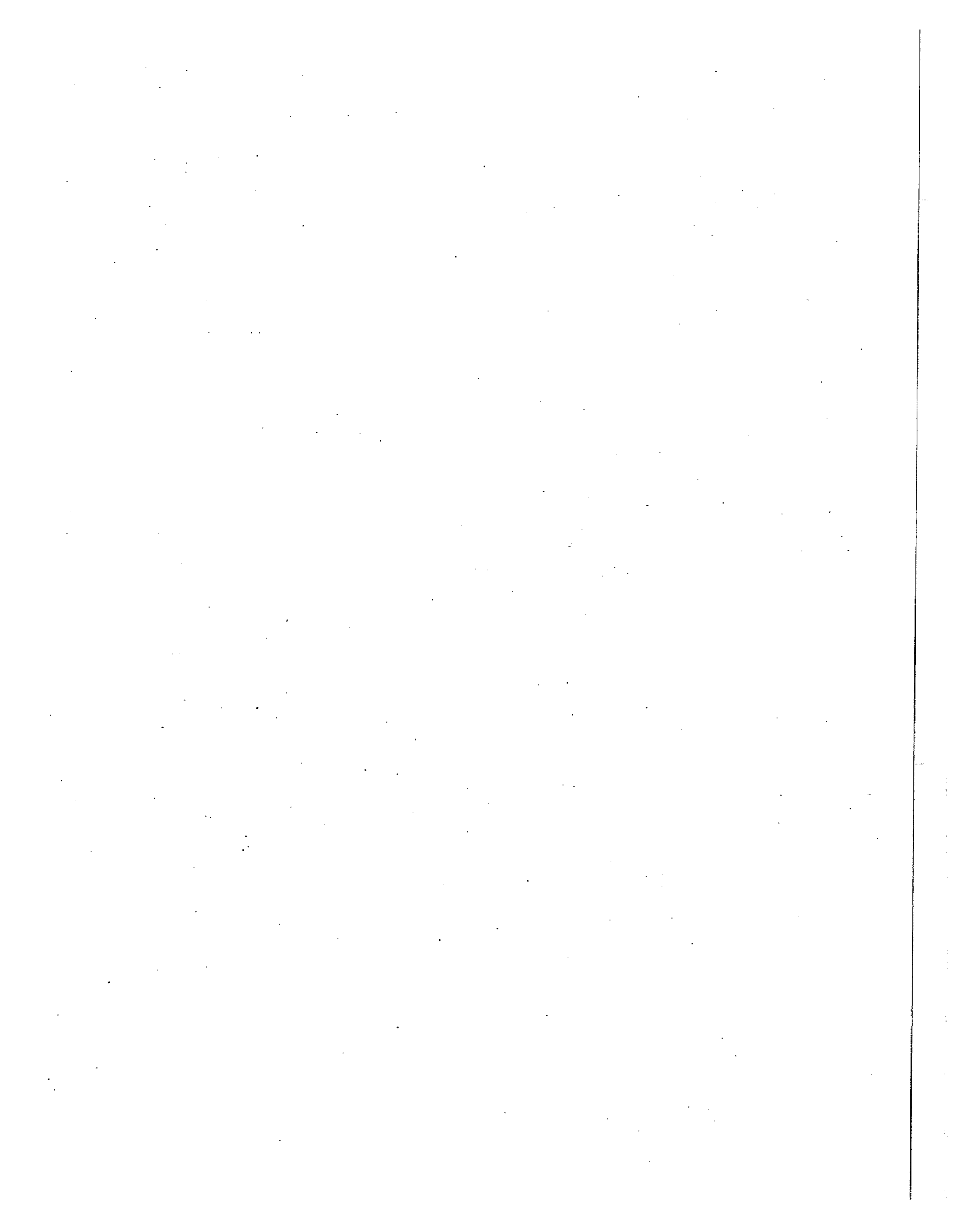
All obligations, costs, charges, fees and expenses which the Chargee incurs with respect to any matter referred to in this section shall be added to the debt hereby secured and be a charge on the Charged Property and shall bear interest at the rate set out in this Charge and shall be payable forthwith by the Chargor to the Chargee and in default the Chargee may exercise any and all of its remedies hereunder.

11. This Charge shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
12. If, for the purpose of obtaining judgment in any court, determining the amount outstanding under this Charge or for any other purpose, it is necessary to convert an amount in one currency (the "Original Currency") into another currency (the "Second Currency"), the Equivalent Amount (as hereinafter defined) of the Second Currency shall be used. If the conversion relates to a judgment, the conversion shall be performed as of the date two Business Days preceding that on which judgment is given. For all other purposes, the conversion shall be performed as of the date and time of determination.

The Chargor agrees that any obligations in respect of any Original Currency due from it to the Chargee shall, notwithstanding any judgment or payment in any Second Currency, be discharged only to the extent that, on the Business Day following receipt of any sum so paid or adjudged to be due in the Second Currency, the Chargee may, in accordance with normal banking procedures, purchase, in the Toronto, Ontario, Canada foreign exchange market, the Original Currency with the amount of the Second Currency so paid or so adjudged to be due; and if the amount of the Original Currency so purchased is less than the amount of the Original Currency due to the Chargee, the Chargor agrees, as a separate obligation and notwithstanding any such payment or judgment, to pay the Chargee the amount of the Second Currency required to purchase the amount of the Original Currency necessary to make up such difference on such date together with interest at the rate of TWENTY FIVE per centum (25%) per annum and expenses (including legal fees) from such date to the date of payment.

13. In the event of a conflict or inconsistency between the terms of this Charge and the terms of the loan agreement among the Chargor, the Chargee and others dated December 14, 2004 as amended, restated or modified from time to time (the "Loan Agreement"), the terms of the Loan Agreement shall prevail to the extent of such conflict or inconsistency. For greater certainty, any provision contained in this Charge shall not conflict with or be inconsistent with the Loan Agreement by reason that such provision is contained in this Charge but not in the Loan Agreement.

14. Notwithstanding any other provision of this Charge, this Schedule or Standard Charge Terms No. 885, which form a part of this Charge:
- (a) the Chargor shall not be in default under this Charge because of the occurrence of any default set out in section 7 of this Schedule unless such default would constitute a default under section 12 of the Loan Agreement read without reference to default under any other Document (as defined in the Loan Agreement);
 - (b) the Chargor may enter into any lease, grant any security interest, or enter into any other agreement or arrangement if entry into such lease, the granting of such security interest, or the entry into such other agreement or arrangement is permitted by the Credit Agreement read without reference to any other Document; and
 - (c) the Chargor shall not be required to remit payment of any amount on account of taxes or on account of any other amounts not specifically required to be paid by the Chargor to the Chargee under the Loan Agreement unless and until the Chargor is in default under this Charge or an Event of Default (as defined in the Loan Agreement) has occurred.

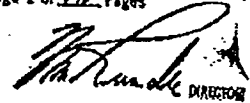


LAND REGISTRATION REFORM ACT, 1984

SET OF STANDARD CHARGE TERMS

Filed by McMillan, Binch

Filing Date:
Filing Number:

 DIRECTOR

The following set of standard charge terms shall be deemed to be included in every charge in which the set is referred to by its filing number, as provided in Section 9 of the Land Registration Reform Act, 1984.

1. CHARGE

The chargor or chargors (herein called the "Chargor") named in any charge of which this set of standard charge terms forms a part by reference to its filing number in such charge (herein called the "Charge") charges the lands and premises described in the Charge (herein and in the Charge called the "Charged Premises") with the payment to the chargee named in the Charge (herein and in the Charge called the "Chargee") of the principal and interest and all other monies secured by the Charge upon the terms as set out in the Charge including this set of standard charge terms and whenever reference is made in this set of standard charge terms to the Charge it shall include this set of standard charge terms.

2. DEFEASANCE

(a) The provisions relating to defeasance contained in subsection 6(2) of the Land Registration Reform Act, 1984, shall be and are hereby expressly excluded from the terms of the Charge.

(b) The following proviso shall apply if and only if a specific proviso for defeasance is not included in a schedule to the Charge: Provided that this Charge shall be void upon the Chargor, his heirs, executors, administrators, successors or assigns or any of them paying or causing to be paid to the Chargee, its heirs, executors, administrators, successors or assigns the principal sum set forth in the Charge and interest thereon as well after as before maturity and default and judgment at the rate set forth in the Charge at the days and times and in the manner set forth in the Charge and all other amounts payable by the Chargor hereunder and paying any taxes, rates, levies, charges or assessments and including, without limitation, utility charges, upon the Charged Premises no matter by whom or what authority imposed and observing and performing all covenants, provisos and conditions herein contained.

3. APPLICATION OF PAYMENTS

Provided that if the Charge is repayable by blended instalments of principal and interest the instalments payable under the Charge are to be applied firstly to interest calculated as provided in the Charge on the principal monies from time to time outstanding and the balance of the said instalments shall be applied on account of principal; except however in the case of default by the Chargor, the Chargee may then apply any payments received during the period of default in whatever order it may elect as between principal, taxes, interest, repairs, insurance premiums or other advances made on behalf of the Chargor.

4. COMPOUND INTEREST

It is agreed that in case default shall be made in payment of any sum to become due for interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the

rate aforesaid, and in case the interest and compound interest are not paid on the next interest payment date after the date of default a rest shall be made, and compound interest at the rate aforesaid shall be payable on the aggregate amount then due, as well after as before maturity, and so on from time to time, and all such interest and compound interest shall be a charge upon the Charged Premises secured by the Charge.

5. TAXES

With respect to municipal taxes, school taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the Charged Premises, it is mutually agreed between the parties to the Charge that:

- (a) The Chargee may deduct from the final advance of the monies secured by the Charge an amount sufficient to pay the taxes which have become or will become due and payable at the date for adjustment of interest referred to in the Charge and are unpaid at the date of such final advance.
- (b) Subject as provided in subparagraph (c) below, the Chargor shall pay all taxes as they fall due and will provide the Chargee with receipts confirming payment of same as the Chargee may require.
- (c) At the request of the Chargee the Chargor shall pay to the Chargee in monthly instalments on the dates on which instalments of principal and interest are payable hereunder, sums sufficient to enable the Chargee to pay in each year during the term of the Charge, the whole amount of taxes as estimated by the Chargee from time to time on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof; and the Chargor shall also pay to the Chargee on demand the amount, if any, by which the actual taxes exceed such estimated amounts, and the Chargor shall be charged interest, at the Charge rate, on the debit balance, if any, of taxes in the tax account outstanding after payment of taxes by the Chargee, until such debit balance is fully repaid.
- (d) The Chargee will apply such deduction and payments on the taxes chargeable against the said lands so long as the Chargor is not in default under any covenant, proviso or agreement contained herein, but nothing herein contained shall obligate the Chargee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Chargee shall have been so applied, there shall be default by the Chargor in respect of any payment of principal or interest as herein provided, the Chargee may apply such sum or sums in or towards payment of the principal and or interest in default.
- (e) If subparagraph (c) applies the Chargor will transmit to the Chargee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by him.

6. DEEMED COVENANTS EXCLUDED

The covenants deemed to be included in a charge by subsection 7(1) of the Land Registration Reform Act, 1984 shall be and are hereby expressly excluded from the terms of the Charge.

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7. COVENANTS IN LIEU OF STATUTORY COVENANTS

The Chargor doth hereby, for himself, his heirs, executors, administrators and successors and assigns covenant, promise and agree to and with the Chargee, his heirs, executors, administrators, successors and assigns, as follows:

(i) To Pay and Observe Covenants

That the Chargor, shall pay or cause to be paid to the Chargee, without deduction or abatement the principal money secured by the Charge with interest as set out in the Charge at the times and in the manner therein limited for payment thereof, and shall do, observe, perform, fulfil and keep all the provisions, covenants, agreements and stipulations particularly set forth in the Charge, and, without limitation, shall pay any taxes, rates, levies, charges or assessments including, without limitation, utility charges, upon the Charged Premises or in respect thereof, no matter by whom or by what authority imposed, which the Chargee has paid or have been rendered liable to pay and shall also pay all other sums as the Chargee may be entitled to under the Charge.

(ii) For Good Title

That the Chargor, at the time of execution and delivery of the Charge, is, and stands solely, rightfully and lawfully seized of a good, sure, perfect, absolute and indefeasible title in fee simple to the Charged Premises free of any trusts, reservations, limitations, provisos or conditions (except those contained in the original grant thereof from the Crown) or any other matter or thing to alter, charge, change, encumber or defeat the same.

(iii) Right to Charge

That the Chargor has good right, full power and lawful and absolute authority to charge the Charged premises with their appurtenances unto the Chargee, in the manner set out in the Charge.

(iv) Quiet Possession on Default

That from and after default in the payment of the principal money mentioned in the Charge, or the interest thereof, or any part thereof, or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained in the Charge, contrary to the true intent and meaning thereof, then in every such case, it shall be lawful for the Chargee, peaceably and quietly to enter into, have, hold, use, occupy, possess and enjoy the Charged Premises or intended so to be, with their appurtenances, without the let, suit, hindrance, interruption or denial of the Chargor, or any other person or persons whomsoever, free and clear of all arrears of taxes and assessments whatsoever due or payable upon or in respect of the Charged Premises or any part thereof and of and from all former conveyances, mortgages, charges, rights, annuities, debts, executions and recognizances and of any other charges or encumbrances whatsoever.

(v) Further Assurances

That from and after default shall happen to be made of or in the payment of the principal amount, or the interest thereon, or any part of the principal or interest, as set forth in the Charge or of or in the doing, observing, performing, fulfilling or keeping of some one or more of the provisions, agreements or stipulations in the Charge contrary to the true intent and meaning hereof, then and in every such case the Chargor, and all and every person or persons whatsoever having, or

lawfully claiming, or who shall or may have or lawfully claim any estate, right, title, interest or trust of, in, to or out of the Charged Premises by, from, under or in trust for him, shall and will, from time to time, and at all times thereafter, make, do, suffer and execute or cause or procure to be made, done, suffered and executed, all and every such further and other reasonable act or acts, deed or deeds, devices, conveyances, and assurances in the law for the further, better and more perfectly and absolutely conveying and assuring the Charged Premises unto the Chargee, as by the Chargee, or its or their solicitor shall or may be lawfully and reasonably devised, advised, or required.

(vi) Done No Act To Encumber

That the Chargor has not at any time heretofore made, done, committed, executed or wilfully or knowingly suffered any act, deed, matter or thing whatsoever whereby the lands described in the Charge or intended so to be, or any part thereof, are, is or shall or may be in any way impeached, charged, affected or encumbered in title, estate or otherwise howsoever.

(vii) Insurance

(a) And that the Chargor will forthwith insure and during the continuance of the Charge keep insured against loss or damage by fire, and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, the Charged Premises for the full replacement value thereof in lawful money of Canada in a company acceptable to the Chargee;

(b) That the Chargor covenants and agrees to maintain at all times during the continuance of this Charge liability insurance in an amount and issued by an insurer acceptable to the Chargee stating that the Chargor is insured against loss from liability imposed by law as owner and, where applicable, as landlord of the Charged Premises for personal injury, death and damage to or loss of property of any person;

(c) That the Chargor covenants and agrees to maintain at all times during the continuance of this Charge insurance issued by insurers acceptable to the Chargee insuring the boilers, pressure vessels, machinery and like equipment (if any) attached to and forming part of the Charged Premises against loss or damage by explosion, rupture of steam pipes and other usual risks covered by boiler insurance;

(d) That the Chargor at all times during the continuance of this Charge will maintain insurance issued by an insurer and in form and terms acceptable to the Chargee insuring the rental income of the Charged Premises in an amount acceptable to the Chargee;

(e) That the Chargor shall pay all premiums and sums of money necessary in connection with such insurance as the same shall become due, and each policy of insurance (except liability policies) shall provide that loss, if any, shall be payable to the Chargee as its interest may appear, subject to the standard form of mortgage clause attached to the policy but such mortgage clause to provide that at least 30 days notice will be given to the mortgagee before cancellation of any policy; and the Chargor will forthwith assign, transfer and deliver over unto the Chargee the policy or policies of insurance and receipts thereto appertaining; and each policy shall provide that it will not be terminated or expire unless the Chargee shall have first received 30 days prior written notice of such termination or expiration; and if the Chargor shall neglect to keep the Charged Premises insured as aforesaid, or to deliver such policies and receipts or to produce to the Chargee at least thirty days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be

entitled but shall not be obliged to insure the Charged Premises and if the Chargee shall pay any premiums or sums of money for insurance for the Charged Premises the amount of such payment shall be added to the debt secured by the Charge and shall bear interest at the rate applicable to principal as set out in the Charge from the time of such payments and shall be repayable at the time appointed for the next ensuing payment of interest on the said debt; and the Chargor shall (except in the case of liability policies) forthwith on the happening of any loss or damage, furnish at his own expense all necessary proofs and do all necessary acts to enable the Chargee to obtain payment of the insurance monies and the production of the Charge shall be sufficient authority for the said insurance company to pay any such loss to the Chargee, and the said insurance company is hereby directed thereupon to pay the same to the Chargee; and any insurance monies received may, at the option of the Chargee, be applied in rebuilding, reinstating or repairing the Charged Premises or be paid to the Chargor or any other person appearing by the registered title to be or to have been the owner of the Charged Premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Chargee, in whole or in part on the Charge debt or any part thereof whether due or not then due;

(f) If the Charged Premises are part of a condominium the insurance provisions set out in paragraphs (a) to (e) above will not apply and the following will apply to the Charge:

And that the Chargor or the Condominium Corporation or both of them will forthwith insure and during the continuance of the Charge keep insured in favour of the Chargee against loss or damage by fire and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, and other risks or hazards normally insured against by a standard fire insurance or additional perils supplemental contract of insurance, for the full replacement value thereof in lawful money of Canada; each policy of insurance shall provide that loss, if any, shall be payable to the Chargee as his interest may appear, subject to the standard form of mortgage clause attached to the policy; and the Chargor or the Condominium Corporation or both of them will forthwith assign, transfer and deliver unto the Chargee the policy or policies of insurance and receipts thereof appertaining; and each policy shall provide that it will not be terminated or expire unless the Chargee shall have first received 30 days prior written notice of such termination or expiration; and if the Chargor or Condominium Corporation or both of them shall neglect to keep the said buildings or any of them insured aforesaid, or to deliver such policy or policies, and receipts or produce to the Chargee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be entitled but shall not be obligated to insure the Charged Premises; and the Chargor or the Condominium Corporation or both of them shall forthwith on the happening of any loss or damage comply fully with the terms of the policy, or policies, of insurance and, without limiting the generality of the obligation of the Chargor to observe and perform all the duties and obligations imposed on him by the Condominium Act and by the Declaration and By-laws of the Condominium Corporation as hereinafter provided, shall comply with the insurance provisions of the Declaration; and the Chargor as a member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation of the aforementioned covenants.

8. RELEASE

And the Chargor hath released, remised and forever quitted claim, and by these presents doth release, remise, and forever quit claim unto the Chargee, all right, title, interest, claim and demand whatsoever, of, unto and out of the said lands and premises hereby charged or intended so to be, and every part

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and parcel thereof, so as that the Chargor, shall not at any time hereafter have, claim, pretend to, challenge or demand the said lands and premises or any part thereof, in any manner howsoever, subject always to the proviso for defeasance.

9. ENTRY AFTER DEFAULT AND POWER OF SALE

Provided that the Chargee on default by the Chargor of payment of the principal and interest or any part thereof as herein and by the Charge required or in the observing, performing, fulfilling or keeping of one or more of the covenants of the Chargor provided in the Charge may enter into possession of the lands and premises hereby charged or intended so to be and take the rents, issues and profits and whether in or out of possession make such lease or leases as he or they shall think fit, and also on fifteen days' default as aforesaid and after giving at least thirty-five days' written notice to the persons and in the manner and form prescribed by Part III of the Mortgages Act, R.S.O. 1980, C. 296 as it may be amended from time to time, may sell the lands and premises charged by the Charge or intended so to be or any part or parts thereof by public auction or private contract, or partly the one and partly the other, and may convey and assure the same when so sold to the purchaser or purchasers thereof, his or their heirs, successors or assigns, or as he or they shall direct and may do all such assurances, acts, matters and things as may be found necessary for the purposes aforesaid, and the Chargee shall not be responsible for any loss which may arise by reason of any such leasing or sale as aforesaid unless the same shall happen by reason of its or their wilful neglect or default. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable it is agreed that notice may be effectually given by leaving it with a grown-up person on the Charged Premises, if occupied, or by placing it on some portion of the Charged Premises if unoccupied, or at the option of the Chargee, by mailing it in a registered letter addressed to the Chargor at his last known address, or by publishing it once in a newspaper published in the county or district in which the Charged Premises are situate, and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person or persons to be affected thereby may be unknown, unascertained or under disability. And it is hereby further agreed that the proceeds of sale hereunder may be applied in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the Charged Premises or by reason of non-payment or procuring payment of monies, secured hereby or otherwise, and that the Chargee may sell all or any part of the Charged Premises on such terms as to credit and otherwise as shall appear to it most advantageous and for such prices as can reasonably be obtained therefor and may make any stipulations as to title or evidence or commencement of title or otherwise which it shall deem proper, and may buy in or rescind or vary any contract for the sale of the whole or any part of the Charged Premises and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Chargee shall be bound to pay the Chargor only such monies as have been actually received from purchasers after the satisfaction of the claims of the Chargee and for any of said purposes may make and execute all agreements and assurances as it shall think fit. Any purchaser or lessee shall not be bound to see to the propriety or regularity of any sale or lease or be affected by express notice that any sale or lease is improper and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder; and that the title of a purchaser or lessee upon a sale or lease made in professed exercise of the above power shall not be liable to be impeached on the ground that no case had arisen to authorize the exercise of such power or that such power had been improperly or irregularly exercised, or that such notice had not been given, but any person damaged by an unauthorized, improper or irregular exercise of the power shall have his remedy against the person exercising the

power in damages only. The Chargee may sell fixtures, machinery, crops and standing or fallen trees apart from the lands, and the purchaser as well as the Chargee shall have all necessary access for securing, cutting and removal. It is agreed between the parties to the Charge that nothing in this section contained shall prejudice or diminish any other rights and remedies and powers of the Chargee hereunder or in the Charge contained or existing at law by virtue thereof.

And it is further agreed between the parties to the Charge that until such sale or sales shall be made as aforesaid, the Chargee shall and will stand possessed of the rents and profits of the said Charged Premises in case it shall take possession of them on default as aforesaid and after such sale or sales shall stand possessed of the monies to arise and be produced from such sales, or which might arise from any insurance upon the Charged Premises or any part thereof upon trust firstly in payment of all the expenses incident to the sales, leases, conveyances, or attempted sales, or leases, secondly all costs, charges, damages and expense of the Chargee relating to taxes, rents, insurance, repairs, utilities and any other amounts which the Chargee may have paid relating to the Charged Premises, thirdly in discharge of all interest and costs then due in respect of the Charge, fourthly in discharge of the principal money secured by the Charge, fifthly in payment of the subsequent encumbrancers according to their priorities and the residue shall be paid to the Chargor as he may direct and shall also, in such event, at the request, costs and charges of the Chargor transfer, release and assure unto the Chargor or to such person or persons as he shall direct and appoint, all such parts of the Charged Premises as shall remain unsold for the purposes aforesaid, discharged from all the Charge, but no person who shall be required to make or execute any such assurances shall be compelled for the making thereof to go or travel from his usual place of abode. Provided always, and it is hereby further declared and agreed by and between the parties to these presents, that notwithstanding the power of sale and the other powers and provisions contained in the Charge the Chargee shall have and be entitled to its right of foreclosure of the fee interest or equity of redemption of the Chargor in the lands hereby charged as fully and effectually as it might have exercised and enjoyed the same in case the power of sale, and the other former provisos and trusts incident thereto had not been herein contained.

10. DISTRESS

Provided that and it is further stipulated, provided and agreed by and between the Parties to the charge that the Chargee may distrain for arrears of interest against the Charged Premises or any part thereof and recover by way of rent reserved as in the case of a demise the arrears of interest and all costs and expenses incurred in such levy or distress and may also distrain for arrears of principal and monthly payments of taxes, if required, in the same manner as if the same were arrears of interest.

11. PRINCIPAL DUE ON DEFAULT

Provided that, and it is hereby further expressly declared and agreed, that if any default shall occur in the payment of the interest money secured by the Charge, or any part thereof, or on payment of any instalment or principal as the same mature or of any instrument, promissory note, bill of exchange or other obligations now or at any time held by the Chargee in respect of or representing or securing the money hereby secured or any part thereof, or in the performance of any covenant, proviso or agreement herein contained or if any waste be committed or suffered on the Charged Premises when at the option of the Chargee, the principal money secured by the Charge or intended so to be shall forthwith become due and payable in like manner and

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with the like consequences and effects as if the time herein mentioned for payment of such principal money had fully come and expired, subject to any relief afforded to the Chargor at law. The Chargee may, however, waive its right to call in the principal and shall not be therefore debarred from asserting and exercising its right to call in the principal upon the happening of any future default or breach.

12. CHARGOR'S QUIET POSSESSION UNTIL DEFAULT

And provided and it is agreed that until default in the payment of principal or interest secured by the Charge or intended so to be, or any part of either of the same or in the performance of any of the provisions set forth in the Charge it shall be lawful for the Chargor, peaceably and quietly to have, hold, use, occupy, possess and enjoy the Charged Premises, and receive and take the rents and profits thereof to its own use and benefit, without let, suit, hindrance, interruption, or denial by the Chargee, or of or by any other person or persons whomsoever lawfully claiming, or who shall, or may lawfully claim by, from, under or in trust for it, them or any or either of them.

13. BUILDINGS, ADVANCES AND COST OF SEARCH

And it is the intention of the parties hereto that the building or buildings erected or to be erected on the said lands form part of the security for the full amount of the monies secured by the Charge; and that all advances are to be made in such manner at such times and in such amounts up to the full amount of said monies as the Chargee in its sole discretion may determine and subject always to the provision to which the Chargor hereby agrees that notwithstanding the execution or registration of the Charge or the advancement of any part of the monies, the Chargee is not bound to advance the monies or any unadvanced portion thereof and the advance of the monies and any part thereof from time to time shall be in the sole discretion of the Chargee, but nevertheless the Charge shall take effect forthwith upon the execution thereof by the Chargor and the expenses of the examination of the title and of the Charge and valuation are to be secured by the Charge in the event of the whole or any balance of the principal sum not being advanced, the same to be a charge upon the Charged Premises and shall be without demand thereof, payable forthwith with interest at the rate provided for in the Charge and in default the said Chargee's power of sale, and all other remedies under the Charge shall be exercisable.

14. FIXTURES

It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed or otherwise now on or hereafter put upon the said premises, including but without limiting the generality of the foregoing, all fences, heating, piping, plumbing, aerials, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, radiators and covers, fixed mirrors, fitted blinds, storm windows and storm doors, window screens and screen doors, shutters and awnings, floor coverings, and all apparatus and equipment appurtenant thereto, and all farm machinery and improvements, fixed or otherwise and even though not attached to the lands otherwise than by their own weight, are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and shall be a portion of the security for the indebtedness herein mentioned.

15. PARTIAL RELEASE

Provided that the Chargee may at all times release any part or parts of the Charged Premises or any other security or any surety for payment of all or any part of the monies hereby secured or may release the Chargor or any other person from any covenant

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or other liability to pay the said monies or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any monies except those actually received by the Chargee and without thereby releasing any other part of the Charged Premises, or any other securities or covenants herein contained, it being especially agreed that notwithstanding any such release the Charged Premises, securities and covenants remaining unreleased shall stand charged with the whole of the monies secured by the Charge.

16. DEFAULT IN PRIOR CHARGES

Provided and it is hereby further agreed by and between the Chargor and the Chargee that should default be made by the Chargor in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage or charge to which the Charge is subject, then and in that event the monies hereby secured shall forthwith become due and be payable, at the option of the Chargee, and all the powers in and by the Charge conferred shall become exercisable, and the powers of sale herein contained may be exercised as herein provided.

17. LIENS AND CONSTRUCTION

Provided also that upon the registration of any lien against the Charged Premises, or in the event of any buildings being erected thereon being allowed to remain unfinished or without any work being done on them for a period of ten (10) days, the principal and interest hereby secured shall, at the option of the Chargee, forthwith become due and payable.

18. WASTE, VACANCY AND REPAIR

And the Chargor covenants and agrees with the Chargee that the Chargor will not permit waste to be committed or suffered on the Charged Premises and that he will maintain the buildings or other improvements on the Charged Premises in good order and repair to the satisfaction of the Chargee and will not permit or suffer them to become or remain vacant and that the Chargee whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Charged Premises, and the reasonable cost of such inspection shall be added to the debt secured by the Charge.

19. ALTERATIONS

And the Chargor covenants and agrees with the Chargee that the Chargor will not make or permit to be made any alterations or additions to the Charged Premises without the consent of the Chargee.

20. NON-MERGER

Provided and it is agreed, that the taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenant or affect the Chargee's right to interest at the rate and times herein provided; and further that said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

21. RIGHTS ON DEFAULT

And the Chargor covenants and agrees with the Chargee that in the event of default in the payment of any instalment of principal, interest or taxes hereby secured or any other monies payable hereunder by the Chargor or on breach of any covenant, proviso or agreement herein contained after all or any part of the monies hereby secured have been advanced, the Chargee may at such time or times as it may deem necessary and without the concurrence

of any other person enter upon the Charged Premises and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the said lands, or for inspecting, taking care of, leasing, collecting the rents of, and managing generally the Charged premises as it may deem expedient, and all reasonable costs, charges and expenses including allowances for the time and service of any employee of the Chargee or other person appointed for the above purposes shall be forthwith payable to the Chargee, and shall be a charge upon the said lands secured by the Charge and shall bear interest at the rate aforesaid until paid.

22. OBLIGATIONS SURVIVE SALE

Provided further that no sale or other dealing by the Chargor with the Charged Premises or any part thereof shall in any way change the liability of the Chargor or in any way alter the rights of the Chargee as against the Chargor or any other person liable for payment of the monies secured by the Charge.

23. PRIOR ENCUMBRANCES

It is further stipulated, provided and agreed, that the Chargee may pay the amount of any encumbrance, lien or charge now or hereafter existing, or to arise or to be claimed upon the Charged Premises having priority over this Charge, including any taxes, utility charges or other rates, on the Charged Premises or any of them, or any amounts payable to the Condominium Corporation, and may pay all costs, charges and expenses and all solicitors' charges or commissions, as between a solicitor and his client, which may be incurred in taking, recovering and keeping possession of the Charged Premises and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize this security, or in respect of the collection of any overdue interest, principal, insurance premiums or any other monies whatsoever payable by the Chargor hereunder whether any action or any judicial proceedings to enforce such payments has been taken or not, and the amount so paid and insurance premiums for fire or other risks or hazards and any other monies paid hereunder by the Chargee shall be added to the debt hereby secured and be a charge on the Charged Premises and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Chargor to the Chargee, and the non-payment of such amount shall be a default of payment within the meaning of those words in the paragraph dealing with power of sale and shall entitle the Chargee to exercise the power of sale and all other remedies hereby given. In the event of the Chargee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the monies advanced on the security or otherwise, he shall be entitled to all the rights, equities and securities of the person or persons, company, corporation, or Government so paid off, and is hereby authorized to retain any discharge thereof, without registration, for a longer period than six months if he thinks proper to do so.

24. ONTARIO NEW HOME WARRANTIES PLAN ACT, 1976

If the Chargee incurs any cost or expense of any nature or kind in any way arising from or relating to the Act above referred to and the Regulations thereunder (the "Act"), including, without any limitation whatsoever, any cost or expense relating to registration as a Vendor under the Act or enrolling the Charged Premises or entering into any agreement or agreements relating to performance of warranty obligations or performing any warranty obligations, all such cost and expense shall be added to the debt hereby secured and be a charge on the Charged Premises in priority to all other encumbrances registered or arising subsequent to the Charge and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Chargor to the Chargee.

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25. EXTENSIONS

Provided that no extension of time given by the Chargee to the Chargor, or anyone claiming under the Chargor or any other dealing with the owner of the Charged Premises, shall in any way affect or prejudice the rights of the Chargee against the Chargor or any other person liable for the payment of the monies hereby secured.

26. BONUS ON DEFAULT

Provided also that on default of payment of any of the monies hereby secured or payable the Chargee shall be entitled to require payment, in addition to all other monies hereby secured or payable hereunder, of a bonus equal to three months interest in advance at the rate aforesaid upon the principal money hereby secured, and the Chargor shall not be entitled to require a discharge of the Charge without such payment.

27. DISCHARGE

The Chargee shall have a reasonable time after payment of the monies secured by the Charge in full within which to prepare and execute a discharge (or, if requested, an assignment) of the Charge, and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Chargee and all legal and other expenses for the preparation and execution of such discharge and assignment shall be borne by the Chargor.

28. OTHER SECURITY

The Charge is in addition to and not in substitution for any other security held by the Chargee including any promissory note or notes for all or any part of the monies secured hereunder, and it is understood and agreed that the Chargee may pursue its remedies thereunder or hereunder concurrently or successively at its option. Any judgment or recovery hereunder or under any other security held by the Chargee for the monies secured by the Charge shall not affect the right of the Chargee to realize upon this or any other such security.

29. PLACE OF PAYMENT

Provided that all such payments hereby secured shall be made to Chargee at the address designated in the Charge, or at such other place as the Chargee may designate in writing to the Chargor from time to time.

30. SPOUSE'S CONSENT

And the spouse of the Chargor so named in the Charge hereby consents to the transaction evidenced by the Charge and releases all interest in the Charged Premises to the extent necessary to give effect to the rights of the Chargee hereunder, and agrees that the Chargee may, without further notice, deal with the Charged Premises and the debt hereby created as the Chargee may see fit.

31. FAMILY LAW ACT

The Chargor covenants and agrees that

- (a) he or the owner from time to time of the Charged Premises will advise and keep advised the Chargee as to whether he (i.e. the Chargor or the owner from time to time) is a spouse as defined by Section 1 of the Family Law Act, 1986 (the "Act"), or any amendments thereto, and if so, the name of his spouse, and of any change in his spousal status or in the status of the Charged Premises as a matrimonial home within the meaning of the Act, and

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- (b) forthwith on request he will furnish the Chargee with such evidence in connection with any of the matters referred to in clause (a) above as the Chargee may from time to time require, including, without limitation, his and his spouse's name, address and birth date and his and his spouse's authorization to the Registrar under The Vital Statistics Act of the Province of Ontario to provide the Chargee from time to time on request all information in its possession relative to any marriage, divorce or death of the Chargor or his spouse, and on default the principal money, interest and all other monies hereby secured shall, at the option of the Chargee, forthwith become due and payable.

32. SEVERABILITY OF ANY INVALID PROVISIONS

It is agreed that in the event that at any time any provision of these presents is illegal or invalid under or inconsistent with the provisions of any applicable statute or regulation thereunder or would by reason of the provisions of any such statute or regulation render the Chargee unable to collect the amount of any loss sustained by it as a result of making the above recited loan which it would otherwise be able to collect under such statute, then such provision shall not apply and shall be construed so as not to apply to the extent that it is so illegal, invalid or inconsistent or would so render the Chargee unable to collect the amount of any such loss.

33. COVENANTOR OR GUARANTOR

If a party is named in the Charge or schedule thereto as covenantor or guarantor then each such party (the "Guarantor"), jointly and severally in the case of more than one guarantor and unconditionally for himself, his heirs, executors, administrators and assigns, in consideration of the loan referred to in the Charge and the sum of One (\$1.00) Dollar now paid by the Chargee to him (receipt whereof is hereby acknowledged),

- (a) covenants with the Chargee, as principal debtor and not as surety, that he will well and truly pay or cause to be paid to the Chargee all monies payable hereunder on the days and times and in the manner herein limited and appointed for the payment thereof;
- (b) unconditionally guarantees full performance and discharge by the Chargor of all the obligations of the Chargor under the provisions of this Charge at the times and in the manner herein provided;
- (c) covenants and agrees to indemnify and save harmless the Chargee against and from all losses, damages, costs and expenses which the Chargee may sustain, incur or be or become liable for by reason of:
- (i) the failure for any reason whatsoever of the Chargor to pay the monies expressed to be payable pursuant to this Charge or to do and perform any other acts, matter or thing pursuant to the provisions of this Charge;
- (ii) any act, action or proceeding of or by the Chargee for or in connection with the recovery of the said monies or the obtaining of performance by the Chargor or any other person liable hereunder of any other act, matter or thing pursuant to the provisions of this Charge;
- (d) agrees that the Chargee shall not be obliged to proceed against the Chargor or any other person liable

hereunder or to enforce or exhaust any security before proceeding to enforce the obligations of the Guarantor herein stipulated and the enforcement of such obligations may take place before, after or contemporaneously with enforcement of any debt or obligation of the Chargor or any other person liable hereunder or the enforcement of any security for any such debt or obligation;

- (e) agrees that any waiver by the Chargee of any right or remedy available to it against the Chargor or the granting by the Chargee to the Chargor of any extension of time shall in no way affect the obligations of the Guarantor hereunder;
- (f) agrees that upon written demand being made by the Chargee, the Guarantor will reimburse the Chargee, to the extent that reimbursement is not made by the Chargor, for all costs and expenses, including legal fees and disbursements incurred by the Chargee in recovering from the Chargor any monies hereby secured or in the enforcement of this Guarantee;
- (g) agrees that until all monies hereby secured have been paid to the Chargee in full, the Guarantor shall have no right of subrogation and the Guarantor hereby waives unconditionally any right to participate in any collateral security given by the Chargor to the Chargee;
- (h) agrees that the Chargee may at any time and from time to time without the consent of or notice to the Guarantor, without incurring any responsibility to the Guarantor and without thereby relieving the Guarantor of any of its obligations hereunder;
 - (i) change the manner, place or terms of payment of any monies payable by the Chargor hereunder;
 - (ii) settle or compromise any of the Chargor's obligations hereunder;
 - (iii) exercise or refrain from exercising any rights or remedies against the Chargor;
 - (iv) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property pledged or mortgaged to the Chargee to secure the Chargor's obligations hereunder.

34. NO PREJUDICE FROM FAILURE TO ENFORCE RIGHTS

Provided that no failure to enforce at any time or from time to time any of the rights of the Chargee hereunder shall prejudice such rights or any other rights of the Chargee; no performance or payment by the Chargee in respect of any breach or default hereunder of the Chargor shall relieve the Chargor from any default hereunder; and no waiver at any time or from time to time of any such rights of the Chargee shall prejudice such rights in the event of any future default or breach.

35. FARM LANDS

If the Charged Premises are farm lands, the Chargor will in each year during the currency of the Charge either put into crop or summerfallow in good, proper and husbandlike manner every portion of the Charged Premises which has been or may hereafter be brought under cultivation and will keep the Charged Premises clean and free from all noxious weeds and generally see that the Charged Premises does not depreciate in any way.

36. CONDOMINIUMS

If the Charge is of land within a Condominium the following provisions shall apply:

(1) The Chargor covenants and agrees at all times and from time to time to observe and perform all duties and obligations imposed on him by the Condominium Act and by the Declaration and the By-laws, as amended from time to time, of the Condominium Corporation, by virtue of his ownership of the said lands. Any breach of the said duties and obligations shall constitute a breach of covenant under the Charge.

(2) Without limiting the generality of the foregoing, the Chargor covenants and agrees that he will pay promptly when due any contributions to common expenses required of him as an Owner of the said lands and in the event of his default in doing so the Chargee, at its option, may pay the same and the amount so paid shall be added to the debt secured by the Charge and shall be a charge on the Charged Premises and shall bear interest at the same rate from the time of such payments and shall be payable forthwith by the Chargor to the Chargee whether or not any payment in default has priority to the Charge or any part of the monies secured thereby.

(3) The Chargor hereby irrevocably authorizes and empowers the Chargee to exercise the right of the Chargor as an Owner of the said lands to vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that,

(a) The Chargee may at any time or from time to time give notice in writing to the Chargor and the said Condominium Corporation that the Chargee does not intend to exercise the said right to vote or consent and in that event until the Chargee revokes the said notice the Chargor may exercise the right to vote. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter.

(b) The Chargee shall not by virtue of the assignment to the Chargee of the right to vote or consent be under any obligation to vote or consent or to protect the interests of the Chargor.

(c) The exercise of the right to vote or consent shall not constitute the Chargee a Chargee in possession.

37. RENEWAL

Provided that the Charge may be renewed or extended by an agreement in writing at maturity for any term with or without an increased rate of interest notwithstanding that there may be subsequent encumbrancers, and it shall not be necessary to register any such agreement in order to retain priority for the Charge so altered over any instrument registered subsequently to the Charge. Provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Chargor.

38. RECEIVERSHIP

Notwithstanding anything herein contained, it is declared and agreed that any time and from time to time when there shall be default under the provisions of the Charge, the Chargee may, at such time and from time to time and with or without entry into possession of the Charged Premises, or any part thereof, by instrument in writing appoint any person, whether an officer or officers or an employee or employees of the Chargee or not, to be a receiver (which term as used herein includes a receiver manager and also includes the plural as well as the singular) of the

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Charged Premises, or any part thereof, and of the rents and profits thereof, and with or without security, and may from time to time by similar writing remove any receiver and appoint another in his stead, and that, in making any such appointment or removal, the Chargee shall be deemed to be acting as the agent or attorney for the Chargor, but no such appointment shall be revocable by the Chargor. Upon the appointment of any such receiver from time to time the following provisions shall apply:

- (a) Every such receiver shall have unlimited access to the Charged Premises as agent and attorney for the Chargor (which right of access shall not be revocable by the Chargor) and shall have full power and unlimited authority to -
 - (i) collect the rents and profits from tenancies whether created before or after these presents,
 - (ii) rent any portion of the Charged Premises which may become vacant on such terms and conditions as he considers advisable and enter into and execute leases, accept surrenders and terminate lease,
 - (iii) complete the construction of any building or buildings or other erections or improvements on the Charged Premises left by the Chargor in an unfinished state or award the same to others to complete and purchase, repair and maintain any personal property including, without limitation, appliances and equipment, necessary or desirable to render the premiums operable or rentable, and take possession of and use or permit others to use all or any part of the Chargor's materials, supplies, plans, tools, equipment (including appliances) and property of every kind and description,
 - (iv) manage, operate, repair, alter or extend the Charged Premises or any part thereof.

The Chargor undertakes to ratify and confirm whatever any such receiver may do in the premises.

- (b) The Chargee may at its discretion vest the receiver with all or any of the rights and powers of the Chargee.
- (c) The Chargee may fix the reasonable remuneration of the receiver who shall be entitled to deduct the same out of the revenue or the sale proceeds of the Charged Premises.
- (d) Every such receiver shall be deemed the agent or attorney of the Chargor and, in no event, the agent of the Chargee and the Chargee shall not be responsible for his acts or omissions.
- (e) The appointment of any such receiver by the Chargee shall not result in or create any liability or obligation on the part of the Chargee to the receiver or to the Chargor or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Chargee a Chargee in possession of the Charged Premises.
- (f) No such receiver shall be liable to the Chargor to account for monies other than monies actually received

by him in respect of the Charged Premises, or any part thereof, and out of such monies so received every such receiver shall, in the following order, pay:

- (i) his remuneration aforesaid;
- (ii) all costs and expenses of every nature and kind incurred by him in connection with the exercise of his powers and authority hereby conferred;
- (iii) interest, principal and other money which may, from time to time, be or become charged upon the Charged Premises in priority to these presents, including taxes;
- (iv) to the Chargee all interest, principal and other monies due hereunder to be paid in such order as the Chargee in its discretion shall determine;
- (v) and thereafter, every such receiver shall be accountable to the Chargor for any surplus.

The remuneration and expenses of the receiver shall be paid by the Chargor on demand and shall be a charge on the Charged Premises and shall bear interest from the date of demand at the same rate as applies to the principal hereby secured.

- (g) Save as to claims for accounting under clauses (f) of this paragraph, the Chargor hereby releases and discharges any such receiver from every claim of every nature, whether sounding in damages or not which may arise or be caused to the Chargor or any person claiming through or under him by reason or as a result of anything done by such receiver unless such claim be the direct and proximate result of dishonesty or fraud.
- (h) The Chargee may, at any time and from time to time, terminate any such receivership by notice in writing to the Chargor and to any such receiver.
- (i) The statutory declaration of an officer of the Chargee as to default under the provisions of these presents and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual.
- (j) The rights and powers conferred herein in respect of the receiver are supplemental to and not in substitution of any other rights and powers which the Chargee may have.

39. COMPLIANCE WITH LAW

The Chargor covenants and agrees to promptly observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority and agency concerning the Charged Premises and will at its own expense make any and all improvements thereon or alterations thereto, structural or otherwise, which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation. The Chargee, whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Charged Premises and make such improvements and alterations as the Chargee deems necessary to render the Charged premises in compliance with such laws, rules, requirements, orders, directions, ordinances or regulations and the reasonable cost of such inspection, improvements and

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OFFICE CHARGE TERMS
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alterations with interest at the rate set forth in the Charge shall be payable forthwith and be a charge upon the Charged Premises secured by the Charge.

40. CHARGE EXPENSES

The Chargor agrees to pay the reasonable and necessary costs, charges and expenses of and incidental to this Charge, and to any and all other documents required in connection therewith, and of any amendment or renewal thereof, and of anything done in connection with the enforcement of the security granted thereby or the procuring or the payment of any monies payable hereunder including, without limiting the generality of the foregoing, all solicitor's fees, costs and expenses of examination of title, and the obtaining of the opinion of counsel for the Chargee thereon and all costs and expenses valuing the Charged Premises in connection with the foregoing. The Chargor further agrees that such amounts shall be paid forthwith upon demand and until paid shall bear interest at the rate provided for in the Charge and shall be a charge on the Charged Premises.

41. INTERPRETATION

And it is hereby agreed and declared that the expression "the Chargor" used in these presents shall include the heirs, executors, administrators, successors and assigns of the Chargor or any of them as appropriate in the context and the expression "the Chargee" shall include the heirs, executors, administrators, successors and assigns of the Chargee or any of them as appropriate in the context and (if the Charge affects a Condominium) the expression "the Condominium Corporation" shall mean the Condominium Corporation referred to in the description and the expression "Declaration" shall mean the declaration registered in connection with the Condominium Corporation, and words in the singular include the plural, any words in the plural include the singular, and words importing the masculine gender include the feminine and neuter genders where the context so requires, and that all covenants, liabilities and obligations entered into or imposed hereunder upon the Chargor shall be equally binding upon his, her or their respective heirs, executors, administrators, successors and assigns and that all such covenants, liabilities and obligations shall be joint and several, and that all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargee shall be equally secured to and exercisable by and shall enure for the benefit of his heirs, executors, administrators, successors and assigns.

42. PARAGRAPH HEADINGS

The paragraph headings herein are inserted for convenience of reference only and are deemed not to form part of the Charge and are not to be considered in the construction or interpretation of the Charge or any part thereof.

43. DATE OF CHARGE

This Charge, unless otherwise specifically provided, shall be deemed to be dated as of the date of signature thereof by the first named Chargor.

44. TRUE COPY

The Chargor acknowledges receipt of a true copy of the within Charge.

DATED the 29th day of March, 1988.

McMILLAN, BINCH

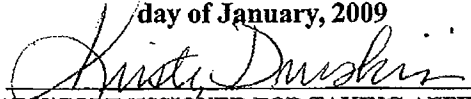
Per:


Nancy L. Carnwath, Partner

DIRECTOR OF LAND REGISTRATION
CHARGE TERMS
FILE NO. 885

Tab E

**This is Exhibit "E" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**



A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

NMC CANADA INC. – PPSA SEARCH SUMMARY

1. *Personal Property Security Act (Ontario) Search (file currency December 29, 2008)*

The following abbreviations are used to identify collateral classifications under the *Personal Property Security Act (Ontario)*:

A - Accounts (formerly known as "Book Debts")
CG - Consumer Goods
E - Equipment
I - Inventory
MV - includes Motor Vehicle
O - Other

Reference File No.	Registration No.	Secured Party	Collateral	General Collateral Description
610915752	20041126 1612 1590 0648	Comerica Bank	I, E, A, O, MV	[none]
610915869	20041126 1618 1590 0652	Comerica Bank	I, E, A, O, MV	[none]

2515080 NOVA SCOTIA COMPANY – PPSA SEARCH RESULT SUMMARY

1. Personal Property Security Act (Ontario) Search (file currency December 29, 2008)

The following abbreviations are used to identify collateral classifications under the *Personal Property Security Act (Ontario)*:

- | | | | |
|------|---|------|------------------------|
| A - | Accounts (formerly known as "Book Debts") | I - | Inventory |
| CG - | Consumer Goods | MV - | includes Motor Vehicle |
| E - | Equipment | O - | Other |

Reference File No.	Registration No.	Secured Party/ Registering Agent	Collateral	General Collateral Description
610915743	20041126 1611 1590 0647	Comerica Bank	I, E, A, O, MV	[none]
610915869	20041126 1618 1590 0652	Comerica Bank	I, E, A, O, MV	[none]
617366205 (Discharged)	20050727 1053 1529 5917	Maxium Financial Services Inc.	E, O	[none] "This registration has been discharged"
617366205 (Discharged)	20050929 1451 1530 9333	Ryder Finance Corporation		[none; amendment, changing the secured party, and debtors]
617366205 (Discharged)	20081218 1054 1529 0793	Canadian Securities Registration Systems		"C Discharge"
619124526 (Discharged)	20050923 1050 1529 0464	Ryder Finance Corporation	E, O, MV	[none; motor vehicle listed] "This registration has been discharged"
619124526 (Discharged)	20050926 1454 1530 3584	Ryder Finance Corporation		[none; amendment adding debtors]
619124526	20081218 1054 1529	Canadian		"C Discharge"

Reference File No.	Registration No.	Secured Party/ Registering Agent	Collateral	General Collateral Description
(Discharged)	0795	Securities Registration Systems		
619174863 (Discharged)	20050926 1454 1530 2564	Ryder Finance Corporation	E, O, MV	[none; motor vehicles listed] "This registration has been discharged"
619174863 (Discharged)	20081201 1451 1530 8239	Canadian Securities Registration Systems		"C Discharge"
619469253 (Discharged)	20051005 1455 1530 6437	Ryder Finance Corporation	E, O, MV	[none; motor vehicles listed] "This registration has been discharged"
619469253 (Discharged)	20081218 1054 1529 0796	Canadian Securities Registration Systems		"C Discharge"
645016887	20080509 1312 5064 4541	General Electric Canada Equipment Finance G.P.	I, E, A, O, MV	[none; motor vehicles listed]
646884612	20080714 1321 5064 5682	General Electric Canada Equipment Finance G.P.	I, E, A, O, MV	[none; motor vehicles listed]

2. *Personal Property Security Act (Nova Scotia) Search (file currency December 31, 2008)*

Reference File No.	Registration No.	Secured Party	General Collateral Description
106710	13867502	General Electric Canada	One (1) New Tennant 6650 Power Sweeper, Rider Unit c/w all attachments

Reference File No.	Registration No.	Secured Party	General Collateral Description
		Equipment Finance G.P.	and accessories s/n: 6650-15353 ONE [sic] (1) New Tennant T20 Scrubber c/w all attachments and accessories s/n: T20-1777 [also includes any subsequent additions to the above items]
111312	14159172	General Electric Canada Equipment Finance G.P.	[list of 15 motor vehicles and VIN numbers, including any subsequent additions to those vehicles]
672423-MF1; amended 693693-MF1 (Discharged)	9912954; amended 10190155	Ryder Finance Corporation	One (1) New PowerBoss Double Sweeper-Scrubber, Model 9090, Serial Number 14650114 under Customer Agreement No. 1-1 and schedules attached thereto, together with all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all proceeds in any form derived directly or indirectly from any dealing with the collateral or proceeds thereof.
672423-MF1; amended 693693-MF1 (Discharged)	14765770		Discharge dated 2008-12-18.
692369-MF1 (Discharged)	10172187	Ryder Finance Corporation	Used (2004) Clark CGC70 Lift Truck Serial Number CGC470L-0042-9630 New (2005) Power Boss Double Sweeper-Scrubber, Model 9090 Serial # 14650114
692369-MF1 (Discharged)	14765796		Discharge dated 2008-12-18.
692370-MF1 (Discharged)	10172195	Ryder Finance Corporation	New (2005) Nissan CL80LP Lift Truck Serial Number CUGL029R0443
692370-	14765820		Discharge dated 2008-12-18.

Reference File No.	Registration No.	Secured Party	General Collateral Description
MF1 (Discharged)			
695231- MF1 (Discharged)	10214120	Ryder Finance Corporation	[list of 13 motor vehicles and VIN numbers]
695231- MF1 (Discharged)	14765846		Discharge dated 2008-12-18.
NS2116-581	9000644	Comerica Bank	A security interest is taken in all of the debtor's present and after-acquired personal property

S.K.D. COMPANY – PPSA SEARCH RESULT SUMMARY

1. Personal Property Security Act (Ontario) Search (file currency December 29, 2008)

The following abbreviations are used to identify collateral classifications under the *Personal Property Security Act (Ontario)*:

- | | | | |
|------|---|------|------------------------|
| A - | Accounts (formerly known as "Book Debts") | I - | Inventory |
| CG - | Consumer Goods | MV - | includes Motor Vehicle |
| E - | Equipment | O - | Other |

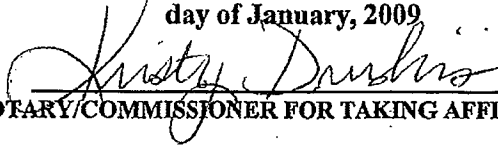
Reference File No.	Registration No.	Secured Party / Registering Agent	Collateral	General Collateral Description
610915869	20041126 1618 1590 0652	Comerica Bank	I, E, A, O, MV	[none]
617366205 (Discharged)	20050727 1053 1529 5917	Maxium Financial Services	E, O	[none] "This registration has been discharged"
617366205 (Discharged)	20050929 1451 1530 9333	Ryder Finance Corporation		[none; amendment, changing the secured party, and debtors]
617366205 (Discharged)	20081218 1054 1529 0793	Canadian Securities Registration Systems		"C Discharge"
619124526 (Discharged)	20050923 1050 1529 0464	Ryder Finance Corporation	E, O, MV	[none; motor vehicle listed] "This registration has been discharged"
619124526 (Discharged)	20050926 1454 1530 3584	Ryder Finance Corporation		[none; amendment adding debtors]

Reference File No.	Registration No.	Secured Party / Registering Agent	Collateral	General Collateral Description
619124526 (Discharged)	20081218 1054 1529 0795	Canadian Securities Registration Systems		"C Discharge"
619174863 (Discharged)	20050926 1454 1530 2564	Ryder Finance Corporation	E, O, MV	[none; motor vehicles listed] "This registration has been discharged"
619174863 (Discharged)	20081201 1451 1530 8239	Canadian Securities Registration Systems		"C Discharge"
619469253 (Discharged)	20051005 1455 1530 6437	Ryder Finance Corporation	E, O, MV	[none; motor vehicles listed] "This registration has been discharged"
619469253 (Discharged)	20081218 1054 1529 0796	Canadian Securities Registration Systems		"C Discharge"
621610614	20051228 1724 7029 8506	CBSC Capital Inc.	E, O	All goods supplied by the secured party pursuant to a lease between the debtor and the secured party, together with all parts and accessories thereto an accession thereto [...]
637744617	20070731 1047 1529 9919	CBSC Capital	E, O	[none]

Reference File No.	Registration No.	Secured Party / Registering Agent	Collateral	General Collateral Description
638622837	20070829 1940 1531 8592	CBSC Capital	E, O	[none]

Tab F

**This is Exhibit "F" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009.**



A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

SKD Company
(a partnership)

Financial Statements
January 2, 2008

February 22, 2008

Auditors' Report

**To the Partners of
SKD Company**

We have audited the balance sheet of SKD Company (a partnership) as at January 2, 2008 and the statements of operations, partners' equity and cash flows for the year then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership as at January 2, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

SKD Company

Balance Sheet

As at January 2, 2008

	2008	2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	10,025,079	7,147,335
Accounts receivable	42,944,086	32,504,343
Due from related parties (note 11(g))	3,357,449	2,087,319
Inventories (note 4)	13,164,414	12,679,003
Note receivable - related party (note 5)	-	23,156,854
Tooling-in-progress	2,871,259	1,425,359
Prepaid expenses and other current assets	2,749,255	2,860,940
	<u>75,111,542</u>	<u>81,861,153</u>
Employee future benefits (note 6)	14,096,100	12,786,000
Property, plant and equipment (note 7)	43,741,388	51,103,385
	<u>132,949,030</u>	<u>145,750,538</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	54,800,322	50,535,568
Due to related parties (note 11(h))	9,772,603	4,059,781
Amherstburg plant closure reserve (note 8)	505,130	515,994
	<u>65,078,055</u>	<u>55,111,343</u>
Amherstburg plant closure reserve (note 8)	3,278,083	3,574,248
Notes payable to partners (note 9)	1,100,000	1,000,000
	<u>69,456,138</u>	<u>59,685,591</u>
Partners' Equity		
NMC Canada Inc.	634,929	860,650
2515080 Nova Scotia Company	62,857,963	85,204,297
	<u>63,492,892</u>	<u>86,064,947</u>
	<u>132,949,030</u>	<u>145,750,538</u>
Commitments and contingencies (note 10)		
Approved by the Partnership		
_____ Partner		_____ Partner

SKD Company
Statement of Operations
For the year ended January 2, 2008

	2008	2007
	\$	\$
Net sales	331,627,790	310,130,175
Cost of sales	<u>339,173,705</u>	<u>321,863,206</u>
Gross loss	<u>(7,545,915)</u>	<u>(11,733,031)</u>
Expenses and other income		
Selling, administration and engineering	16,208,111	12,378,810
Interest - net	<u>(539,329)</u>	<u>(1,117,256)</u>
	<u>15,668,782</u>	<u>11,261,554</u>
Net loss for the year	<u>(23,214,697)</u>	<u>(22,994,585)</u>

SKD Company

Statement of Partners' Equity

For the year ended January 2, 2008

			2008	2007
	NMC Canada Inc. \$	2515080 Nova Scotia Company \$	Total \$	Total \$
Balance - Beginning of year	860,650	85,204,297	86,064,947	111,044,396
Refunds (drawings)	6,426	636,216	642,642	(1,984,864)
Net loss for the year	(232,147)	(22,982,550)	(23,214,697)	(22,994,585)
Balance - End of year	634,929	62,857,963	63,492,892	86,064,947

SKD Company
Statement of Cash Flows
For the year ended January 2, 2008

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(23,214,697)	(22,994,585)
Adjustments for items not affecting cash		
Amortization	11,067,482	10,106,649
Loss (gain) on sale of property, plant and equipment	26,071	(31,825)
Writedown of property, plant and equipment	113,376	767,838
Amherstburg plant closure reserve	(307,029)	(251,204)
Employee future benefits	(1,310,100)	(1,419,300)
	<u>(13,624,897)</u>	<u>(13,822,427)</u>
Changes in non-cash operating working capital items		
Accounts receivable	(10,439,743)	11,067,336
Due from related parties	(1,270,130)	5,474,168
Inventories	(485,411)	(2,336,442)
Tooling-in-progress	(1,445,900)	5,975,592
Prepaid expenses and other current assets	111,685	(2,172,493)
Accounts payable and accrued liabilities	4,264,754	5,707,628
Due to related parties	5,712,822	(515,802)
	<u>(17,176,820)</u>	<u>9,377,560</u>
Investing activities		
Notes receivable - related parties	23,156,854	(23,156,854)
Proceeds on sale of property, plant and equipment	1,440,954	194,294
Additions to property, plant and equipment	(5,285,886)	(10,899,223)
	<u>19,311,922</u>	<u>(33,861,783)</u>
Financing activities		
Partner refunds (drawings)	642,642	(1,984,864)
Proceeds from note payable to partner	100,000	-
	<u>742,642</u>	<u>(1,984,864)</u>
Change in cash and cash equivalents during the year	2,877,744	(26,469,087)
Cash and cash equivalents - Beginning of year	7,147,335	33,616,422
Cash and cash equivalents - End of year	10,025,079	7,147,335
Supplementary disclosure		
Interest paid	123,051	62,748

SKD Company
Notes to Financial Statements
January 2, 2008

1 Description of business

The partnership is engaged in the production of metal stampings and assemblies for assembly plants and suppliers in the automotive industry, located principally in North America.

2 Summary of significant accounting policies

Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost. Work-in-progress and finished goods are valued at the lower of cost and net realizable value. Cost has been determined on the first-in, first-out basis.

Tooling-in-progress

Tooling-in-progress is stated at cost or at the lower cost of market. It represents costs incurred net of billings for customer tooling jobs.

Revenue recognition

Revenue from metal stampings is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Tooling revenue is recognized upon completion of the tooling project, engineering approval from the customer, and receipt of the appropriate purchase order.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is computed once an asset is put in use on the straight-line basis over the remaining estimated useful lives of the assets at the following rates:

Buildings	2.5%
Equipment	6% to 20%

The partnership assesses all long-lived assets, including property, plant and equipment, for impairment whenever events or changes in circumstances indicate that the net carrying amount of an asset exceeds the net recoverable amount.

Income taxes

No provision has been made for income taxes in these financial statements as income taxes are paid or recovered by the individual partners.

Employee benefit plans

The partnership accrues its obligations under employee benefit plans and the related costs, net of plan assets. The partnership has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health-care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plans is 14 years for both 2008 and 2007.

Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Canadian dollars at the rate of exchange at the balance sheet date and non-monetary balances are translated at their historical exchange rates. Foreign currency revenues and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on translation are included in the statement of operations. In fiscal 2008, the foreign exchange loss was \$169,291 (2007 - \$649,496).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes the estimates are reasonable, actual results could differ from those estimates.

3 Adoption of new accounting recommendation

On January 1, 2007, the partnership adopted Section 1506, Accounting Changes, of The Canadian Institute of Chartered Accountants (CICA) Handbook, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the partnership's financial position or results of operations.

SKD Company
Notes to Financial Statements
January 2, 2008

Recent accounting pronouncements issued and not yet adopted

a) Section 3031 - Inventories

The new Section 3031, Inventories, relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The new standard applies to the partnership's financial statements relating to its fiscal year beginning January 3, 2008.

This standard is not expected to have a significant effect on the partnership's financial statements.

b) Sections 1530, 3251, 3855 and 3865

The partnership will adopt the following CICA Handbook sections effective January 3, 2008:

- Section 1530, Comprehensive Income, establishes standards for reporting and displaying certain gains and losses recognized in comprehensive income, but excluded from net income.
- Section 3251, Equity, establishes standards for the presentation of equity and changes in equity.
- Section 3855, Financial Instruments - Recognition and Measurement, establishes standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. The section requires that:
 - all financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value or amortized cost subsequent to initial recognition;
 - all financial liabilities be measured at fair value if they are classified as held-for-trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
 - all derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.
- Section 3865, Hedges, expands the guidelines found in Accounting Guideline 13, Hedging Relationships, and describes when and how hedge accounting can be applied as well as the disclosure requirements.

c) Sections 3862 and 3863 - Financial Instruments - Disclosure and Presentation

The new Sections 3862 and 3863 replace CICA Handbook Section 3860, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 3, 2008 for the partnership.

SKD Company
Notes to Financial Statements
January 2, 2008

These standards will impact the partnership's disclosures provided, but will not affect the partnership's financial position or results of operations.

These standards are not expected to have a significant effect on the partnership's financial statements.

4 Inventories

	2008 \$	2007 \$
Raw materials and supplies	4,665,339	6,629,365
Work-in-progress and finished goods	8,499,075	6,049,638
	<u>13,164,414</u>	<u>12,679,003</u>

5 Note receivable - related party

The note from SKD Automotive Group, L.P. is denominated in U.S. dollars, bears an interest rate based on the U.S. LIBOR/prime rate, and was repaid throughout the year. Net loss for the year ended January 2, 2008 includes an exchange gain of \$nil (2007 - \$717,421) on translation of this note receivable. Interest charged during the year was \$598,744 (2007 - \$247,163).

6 Employee future benefits

The partnership has a number of defined benefit plans providing pension and post-retirement benefits to most of its employees.

The net expense for the partnership's benefit plans is as follows:

	<u>Pension benefit plans</u>		<u>Other benefit plans</u>	
	2008 \$	2007 \$	2008 \$	2007 \$
Defined benefit plans	1,496,100	1,460,300	149,100	145,800

SKD Company
Notes to Financial Statements
January 2, 2008

Information about the partnership's defined benefit plans as at January 2, in aggregate, is as follows:

	Pension benefit plans		Other benefit plans	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accrued benefit obligation	28,290,300	28,485,100	1,599,100	1,216,200
Fair value of plan assets	30,681,600	30,212,900	-	-
Funded status - plan surplus (deficit)	2,391,300	1,727,800	(1,599,100)	(1,216,200)
Accrued benefit asset (liability)	15,387,500	14,002,100	(1,599,100)	(1,216,200)
Employer contribution	2,881,500	2,958,200	-	-
Benefits paid	1,635,300	1,077,100	73,800	67,200

The significant actuarial assumptions adopted in measuring the partnership's accrued benefit obligations are as follows:

	Pension benefit plans		Other benefit plans	
	2008	2007	2008	2007
	%	%	%	%
Discount rate	5.25	5.25	5.25	5.25
Expected long-term rate of return on plan assets	6.00	6.50	-	-
Rate of compensation increase - salaried plan	n/a (i)	n/a (i)	-	-

- i) Rate of compensation increase for salaried is no longer required as defined benefit pensions under the Salaried Plan are frozen based on member employees' earnings average at December 31, 2003 (December 31, 2002 for certain members who elected to enter the defined contribution portion of the Salaried Plan as at January 1, 2003).

For measurement purposes, a 7.5% (2007 - 8.5%) annual rate of increase in the per capita cost of covered health-care benefits was assumed for 2008. The rate was assumed to decrease gradually to 4.5% for 2010 and remain at that level thereafter.

SKD Company

Notes to Financial Statements

January 2, 2008

7 Property, plant and equipment

	2008		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,399,567	-	1,399,567
Buildings	18,469,502	8,649,710	9,819,792
Equipment	104,998,321	74,338,269	30,660,052
Leasehold improvements	55,810	25,652	30,158
Construction-in-progress	1,831,819	-	1,831,819
	<u>126,755,019</u>	<u>83,013,631</u>	<u>43,741,388</u>
	2007		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,399,567	-	1,399,567
Buildings	16,738,587	7,916,502	8,822,085
Equipment	105,178,802	65,468,154	39,710,648
Leasehold improvements	55,810	9,706	46,104
Construction-in-progress	1,124,981	-	1,124,981
	<u>124,497,747</u>	<u>73,394,362</u>	<u>51,103,385</u>

The partnership recorded a writedown of its equipment in the amount of \$113,376 (2007 - \$767,838).

8 Amherstburg plant closure reserve

On January 28, 1997, the partnership announced the closure of its Amherstburg plant. In fiscal 1998, \$20,602,000 was charged to operations representing management's best estimate of closure costs. At January 2, 2008, the remaining reserve for the closure costs is \$3,783,213, of which \$505,130 (2007 - \$515,994) is current and \$3,278,083 (2007 - \$3,574,248) is long-term. Substantially all of the remaining reserve relates to pension and post-retirement insurance benefits.

9 Notes payable to partners

The notes payable to NMC Canada Inc. bear interest at Canadian prime plus 2%. These notes have been classified as long-term due to the intent of the partners not to demand payment of these notes in the next year.

During fiscal 2008, \$80,989 (2007 - \$77,632) of interest expense has been incurred on these notes.

SKD Company
Notes to Financial Statements
January 2, 2008

10 Commitments and contingencies

- a) The partnership has the following commitments for the next five years under operating lease agreements:

	\$
2009	3,895,715
2010	3,731,206
2011	3,121,173
2012	2,489,398
2013	2,489,398
Thereafter	27,576,881

- b) The partnership has guaranteed a bank loan of SKD Automotive Group, L.P., which amounted to US\$45,000,000 as at January 2, 2008. This loan is secured by a general security agreement and a fixed and floating debenture provided by the partnership.
- c) At January 2, 2008, the partnership had outstanding purchase commitments for machinery and facility expansion of approximately \$3,144,375 (2007 - \$2,001,740).
- d) During the normal course of business, there have been various claims instituted against the partnership. Management is unaware of any matters that have a material adverse effect on the financial position of the partnership or its results of operations. No amount has been provided in these financial statements in respect of these claims.

Gains or losses, if any, sustained upon the ultimate resolution of these claims, which may be material, will be accounted for prospectively in the period of settlement in the statement of operations.

11 Related party balances and transactions

During the year, the partnership entered into transactions with companies related through common ownership in the normal course of business. These transactions, which have been recorded at the exchange amounts, are as follows:

- a) National Material L.P., an affiliate, has an agreement to provide management services to the partnership. For fiscal 2008, the fee was \$535,336 (2007 - \$581,801).
- b) SKD Automotive Group, L.P., an affiliate, has an agreement to provide management services to the partnership. For fiscal 2008, the fee was \$644,345 (2007 - \$680,700).
- c) The partnership sells all of its scrap metal to a related company, at normal trade terms. Total revenue for fiscal 2008 was \$8,283,182 (2007 - \$7,496,643).
- d) During fiscal 2008, \$1,338,954 (2007 - \$110,358) net book value of machinery and equipment was sold to SKD L.P.

SKD Company
Notes to Financial Statements
January 2, 2008

- e) During fiscal 2008, the partnership purchased steel in the amount of \$nil (2007 - \$895,304) from a related company.
- f) Interest charged on the note receivable from SKD Automotive Group, L.P. during the year ended January 2, 2008 was \$598,744 (2007 - \$247,163).
- g) At January 2, 2008, the partnership had balances due from its ultimate parent company of \$nil (2007 - \$101,254), due from majority owned subsidiaries of the parent company of \$2,245,960 (2007 - \$773,568), and due from other related parties of \$1,111,489 (2007 - \$1,212,497). These transactions are in the normal course of operations and are measured at exchange amounts, which are amounts established and agreed upon by the related parties.
- h) At January 2, 2008, the partnership had balances due to its ultimate parent company of \$1,748,075 (2007 - \$2,979,785), due to majority owned subsidiaries of the parent company of \$7,015,804 (2007 - \$484,516), and due to other related parties of \$1,008,724 (2007 - \$595,480). These transactions are in the normal course of operations and are measured at exchange amounts, which are amounts established and agreed upon by the related parties.

12 Financial instruments

Financial risk

Financial risk is the risk to the partnership's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The partnership does not use derivative instruments to reduce its exposure to interest and foreign rate fluctuations.

Credit risk

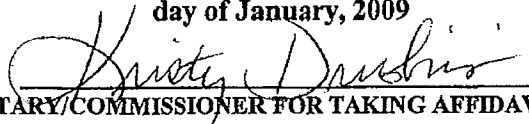
Credit risk arises from the potential that a counterparty will fail to perform its obligations. As at January 2, 2008 and for the fiscal year then ended, the partnership had accounts receivable and sales of 54% and 57%, respectively, with one customer. The partnership's credit risk is minimized as it deals directly with the major North American automobile manufacturers and has had no adverse experiences in this area.

Fair values

Fair values approximate amounts at which financial instruments would be exchanged between willing parties, based on current markets for instruments of the same risk, principal and maturities. The fair values of current financial assets and liabilities approximate their carrying values due to their short-term maturity.

Tab G

**This is Exhibit "G" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Dushko", written over a horizontal line.

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

SKD COMPANY
Balance Sheet
At November 30, 2008

	Nov. 30, 2008
	CAD\$
ASSETS	
Current Assets	
Cash and cash equivalents	3,574,130
Short Term Investments	0
Accounts receivable	30,761,388
Due from related parties	8,352,545
Inventories	15,319,672
Note receivable - related party	16,081,148
Tooling-in-progress	108,236
Prepaid expenses and other current assets	<u>3,100,506</u>
	77,297,625
Employee future benefits	14,096,100
Property, plant and equipment	<u>40,468,163</u>
	<u>131,861,888</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	56,706,138
Due to related parties	16,918,015
Amherstburg plant closure reserve	<u>142,572</u>
	73,766,725
Amherstburg plant closure reserve	3,278,083
Note payable to partner	<u>1,100,000</u>
	<u>78,144,808</u>
PARTNERS' EQUITY	
NMC Canada Inc.	537,172
2515080 Nova Scotia Company	<u>53,179,909</u>
	<u>53,717,080</u>
	<u>131,861,888</u>

SKD COMPANY
Statement of Earnings
For Period January 2, 2008 to November 30, 2008

	Nov. 30, 2008
	CAD\$
Net Sales	193,849,196
Cost of Sales	<u>199,774,523</u>
Gross Profit	<u>-5,925,327</u>
Expenses and other income	
Selling, administration and engineering	11,929,385
Interest - net	-268,071
Other income	0
	<u>11,661,314</u>
Net earnings for the year	<u>-17,586,640</u>

SKD COMPANY
Statement of Partners' Equity
YTD Period ended November 30, 2008

	Nov. 30, 2008		
	NMC Canada Inc. \$	2515080 Nova Scotia Company \$	Total \$
Balance, Beginning of year	634,930	62,857,963	63,492,892
(Drawings) / Refunds	78,108	7,732,721	7,810,829
Net earnings for the year	-175,866	-17,410,775	-17,586,641
Balance, End of year	537,172	53,179,909	53,717,080

SKD COMPANY
Statement of Cash Flows
For Period January 02, 2008 to November 30, 2008

	CAD\$
Cash provided by (used in)	
Operating activities	
Net earnings for the year	-17,586,640
Adjustments for items not effecting cash	
Depreciation	9,068,000
(Gain)/Loss on sale of property, plant and equipment	-
Writedown of property, plant and equipment	0
Amherstburg plant closure reserve	(362,558)
Employee future benefits	0
	<u>-8,881,199</u>
Changes in non-cash operating working capital items	
Accounts receivable	12,182,698
Due from related parties	-4,995,096
Inventories	-2,155,258
Tooling-in-progress	2,763,023
Prepaid expenses and other current assets	-351,249
Accounts payable and accrued liabilities	1,905,816
Due to related parties	7,145,412
	<u>7,614,146</u>
Investing activities	
Notes Receivables - related parties	(16,081,148)
Proceeds on sale of property, plant and equipment	-
Additions to property, plant and equipment	-5,794,776
	<u>-21,875,924</u>
Financing activities	
Partner drawings	7,810,829
Proceeds from (repayment of) note payable to Partner	0
Proceeds from (advances of) note receivable - related party	0
	<u>7,810,829</u>
Change in cash during the year	(6,450,949)
Cash - Beginning of year	10,025,079
Cash - End of year	<u>3,574,130</u>

Tab H

**This is Exhibit "H" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Dunbar", written over a horizontal line.

A NOTARY COMMISSIONER FOR TAKING AFFIDAVITS, etc.

January ____, 2009

SKD Automotive Group, Limited Partnership
1965 Pratt Boulevard
Elk Grove, IL 60007

- and -

SKD Company
375 Wheelabrator Way
Milton, Ontario, Canada L9T 3C1

RE: FINANCING ARRANGEMENTS AMONG COMERICA BANK ("BANK"), SKD AUTOMOTIVE GROUP, LIMITED PARTNERSHIP ("AUTOMOTIVE"), SKD COMPANY ("SKD," TOGETHER WITH AUTOMOTIVE, "BORROWERS"), 2515080 NOVA SCOTIA COMPANY ("NOVA SCOTIA"), NMC CANADA, INC. ("NMC"), EASSA MEXICO, S. DE R.L. DE C.V. ("EASSA"), SKD DE MEXICO, S. DE R.L. DE C.V. ("SKD MEXICO"), SKD, L.P. ("SKD LP"), AND SKD HOLDING, L.P. ("HOLDING," COLLECTIVELY WITH NOVA SCOTIA, NMC, EASSA, SKD MEXICO, AND SKD LP, "GUARANTORS")

Ladies and Gentlemen:

Please refer to any and all documents, instruments, and agreements executed in connection with the financing arrangements from Bank to Borrowers and Guarantors (collectively, the "Loan Documents"). All amounts due from Borrowers to Bank, whether now or in the future, contingent, fixed, primary and/or secondary, including, but not limited to, principal, interest, inside and outside counsel fees, audit fees, costs, expenses, and any and all other charges provided for in the Loan Documents shall be known, in the aggregate, as the "Liabilities." All capitalized terms not defined in this letter agreement ("Agreement") shall have the meanings described in the Loan Documents.

As of January 18, 2009, the Liabilities include, but are not limited to, the following:

<u>Loans (original loan amount and date)</u>	<u>Principal</u>	<u>Interest</u>
Revolving Credit Agreement (US\$45,000,000 (as amended); 12/14/04)	US\$15,101,374.46 ¹	US\$85,760.41

¹ Includes U. S. and Canadian portions (\$6,469,035.47) and subordinated participations of \$2,179,000 purchased by certain of Borrowers' customers.

The amounts referenced above are exclusive of interest accruing after January 18, 2009, accrued and accruing costs and expenses (including, but not limited to, inside and outside counsel fees).

Borrowers are in default under the Loan Documents. Among other things, the Revolving Facility matured on December 1, 2008 and Borrowers failed to maintain an EBITDA of not less than \$2,450,000 for the month ending August 31, 2008 and the following months ("Existing Defaults"). Other defaults may exist.

Subject to timely, written acceptance by Borrowers and Guarantors of the following conditions, and, with respect only to SKD, Nova Scotia and NMC subject to approval of this agreement by the Court in their CCAA proceeding, Bank is willing to forbear until February 28, 2009, subject to earlier termination as provided below, from further action to collect the Liabilities:

1. Borrowers and Guarantors acknowledge the Liabilities as set out in the Loan Documents, the amount of the Liabilities as stated above, and the existence of the Existing Defaults. Borrowers and Guarantors acknowledge and agree that Bank may make demand for repayment of the Liabilities, and that such demand would be timely and proper. Each of the Borrowers and Guarantors acknowledges and agrees that it received from the Bank the notice (the "244 Notice") prescribed by section 244 of the *Bankruptcy and Insolvency Act*, and it does not dispute the validity or effectiveness of the 244 Notice, and, it waives the 10 day period set out therein and consents to the immediate enforcement of the Loan Documents immediately upon termination of the forbearance hereunder. Borrowers and Guarantors further acknowledge and agree that they received a demand letter from Bank demanding payment in full of the Liabilities and that Bank has not withdrawn and will not withdraw the demand letters or the 244 Notice, all of which remain in full force and effect.
2. Future administration of the Liabilities and the financing arrangements among Bank, Borrowers, and Guarantors shall continue to be governed by the covenants, terms, and conditions of the Loan Documents, which are ratified and confirmed and incorporated by this reference (for clarity, this includes, without limitation, a ratification and confirmation of all guaranties of the Liabilities by Guarantors), except to the extent that the Loan Documents have been superseded, amended, modified, or supplemented by this Agreement or are inconsistent with this Agreement, then this Agreement shall govern.
3. Except as provided in paragraph 4(b) below with respect to the Participation Amount (defined below), Borrowers and Guarantors acknowledge Bank is under no obligation to advance funds or extend credit to Borrowers under the Loan Documents, or otherwise. Notwithstanding anything in the Loan Documents or this Agreement to the contrary, Bank is under no obligation to, and does not intend to, issue any Letters of Credit for the benefit of Borrowers or Guarantors or enter into any Hedge Contracts with Borrowers or Guarantors.
4. (a) Provided there are no defaults under the terms of this Agreement, and no defaults under the Loan Documents (other than the Existing Defaults), Bank may, in its sole discretion, continue to advance to Borrowers under the Revolving Credit

Agreement, in accordance with the Loan Documents, through February 28, 2009. Effective immediately, the maximum principal amount available under the Revolving Facility shall be reduced from US\$45,000,000 to US\$18,000,000 (including L/C Obligations, if any) plus the amount of participations purchased from Bank under a separate Subordinated Participation Agreement dated January 12, 2009 ("Participation Amount"). In the event, at any time, the balance on the Revolving Facility (including L/C Obligations, if any) exceeds (i) US\$18,000,000 plus the Participation Amount or (ii) the Borrowing Base, no advances will be allowed. Each borrowing request must be accompanied by an accounts receivable report, in form satisfactory to Bank, with a minimum of one report every Monday and Thursday.

- (b) Absent a default under this Agreement or the Loan Documents (other than the Existing Defaults), in the event Bank in its discretion determines not to continue to lend to Borrowers prior to February 28, 2009, Bank will nonetheless advance to Borrowers the balance of any Participation Amount not previously advanced to Borrowers by Bank, provided that, and only to the extent that, such advance will constitute an in-formula advance under the Borrowing Base. For the purposes of this section 4(b), advances under the Revolving Credit Agreement will be deemed to be advances of the Participation Amount component of the Borrower Base first, as opposed to advances under any other component of the Borrowing Base.
5. Effective immediately, Section 1.14.1 of the Revolving Credit Agreement dated December 13, 2007, as amended, is amended to read in its entirety as follows:

"1.14.1 Borrowing Base means, as of any date of determination, the aggregate of (i) 90.0% of Eligible Accounts owing to each Formula Party, plus (ii) the amount of participations purchased from Bank under that certain separate Subordinated Participation Agreement, dated January 12, 2009, as it may be modified, amended or restated, plus (iii) 50.0% of Eligible Inventory owned by such Formula Party, plus (iv) the Fixed Asset Allowance, less (v) the Reserve Amount, less (vi) such reserves as Lender may, in the normal course of its operations from time to time having reference to its credit policies in force at the relevant time, determine in connection with Priority Payables (the reserve for Priority Payables at all times in an amount that is no less than 100% of the amount of the Priority Payables existing from time to time, as reported by Canadian Borrower), less (vii) a reserve with respect to Hedge Contracts entered into by a Borrower with Lender as established by Lender from time to time based on Lender's determination of Borrowers' Hedging Liabilities to Lender, less (viii) reserves under paragraph 14 of that certain Forbearance Agreement among Lender, Borrowers and others dated January ___, 2009," and less (ix) any charges senior to the Liabilities created by order of the Court in any CCAA proceedings".

6. From and after the date of this letter, non-default interest shall accrue on the Liabilities as provided in the attached Addendum A. Upon the occurrence of a default under the terms of this Agreement or any further defaults under the Loan Documents (other than Existing Defaults), then interest shall accrue on the Liabilities at the rate otherwise provided in this paragraph plus three percent (3%).
7. Borrowers shall continue to employ Conway MacKenzie & Dunleavy, or another consulting firm acceptable to Bank, to assist Borrowers with the orderly wind-down or sale of their operations.
8. Borrowers and Guarantors acknowledge and agree the Loan Documents presently provide for and they shall reimburse for any and all costs and expenses of Bank, including, but not limited to, all inside and outside counsel fees of Bank whether in relation to any CCAA proceeding, drafting, negotiating, or enforcement or defense of the Loan Documents or this Agreement, including any preference or disgorgement actions as defined in this Agreement and all of Bank's audit fees, incurred by Bank in connection with the Liabilities, Bank's administration of the Liabilities, and any efforts of Bank to collect or satisfy all or any part of the Liabilities. Borrowers and Guarantors shall immediately reimburse Bank for all of Bank's costs and expenses upon Bank's demand.
9. Loan payments, interest on the Liabilities, loan administration expenses, including, but not limited to, all inside and outside counsel fees of Bank and Bank's audit fees, may be charged directly to any of Borrowers' accounts maintained with Bank.
10. Borrowers and Guarantors acknowledge and agree that they are on a "remittance basis" under Section 3 of the Security Agreements dated December 15, 2004 among Borrowers, Guarantors and Bank. Borrowers and Guarantors shall hold in express trust for Bank and immediately surrender in the form received all of its cash inflows (other than in-formula borrowings from Bank) to Bank by depositing such inflows into accounts maintained at Bank or subject to a control agreement for the benefit of the Bank. All such inflows will be subject to paragraph 14 applied to the Liabilities.
11. Unless otherwise agreed by Bank in writing, by the later of January 23, 2009, or three business days after the forms of control agreements, blocked account agreements and attendant documents are provided to Borrowers and Guarantors for execution, Borrowers and Guarantors will maintain all commercial accounts with Bank under the Financial Services Agreement(s) and other related documentation entered into by the Borrowers and Guarantors in favor of Bank (in accounts with respect to which Bank has an account control agreement if such account control agreement is required by Bank to perfect its security interest in the accounts or the collateral maintained therein) (the "Comerica Accounts") or in accounts at other banks with respect to which Bank has an account control agreement (if such account control agreement is required by Bank to perfect its security interest in the account or the collateral maintained therein) and a blocked account agreement. For Borrowers' and Guarantors' existing accounts (other than the Comerica Accounts), Borrowers shall enter into account control agreements (if such account control agreements are required by Bank to perfect its security interest in the accounts or the

collateral maintained therein) and blocked account agreements with Bank by the later of January 23, 2009, or three business days after the forms of control agreements, blocked account agreements and attendant documents are provided to them for execution. Effective immediately, on a daily basis, Borrowers and Guarantors shall wire transfer any funds held at Toronto Dominion Bank, Bank of America, or any other financial institution, to the cash collateral account at Bank (account no. 1852504693). Borrowers may fund from in-formula borrowings from Bank only: (i) its separate payroll accounts for estimated accrued but unpaid payroll obligations (which are payroll, vacation pay, contributions to registered pension plans, and related governmental remittances for Income Tax, Employment Insurance and Canada Pension Plan), issued but uncashed payroll checks, vacation pay and other ordinary course payroll obligations, all such items not to exceed \$2,500,000 at any given time, and (ii) one or more other accounts not to exceed amounts from time to time agreed to by a Borrower or Guarantor and Bank to fund other trust obligations, including, without limitation, Canadian federal goods and services tax and provincial retail sales tax obligations (the accounts in (i) and (ii), the "Trust Accounts"). All Trust Accounts must be trust accounts for the benefit of the payees of the obligations described above. Notwithstanding the termination of Bank's forbearance, Bank agrees: (x) not to sweep the Trust Accounts, but only to the extent funds are deposited there in accordance with this paragraph, and (y) to permit the continued issuance and clearance of checks drawn against and other withdrawals of funds in the Trust Accounts for the purpose of paying the obligations for which such accounts were funded. Borrowers and Guarantors shall provide Bank with a weekly report of all transactions from any account that Borrowers or Guarantors have with any financial institution besides Bank, and Borrowers and Guarantors shall provide Bank with a copy of all monthly statements from such accounts.

12. Borrowers and Guarantors are parties to certain Loan Documents with or between them and Comerica Bank, a Michigan banking corporation (the "Merged Bank"). The Merged Bank has been merged with and into Comerica Bank, a Texas banking association (the "Surviving Bank"). Borrowers and Guarantors acknowledge and agree that any reference in the Loan Documents to Comerica Bank, a Michigan banking corporation, shall mean Comerica Bank, a Texas banking association, as successor by merger to the Merged Bank.
13. Borrowers and Guarantors acknowledge and agree the Loan Documents presently provide and they shall permit Bank to conduct such fair market value appraisals, inspections, surveys, and testing, whether for environmental contamination or otherwise, that Bank deems necessary, on any and all real and personal property upon which Bank may possess a mortgage or security interest securing the Liabilities, and the cost of such appraisals, inspections, surveys, and testing are part of the costs and expenses for which the Borrowers and Guarantors must reimburse Bank.
14. Notwithstanding anything to the contrary herein, Bank reserves the right, in its sole discretion, to determine the application of the proceeds of all unusual or extraordinary items (including, by way of example, tax refunds, insurance proceeds, or sale proceeds, other than collection of accounts for inventory sold in the ordinary course of business) to

the various obligations of Borrowers to Bank. Those proceeds may be held as cash collateral, or if Bank applies them to the Revolving Facility, Bank may impose a reserve equal to the amount applied. This reserve will be in addition to the Reserve Amount and any other reserves provided under the Loan Documents. Notwithstanding the foregoing, Bank agrees that it will apply to the Liabilities 100% of all payments in good funds on account of commercial claims from those customers of Borrowers that are parties to an accommodation agreement with Borrowers and Bank and reserve 50% (as opposed to 100%).

15. To the extent any payment received by Bank is deemed a preference, fraudulent transfer, or otherwise by a court of competent jurisdiction which requires the Bank to disgorge such payment then, such payment will be deemed to have never occurred and the Liabilities will be adjusted accordingly.
16. This Agreement shall be governed and controlled in all respects by the laws of the State of Michigan, without reference to its conflict of law provisions, including interpretation, enforceability, validity, and construction.
17. Bank expressly reserves the right to exercise any or all rights and remedies provided under the Loan Documents and applicable law except as modified herein. Bank's failure to exercise immediately such rights and remedies shall not be construed as a waiver or modification of those rights or an offer of forbearance.
18. This Agreement will inure to the benefit of Bank and all its past, present, and future parents, subsidiaries, affiliates, predecessors, and successor corporations and all of their subsidiaries and affiliates.
19. Bank anticipates that discussions addressing the Liabilities may take place in the future. During the course of such discussions, Bank, Borrowers, and Guarantors, may touch upon and possibly reach a preliminary understanding on one or more issues prior to concluding negotiations. Notwithstanding this fact and absent an express written waiver by Bank, Bank will not be bound by an agreement on any individual issues unless and until an agreement is reached on all issues and such agreement is reduced to writing and signed by Borrowers and Guarantors and Bank.
20. As of the date of this Agreement, there are no other offers outstanding from Bank to Borrowers and Guarantors. Any prior offer by Bank, whether oral or written is hereby rescinded in full. There are no oral agreements between Bank and Borrowers and Guarantors; any agreements concerning the Liabilities are expressed only in the existing Loan Documents. The duties and obligations of Borrowers and Guarantors and Bank shall be only as set forth in the Loan Documents and this Agreement, when executed by all parties.
21. Borrowers and Guarantors acknowledge that they have reviewed (or have had the opportunity to review) this Agreement with counsel of their choice and have executed

this Agreement of their own free will and accord and without duress or coercion of any kind by Bank or any other person or entity.

22. **BORROWERS, GUARANTORS, AND BANK ACKNOWLEDGE AND AGREE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT, THE LOAN DOCUMENTS OR THE LIABILITIES.**

23. **DEFAULTS HAVE OCCURRED UNDER THE LOAN DOCUMENTS. BORROWERS AND GUARANTORS, TO THE FULLEST EXTENT ALLOWED UNDER APPLICABLE LAW, WAIVE ALL NOTICES THAT BANK MIGHT BE REQUIRED TO GIVE BUT FOR THIS WAIVER, INCLUDING ANY NOTICES OTHERWISE REQUIRED UNDER SECTION 6 OF ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE AS ENACTED IN THE STATE OF MICHIGAN OR THE RELEVANT STATE CONCERNING THE APPLICABLE COLLATERAL (AND UNDER ANY SIMILAR RIGHTS TO NOTICE GRANTED IN ANY ENACTMENT OF REVISED ARTICLE 9 OF THE UNIFORM COMMERCIAL CODE). FURTHERMORE, BORROWERS AND GUARANTORS WAIVE (A) THE RIGHT TO NOTIFICATION OF DISPOSITION OF THE COLLATERAL UNDER § 9-611 OF THE UNIFORM COMMERCIAL CODE, (B) THE RIGHT TO REQUIRE DISPOSITION OF THE COLLATERAL UNDER § 9-620(E) OF THE UNIFORM COMMERCIAL CODE, AND (C) ALL RIGHTS TO REDEEM ANY OF THE COLLATERAL UNDER § 9-623 OF THE UNIFORM COMMERCIAL CODE.**

24. **BORROWERS AND GUARANTORS, IN EVERY CAPACITY, INCLUDING, BUT NOT LIMITED TO, AS SHAREHOLDERS, PARTNERS, OFFICERS, DIRECTORS, INVESTORS AND/OR CREDITORS OF BORROWERS AND/OR GUARANTORS, OR ANY ONE OR MORE OF THEM, HEREBY WAIVE, DISCHARGE AND FOREVER RELEASE BANK, BANK'S EMPLOYEES, OFFICERS, DIRECTORS, ATTORNEYS, STOCKHOLDERS, AFFILIATES AND SUCCESSORS AND ASSIGNS, FROM AND OF ANY AND ALL CLAIMS, CAUSES OF ACTION, DEFENSES, COUNTERCLAIMS OR OFFSETS AND/OR ALLEGATIONS BORROWERS AND/OR GUARANTORS MAY HAVE OR MAY HAVE MADE OR WHICH ARE BASED ON FACTS OR CIRCUMSTANCES ARISING AT ANY TIME UP THROUGH AND INCLUDING THE DATE OF THIS AGREEMENT, WHETHER KNOWN OR UNKNOWN, AGAINST ANY OR ALL OF BANK, BANK'S EMPLOYEES, OFFICERS, DIRECTORS, ATTORNEYS, STOCKHOLDERS, AFFILIATES AND SUCCESSORS AND ASSIGNS.**

25. This Agreement may be executed in counterparts and delivered by facsimile and the counterparts and/or facsimiles, when properly executed and delivered by the signing deadline, will constitute a fully executed complete agreement.
26. Borrowers and Guarantors shall properly execute this Agreement and deliver same to the undersigned by no later than 5:00 p.m. on January ____, 2009.

Bank reserves the right to terminate its forbearance prior to February 28, 2009, in the event of any new defaults under the Loan Documents, defaults under this Agreement, defaults under either of the Accommodation Agreements among Borrowers, Guarantors, Bank and certain customers of approximate even date with this Agreement, in the event of further deterioration in the financial condition of Borrowers or Guarantors, or further deterioration in Bank's collateral position, or in the event Bank, for any reason, believes that the prospect of payment or performance is impaired.

Very truly yours,

Gregory M. Ryan
Vice President
Comerica Bank
One Detroit Center
500 Woodward Avenue, 4th Floor
Detroit, MI 48226
(313) 222-9467
Fax: (313) 222-1244

ACKNOWLEDGED AND AGREED:

"BORROWERS"

**SKD AUTOMOTIVE GROUP,
LIMITED PARTNERSHIP**

By: PL International Corporation
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

SKD COMPANY

By: 2515080 Nova Scotia Company
Its: General Partner

By: _____
John Chen
Its: Vice President

“GUARANTORS”

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

SKD HOLDING, L.P.

By: SKD Holding, Inc.
Its: General Partner

By: _____
John Chen
Its: Vice President/Treasurer

SKD, L.P.

By: Quincy Holdings, Inc.
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

2515080 NOVA SCOTIA COMPANY

By: _____

John Chen
Its: Vice President

EASSA MEXICO, S. DE R.L. DE C.V.

By: _____

John Williams
Its: Treasurer

SKD DE MEXICO, S. DE R.L. DE C.V.

By: _____

John Chen
Its: Treasurer

NMC CANADA INC.

By: _____

Vytas Ambutas
Its: Secretary

ADDENDUM A

Subject to the terms and conditions of this Addendum A, the unpaid principal balance of the Liabilities outstanding from time to time shall bear interest at the Daily Adjusting LIBOR Rate, except during any period of time during which, in accordance with the terms and conditions of this Addendum A, the Liabilities shall bear interest at the Prime-based Rate.

Interest shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed, and in such computation, effect shall be given to any change in the Applicable Interest Rate as a result of any change in the Daily Adjusting LIBOR Rate or, to the extent applicable, the Prime-based Rate on the date of each such change in the Daily Adjusting LIBOR Rate or, to the extent applicable, the Prime-based Rate.

In no event shall the interest payable on the Liabilities at any time exceed the maximum rate permitted by law.

In the event that the Daily Adjusting LIBOR Rate is not available to Borrower(s) as the Applicable Interest Rate hereunder for the Liabilities outstanding, the Prime-based Rate shall be the Applicable Interest Rate hereunder in respect of such Liabilities for such period, subject in all respects to the terms and conditions of this Addendum A.

If Bank shall designate a LIBOR Lending Office which maintains books separate from those of the rest of Bank, Bank shall have the option of maintaining and carrying the Liabilities on the books of such LIBOR Lending Office.

If Bank determines that, (a) Bank is unable to determine or ascertain the Daily Adjusting LIBOR Rate, or (b) by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars in the applicable amounts or for the relative maturities are not being offered to Bank, or (c) the Daily Adjusting LIBOR Rate will not accurately or fairly cover or reflect the cost to Bank of maintaining any of the Liabilities at the Daily Adjusting LIBOR Rate, then Bank shall forthwith give notice thereof to Borrower(s). Thereafter, until Bank notifies Borrower(s) that such conditions or circumstances no longer exist, any obligation of Bank to maintain any of the Liabilities at the Daily Adjusting LIBOR Rate shall be suspended, and the Prime-based Rate shall be the Applicable Interest Rate for all Liabilities during such period of time.

If, after the date hereof, the introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank (or its LIBOR Lending Office) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for the Bank (or its LIBOR Lending Office) to make or maintain any portion of the Liabilities with interest at the Daily Adjusting LIBOR Rate, Bank shall forthwith give notice thereof to Borrower(s). Thereafter, (a) until Bank notifies Borrower(s) that such conditions or circumstances no longer exist, any obligation of Bank to maintain any of the Liabilities at the Daily Adjusting LIBOR Rate shall be suspended, and the Prime-based Rate shall be the Applicable Interest Rate with respect to the Liabilities, and (b) if

Bank may not lawfully continue to maintain the Liabilities at the Daily Adjusting LIBOR Rate, the Prime-based Rate shall be the Applicable Interest Rate with respect to the Liabilities.

Further, at any time upon prior written notice to Borrower(s), Bank may, in its sole discretion, based upon its good faith belief that the Prime-based Rate is an appropriate basis for its floating rate loans, suspend use of the Daily Adjusting LIBOR Rate as the Applicable Interest Rate hereunder, at which time, the Prime-based Rate shall thereafter be the Applicable Interest Rate for all the Liabilities, unless Bank, in its sole discretion based upon its good faith belief that the Prime-based Rate is no longer an appropriate basis for its floating rate loans, rescinds such notice, in which case, the Daily Adjusting LIBOR Rate shall, upon written notice from Bank to Borrower(s), again be the Applicable Interest Rate for all the Liabilities.

If the adoption after the date hereof, or any change after the date hereof in, any applicable law, rule or regulation (whether domestic or foreign) of any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank (or its LIBOR Lending Office) with any request or directive (whether or not having the force of law) made by any such authority, central bank or comparable agency after the date hereof: (a) shall subject Bank (or its LIBOR Lending Office) to any tax, duty or other charge with respect to the Liabilities, or shall change the basis of taxation of payments to Bank (or its LIBOR Lending Office) of the principal of or interest with respect to the Liabilities or any other amounts due with respect to the Liabilities (except for changes in the rate of tax on the overall net income of Bank or its LIBOR Lending Office imposed by the jurisdiction in which Bank's principal executive office or LIBOR Lending Office is located); or (b) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by Bank (or its LIBOR Lending Office), or shall impose on Bank (or its LIBOR Lending Office) or the foreign exchange and interbank markets any other condition affecting the Liabilities; and the result of any of the foregoing is to increase the cost to Bank of maintaining any part of the Liabilities or to reduce the amount of any sum received or receivable by Bank with respect to the Liabilities by an amount deemed by the Bank to be material, then the applicable Borrower(s) shall pay to Bank, within fifteen (15) days of receipt by Borrower(s) of written notice from Bank demanding such compensation, such additional amount or amounts as will compensate Bank for such increased cost or reduction.

A certificate of Bank, prepared in good faith and in reasonable detail by Bank and submitted by Bank to Borrower(s), setting forth the basis for determining such additional amount or amounts necessary to compensate Bank shall be conclusive and binding for all purposes, absent manifest error.

In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to Bank, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk-based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by

Bank (or any corporation controlling Bank), and Bank determines that the amount of such capital is increased by or based upon the existence of any obligations of Bank with respect to the Liabilities or the maintaining of any of the Liabilities, and such increase has the effect of reducing the rate of return on Bank's (or such controlling corporation's) capital as a consequence of such obligations or the maintaining of such Liabilities to a level below that which Bank (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy), then Borrower(s) shall pay to Bank, within fifteen (15) days of receipt by Borrower(s) of written notice from Bank demanding such compensation, additional amounts as are sufficient to compensate Bank (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which Bank reasonably determines to be allocable to the existence of any obligations of the Bank with respect to the Liabilities or to maintaining any of the Liabilities.

A certificate of Bank as to the amount of such compensation, prepared in good faith and in reasonable detail by the Bank and submitted by Bank to Borrower(s), shall be conclusive and binding for all purposes absent manifest error.

For the purposes of this Addendum A, the following terms have the following meanings:

- (a) "Applicable Interest Rate" means either the Daily Adjusting LIBOR Rate or (subject to the terms of this Addendum) the Prime-based Rate, as determined in accordance with the terms and conditions of this Addendum A.
- (b) "Applicable Margin" means four and one half percent (4.5%).
- (c) "Business Day" means any day, other than a Saturday, Sunday or any other day designated as a holiday under Federal or applicable State statute or regulation, on which Bank is open for all or substantially all of its domestic and international business (including dealings in foreign exchange) in Detroit, Michigan, and, in respect of notices and determinations relating to the Daily Adjusting LIBOR Rate, also a day on which dealings in dollar deposits are also carried on in the London interbank market and on which banks are open for business in London, England.
- (d) "Daily Adjusting LIBOR Rate" means, for any day, a per annum interest rate which is equal to the sum of the Applicable Margin, plus the quotient of the following:
 - (i) for any day, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to one (1) month, appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 11:00 a.m. (Detroit, Michigan time) (or as soon thereafter as practical), on such day, or if such day is not a Business Day, on the immediately preceding

Business Day. In the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service) on any day, the "Daily Adjusting LIBOR Rate" for such day shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be agreed upon by Bank and Borrower(s), or, in the absence of such agreement, the "Daily Adjusting LIBOR Rate" for such day shall, instead, be determined based on the average of the rates at which Bank is offered dollar deposits at or about 11:00 a.m. (Detroit, Michigan time) (or soon thereafter as practical), on such day, or if such day is not a Business Day, on the immediately preceding Business Day, in the interbank eurodollar market in an amount comparable to the principal amount of Indebtedness hereunder which is to bear interest at such Daily Adjusting LIBOR Rate and for a period of one (1) month;

divided by

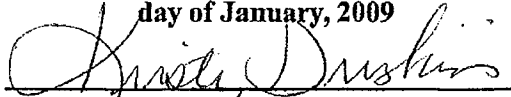
- (ii) a percentage (expressed as a decimal) equal to 1.00 minus the maximum rate on such date at which Bank is required to maintain reserves on "Euro-currency Liabilities" as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System or, if such regulation or definition is modified, and as long as Bank is required to maintain reserves against a category of liabilities which includes eurodollar deposits or includes a category of assets which includes eurodollar loans, the rate at which such reserves are required to be maintained on such category.
- (e) "LIBOR Lending Office" means Bank's office located in the Cayman Islands, British West Indies, or such other branch of Bank, domestic or foreign, as it may hereafter designate as its LIBOR Lending Office by notice to the Borrower(s).
- (f) "Prime Rate" shall mean the per annum interest rate established by Bank as its prime rate for its borrowers, as such rate may vary from time to time, which rate is not necessarily the lowest rate on loans made by Bank at any such time.
- (g) "Prime-based Rate" shall mean a per annum interest rate which is equal to the sum of the Applicable Margin plus the greater of (i) the Prime Rate; or (ii) the rate of interest equal to the sum of (a) one percent (1%) and (b) the rate of interest equal to the average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers (the "Overnight Rates"), as published by the Federal Reserve Bank of New York, or, if the Overnight Rates are not so published for any day, the average of the quotations for the Overnight

Rates received by Bank from three (3) Federal funds brokers of recognized standing selected by Bank, as the same may be changed from time to time.

THE MAXIMUM INTEREST RATE SHALL NOT EXCEED 25% PER ANNUM, OR THE HIGHEST APPLICABLE USURY CEILING, WHICHEVER IS LESS.

Tab I

**This is Exhibit "I" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristi Dushka", written over a horizontal line.

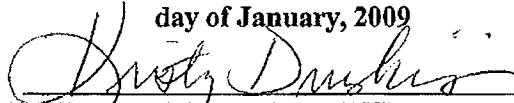
A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

SKD Company (Canada) Consolidated CND\$
 Estimated Cash Flow Forecast

	23-Jan	30-Jan	Jan 2009	6-Feb	13-Feb	20-Feb	27-Feb	Feb 2009
Total Receipts	\$ 9,474	\$ 415	\$ 9,889	\$ 2,690	\$ 3,195	\$ 2,227	\$ 2,550	\$ 10,662
Disbursements								
Customer Steel Autodebit/Scrap Rebate	8,769	136	8,905	985	1,244	978	1,098	4,305
Accounts Payable - Trade	505	1,251	1,756	437	487	506	1,228	2,658
Payroll - Hourly	735	348	1,083	127	100	380	355	962
Payroll - Salaried	50	645	695	575	595	50	500	1,720
Restructuring Fees	1,099	643	1,742	760	783	736	751	3,030
Interest	-	150	150	-	-	-	150	150
Accrued Payroll	1,674	-	1,674	-	-	-	-	-
Total Disbursements	12,852	3,173	16,005	2,884	3,209	2,650	4,082	12,825
Net Cash Flow	(3,357)	(2,758)	(6,115)	(194)	(14)	(423)	(1,532)	(2,163)

Tab J

**This is Exhibit "J" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Dushka", written over a horizontal line.

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

ACCOMMODATION AGREEMENT

This Accommodation Agreement (this "Agreement"), by and among SKD Company ("Supplier"), Ford Motor Company ("Ford"), Chrysler Canada Inc. ("Chrysler Canada"), Chrysler LLC, on behalf of itself and Chrysler Motors LLC (together with Chrysler Canada, "Chrysler"), Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, "Honda") (collectively, the "Customers") and Comerica Bank ("Comerica"), is entered into on January ____, 2009 (the "Effective Date").

RECITALS

A. Pursuant to various commitments, purchase orders, supply agreements and/or releases issued by each Customer and accepted by Supplier (collectively, the "Purchase Orders" or individually, a "Purchase Order"), Supplier is obligated to manufacture, and each Customer is obligated to pay for, each Customer's requirements of certain component parts, service parts or assembled goods (collectively, the "Component Parts" or individually, a "Component Part").

B. Supplier is currently indebted to Comerica (the "Comerica Indebtedness") pursuant to certain credit facilities provided by Comerica to Supplier and SKD Automotive Group, Limited Partnership (the "Comerica Facilities"). To secure the Comerica Indebtedness, Comerica has been granted security over the real and personal property assets of Supplier (the "Comerica Security").

C. The Comerica Facilities have matured, but Comerica has agreed to enter into forbearance arrangements with Supplier and its affiliates, provided that arrangements acceptable to Comerica can be entered into between Supplier and the Customers.

D. As a result of Supplier's financial difficulties, Supplier will commence a proceeding (the "CCAA Proceeding") applying for an initial order in form and substance satisfactory to Comerica under the *Companies' Creditors Arrangement Act* (the "CCAA") in the Ontario Superior Court of Justice (the "Court"). Supplier has requested that the Customers provide financial and other accommodations to Supplier during the CCAA Proceeding, and the Customers have requested that Comerica and Supplier provide certain assurances and acknowledgements to the Customers regarding, among other things, Supplier's ongoing production of Component Parts for the Customers.

E. The financial advisor to Supplier, Conway MacKenzie, Inc., and RSM Richter Inc., the proposed court-appointed monitor in the CCAA Proceeding (the "Monitor"), are working with Supplier to consider alternatives to restructure Supplier's business that will include a sales process (the "Restructuring Process").

F. Supplier has requested the Customers to provide certain financial and other accommodations to Supplier during the Restructuring Process. Similarly, due to the concerns and uncertainties surrounding Supplier's financial condition, Comerica and the Customers have requested certain acknowledgements and agreements from Supplier and each other to induce Comerica and the Customers to provide those accommodations. Upon and subject to the terms

of this Agreement: (i) the Customers have agreed to provide certain assurances and acknowledgements to Supplier and Comerica; (ii) Supplier has agreed to provide certain assurances and acknowledgements to the Customers, and (iii) Comerica has agreed to provide certain assurances and acknowledgements to the Customers.

G. Supplier and the Customers are parties to an Access and Security Agreement of even date herewith ("Access Agreement").

H. References in this Agreement to paragraphs or sections, unless otherwise noted are references to paragraphs or sections of this Agreement.

BASED UPON THE FOREGOING RECITALS and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereto agree as follows:

TERMS AND CONDITIONS

1. **Term.** The term of this Agreement (the "Term") shall commence on the Effective Date and continue until the earliest of (a) February 28, 2009, (b) the closing of the sale of Supplier's business as a going concern to a Qualified Buyer (as defined below), (c) an Event of Default (defined below), (d) Comerica ceases to provide financing to Supplier during the Restructuring Process, and (e) Comerica commences any enforcement action with respect to a material portion of Supplier's real or personal property constituting collateral.
2. **Customers Accommodations.**
 - 2.1 **Resourcing.**

(a) Except as provided in this Section 2.1, until the expiration of the Term of this Agreement the Customers will not resource the production of Component Parts, including the resourcing of any awarded business that is not yet in production. "Resource", "resource" and "resourcing" means (i) any activity of a Customer that results in a Component Part produced by Supplier being purchased by a Customer from some other source during the Term, or (ii) the engineering and development or manufacture of a Component Part not yet in production, being transferred by Customer from Supplier to a replacement source during the Term. The foregoing limitation, however, does not include or prohibit (i) changes in releases due to normal business fluctuations, (ii) cessation of production due to product or vehicle cancellations (excluding cancellations or modifications to enable resourcing), (iii) a Customer taking action to prepare for resourcing including, without limitation, entering into discussions and negotiations with third parties regarding the production of the Component Parts by another source, or (iv) a Customer purchasing sample or prototype Component Parts from another source. Supplier will provide reasonable assistance with such preparatory actions, including, upon being provided with advance notice, providing reasonable access to Supplier's

facilities during normal business hours to a potential alternative supplier and/or its agents and representatives. Customers shall pay to Supplier in advance, as required by Supplier from time to time, both during the Term and following the expiry of the Term, an estimate of Supplier's reasonable incremental costs, as agreed to by Supplier and Customers, in relation to the preparation and removal activities of Customers in relation to any resourcing activities, subject to final reconciliation, upon completion of the preparation and removal activities, of all such incremental costs.

(b) In the event that Supplier and Comerica determine that no sale of the business of Supplier or plan of arrangement under the CCAA will be successfully concluded, Supplier shall forthwith provide notice to the Customers in writing (the "Resourcing Notice").

(c) Upon Supplier's failure to meet a Sale Process Milestone (defined below) or after receipt of a Resourcing Notice (the "Resourcing Trigger Event"), the Customer may resource one or more Component Parts provided that the Customer has paid in full, subject to any setoff allowed in accordance with Section 2.6 (collectively, the "Permissible Setoffs"), all then existing accounts owing to Supplier for production of any and all Component Parts and has paid for all Unpaid Tooling in accordance with Section 2.2(a) and Section 2.3 below, as applicable.

2.2 Expedited Payments.

(a) Undisputed Accounts Payable. Each Customer and Supplier acknowledges that, as of the Effective Date, in accordance with its records, each Customer is indebted to Supplier in the amounts set forth on the attached Schedule A (Chrysler), Schedule B (Ford), and Schedule C (Honda) for Component Parts and for Unpaid Tooling purchased by the Customer for which PPAP has been completed (collectively, the "Undisputed Accounts Payable"). Each Customer agrees:

(1) to pay to Comerica for account of Supplier within two (2) business days after the Effective Date, all Undisputed Accounts Payable arising from the shipment of Component Parts that were due and owing prior to the Effective Date (provided that such payment will be net of a holdback of \$176,000 (the "Holdback"), in the aggregate from all Customers, until an order (the "Garnishment Order", which may be the initial order under the CCAA) is issued by the Ontario Superior Court of Justice in respect of Supplier (i) staying the garnishment served on the Customers in the amount of the Holdback pursuant to the judgment obtained by Roberto Costantino and Tony Wong (the "Judgment Creditors") in Court File No. 06 CV 308 185 PD1 (the "Garnishment"); (ii) authorizing and permitting payment of the Holdback by a Customer to Supplier; and (iii) providing that the Customers shall incur no

liability to the Judgment Creditors by making payment of the Holdback to Supplier. The Holdback will be paid to Supplier on the expiry of any period set out in the Garnishment Stay Order for providing notice to the Judgment Creditors and the applicable sheriff. For greater certainty, in the event of any dispute between the Judgment Creditors and Supplier, the Customer or Customers retaining the Holdback shall be entitled to pay the Holdback into Court);

- (2) to accelerate and to pay to Comerica for account of Supplier all other Undisputed Accounts Payable arising from the shipment of Component Parts within ten (10) days after the Effective Date; and
- (3) to pay to Comerica for account of Supplier within ten (10) business days after the Effective Date, all amounts for Unpaid Tooling in possession of the Supplier for which PPAP has been completed, and invoices have been issued by the Supplier to the Customer.

The payment made hereunder will be net of any Permissible Setoffs.

(b) Unresolved Payables and Commercial Issues. Schedule A, Schedule B, and Schedule C (collectively, the "Schedules") contain particulars of claims for any unresolved accounts payable existing as of the Effective Date between Supplier and each respective Customer (the "Unresolved Accounts Payable"), as well as claims for any unresolved commercial issues between Supplier and each Customer (the "Unresolved Commercial Issues"). Supplier and the applicable Customer agree to work in good faith to resolve (subject to Comerica's approval) and, if applicable, make payment of amounts outstanding in relation to any Unresolved Accounts Payable issues within fifteen (15) days following the Effective Date (the "Payables Resolution Period") and any Unresolved Commercial Issues within thirty (30) days following the Effective Date (the "Unresolved Commercial Issues Resolution Period"). At the expiry of the Unresolved Commercial Issues Resolution Period any remaining Unresolved Accounts Payable and Unresolved Commercial Issues shall be determined by the Court at a hearing to be forthwith scheduled after submission of an appropriate motion by Supplier.

(c) Payables Following the Effective Date. Except as otherwise provided in this Agreement, each Customer shall manage its payables process such that all amounts owing to Supplier from a Customer arising before the later of: (i) the expiration of the Term, and (ii) the date that the Comerica Indebtedness is paid in full, for such Customer's purchase of Component Parts shall be paid on a "net immediate" basis (which means Supplier will receive payment on the next accounts payable cycle after acceptance of the invoice in the Customer's accounts payable system) but, on average, no later than ten (10) business days after recognized in the

Customer's accounts payable system. In the event of a dispute as to an invoice, within five (5) business days of a meeting request by Supplier, the Supplier and the Customer (or the Customer's designee) shall meet to complete a reconciliation of the items in dispute. If there is still a dispute as to an invoice ten (10) business days after the meeting request, Supplier has the legal right to assert a claim for the invoice amount but such assertion does not constitute an admission by the Customer that the invoice amount is owed.

2.3 Obligation Relating to Tooling In Process and Unpaid Tooling

(a) Tooling In Process. With respect to Tooling for which, on the Effective Date, PPAP has not been completed, but which was in the course of being manufactured by Supplier, or for Supplier by a third party with which Supplier contracted (a "Tooling Vendor"), in either case pursuant to a tooling purchase order issued by the Customer to Supplier, the Customer acknowledges and agrees that:

- (1) if Supplier is fabricating the Tooling, Supplier shall be entitled, if the Tooling can be completed during the Term, to complete such tooling on the terms of the existing tooling purchase order from the Customer; and
- (2) if a Tooling Vendor is fabricating the Tooling, Supplier agrees that the Customer may reimburse Supplier for payments already made to the Tooling Vendor and for work and expenditures incurred by the Supplier to the extent reimbursable under the underlying Purchase Order, and provided that such payments have been made, cancel the tooling purchase order with Supplier and issue a tooling purchase order directly to the Tooling Vendor, at which time such Tooling will be deemed Customer Tooling;

Each Customer will, with the complete cooperation of Supplier, use its best efforts to expedite PPAP completion for any Tooling for which PPAP has not, as of the Effective Date or thereafter, been completed.

(b) Unpaid Tooling - Obtaining PPAP. With respect to Unpaid Tooling:

- (1) that has completed PPAP as of the Effective Date (but which Unpaid Tooling is not in the Supplier's possession); or
- (2) in respect of which PPAP is completed before the later of: (i) the expiration of the Term, and (ii) the date that the Comerica Indebtedness is paid in full (but which Unpaid Tooling is not in the Supplier's possession),

after the earlier of

- (i) written acknowledgement by any third party in possession of such Unpaid Tooling asserting a lien, claim or interest in the Unpaid Tooling to the satisfaction of the respective Customer, acknowledging that such lien, claim or interest has been satisfied and that Customer may take possession of such Unpaid Tooling at any time without further payment, or
- (ii) the entry of an order in the CCAA Proceeding transferring any lien, claim or interest of such third party in the Unpaid Tooling to the proceeds of such Unpaid Tooling and permitting the Customer to take possession of such Unpaid Tooling at any time without payment,

if the Unpaid Tooling can be delivered free and clear of all claims and interests, liens, security interests and encumbrances, the applicable Customer will pay for such Unpaid Tooling (to a maximum of the "not to exceed" amount provided by the Customer to Supplier in the applicable tooling purchase order and provided that Customer receives credit for any payments or deposits given by the Customer to Supplier in respect of such Tooling prior to completion of PPAP) no later than ten (10) business days after the invoice date and PPAP is completed with delivery of a PSW (Part Submission Warrant), subject to any rights of the Customer to assert a Tooling Setoff (as herein defined) or a Raw Material Setoff and subject to the Customer's audit rights in respect of the Tooling in question, at which time such Tooling will be deemed Customer Tooling.

With respect to Unpaid Tooling that PPAP is completed during the Term (and which Unpaid Tooling is in the Supplier's possession), if the Unpaid Tooling can be delivered free and clear of all claims and interests, liens, security interests and encumbrances, the applicable Customer will pay for such Unpaid Tooling (to a maximum of the "not to exceed" amount provided by the Customer to Supplier in the applicable tooling purchase order and provided that Customer receives credit for any payments or deposits given by the Customer to Supplier in respect of such Tooling prior to completion of PPAP) no later than ten (10) business days after the invoice date and PPAP is completed with delivery of a PSW (Part Submission Warrant), subject to any rights of the Customer to assert a Tooling Setoff (as herein defined) or a Raw Material Setoff and subject to the Customer's audit rights in respect of the Tooling in question, at which time such Tooling will be deemed Customer Tooling.

(c) Possession at Resourcing. Prior to taking possession of Unpaid Tooling that has not obtained PPAP, the Customer will pay to Comerica, on account of Supplier, the tooling purchase order price of such Unpaid

Tooling less the cost of completion, including any costs incurred by the Customer relating to the completion of PPAP incurred outside of the normal course of business (as such costs are determined by the Customer, Comerica, and Supplier, acting reasonably, and, in the absence of such agreed determination, by the Court in the CCAA Proceeding), less any amount previously paid by Customer to Supplier on account thereof and less the amount owed to any Tooling Vendor on account of such Tooling, and such item shall after the payment to Comerica, on account of Supplier, thereafter be included in the definition of Customer Tooling under this Agreement and treated as such.

2.4 Obligation to Pay for Returnable Packaging. With respect to returnable packaging, if the returnable packaging is not sold to a third party, Ford agrees (i) for Component Parts programs that have commenced production prior to the Effective Date, Ford will purchase all returnable packaging associated with the Component Parts, and the purchase price will be Supplier's cost not previously paid or recovered through the piece price; and (ii) for Component Parts programs not yet in production by Supplier as of the Effective Date, to pay to Supplier the entire amount required to fund Supplier's cost of producing or buying the returnable packaging. Payment for the returnable packaging will be made before Ford or its designees remove the returnable packaging from Supplier's premises; however, in any event, Ford will pay for such returnable packaging no later than ten (10) days after the end of the Term. Upon making such payments (i) Ford shall own such returnable packaging free and clear of all liens and claims, and (ii) Ford will permit Supplier to tag or otherwise conspicuously mark the purchased returnable package as property of Ford.

2.5 Obligation to Purchase Inventory.

(a) Upon the earliest to occur (the "Inventory Purchase Trigger Date") of (i) a Resourcing Trigger Event pursuant to which a Customer resources production of the Component Parts, (ii) the expiration or termination of the Term, or (iii) the exercise by a Customer of the Right of Access under the Access Agreement, such Customer shall purchase from Supplier free and clear of all claims and interests, liens, security interests and encumbrances, all raw materials (including components previously purchased by Supplier) used to manufacture the Component Parts, work in process and finished Component Parts, which at the time of resourcing are both "useable" by such Customer or such Customer's new source of such Component Parts and in a "merchantable" condition (collectively, the "Inventory"), whether currently in the possession of Supplier or in the possession of a third party (a "Bailee") holding same for or on behalf of Supplier.

(b) Upon the Inventory Purchase Trigger Date, Supplier shall forthwith provide the applicable Customer and Comerica with a written

notice that details the affected Component Parts and the Inventory. If requested by Customer, Supplier will cooperate in conducting a physical inventory of the Inventory as soon as possible following the delivery of such notice. The Customers' obligations to purchase Inventory from Supplier hereunder shall include the purchase of Inventory from Comerica or its agent or any receiver, if such persons have the authority to sell the Inventory, and the Monitor in CCAA Proceeding.

(c) For purposes hereof the term "useable" means all Inventory that is not obsolete, as determined by a Customer in accordance with applicable industry standards for the Inventory at issue, and is reasonably useable by a Customer (or its replacement supplier) in the production of Component Parts, and for all Inventory, is in a quantity equal to the greater of (i) such Customer's unsatisfied releases as of the Inventory Purchase Trigger Date, or (ii) the Inventory that was procured in reliance on such Customer's issued releases at the time of procurement that have been delayed, reduced or eliminated. Inventory Banks built in advance of union contract negotiations and Inventory purchased under a Customer Raw Material Supply Programs, including without limitation, steel purchased thereunder that was cut specifically for use in connection with a particular Customer's tool is deemed to be useable. The term "merchantable" means merchantable in conformance with all applicable Purchase Order specifications for the Component Part at issue. The determination of whether Inventory is "useable" and "merchantable" will be made on the later of (i) the date the Inventory Vesting Order (as defined below) is entered, and (ii) the date that the Inventory is made available for delivery to a Customer. Inventory removed by or delivered to and accepted by a Customer, shall be deemed to be useable and merchantable. As soon as practical but in no event five (5) business days after entry of the Inventory Vesting Order, the Customer and Supplier will jointly determine in good faith to determine if inventory in the possession a Bailee is merchantable and useable.

(d) The purchase price of the Inventory will be: (i) for raw materials, 100% of Supplier's actual invoiced cost; (ii) for work in process, 85% of Supplier's cost, which cost shall be calculated on a percentage of completion basis based on the existing price called for in the Purchase Order related for the Component Part at issue; and (iii) for finished Component Parts, 100% of the existing price called for in the underlying Purchase Order for the Component Part at issue. All prices are F.O.B. Supplier. Notwithstanding Section 2.6, each Customer shall be entitled to a credit against the purchase price of Inventory for the amount of any unrecovered Raw Material Setoff.

(e) The full amount of the purchase price for the Inventory being purchased will be paid by the Customer to the Monitor, to be held in trust for Supplier, prior to any purchased Inventory being delivered to a

Customer. Delivery of the purchased Inventory to the Customer, and the release of the purchase price for such Inventory by the Monitor from trust to Comerica for the account of Supplier, shall each occur without further direction, notice, Order or writing, immediately following the making of an Order acceptable to the Customers and Comerica, acting reasonably (the "Inventory Vesting Order") by the Court directing the release by the Monitor of the full amount of the purchase price to Comerica for account of Supplier and vesting title in the Inventory in the Customer free and clear of all claims and interests, liens, security interests and encumbrances, and, if required, directing any Bailee to deliver up possession of any Inventory in its possession to the Customer, which Order shall be sought from the Court as soon as practicable following the commencement of resourcing by the Customer. Following the making of the Inventory Vesting Order, Supplier agrees to cooperate with Customer in its taking of possession of the Inventory, including by (i) providing Customer with a right of access to its premises during normal business hours to take possession of and remove such purchased Inventory, and (ii) enforcement of the Inventory Vesting Order.

(f) Supplier acknowledges and agrees that upon payment in full by Customer to Supplier for Inventory, Customer shall be the owner of such Inventory and, to the extent that it is being held by Supplier or a Bailee, it is held as bailee-at-will only.

2.6 Limitation of Setoffs. Except for "Raw Material Setoffs", "Allowed Setoffs", "Material Setoffs", "Professional Fee Setoffs" and "Tooling Setoffs" (each as defined below), Customer agrees not to assert any defenses, rights or claims for setoffs, recoupment or deductions of any nature or kind, including in connection with any prior, existing or future defaults under the Purchase Orders or arising under otherwise applicable law, including claims for special or consequential damages. Customers agree that their right to assert a claim for setoff, recoupment or deduction does not constitute an admission by Supplier of the quantum or validity of any such claim.

The term "Raw Material Setoffs" means setoffs, recoupments or deductions for materials supplied directly by, or on behalf of, a Customer to Supplier pursuant to an existing arrangement between Supplier and that Customer under the Customer's raw material or material offload program ("Customer Raw Material Supply Program").

The term "Allowed Setoffs" means setoffs, recoupments or deductions for defective or nonconforming products, quality problems, unordered or unreleased parts returned to Supplier, short shipments, misshipments, premium freight charges (not caused by a Customer), incorrect invoices, mispricing, duplicate payments or billing errors, in each case subject to appropriate documentation, but excluding any special, incidental or

consequential damages, whether arising from or relating to the foregoing or otherwise.

The term "Material Setoffs" means any actual and documented payments for raw materials, components or other goods (but not Tooling and not materials that are part of a Customer Raw Material Supply Program) supplied or paid for by a Customer for Supplier's use in manufacturing the Component Parts, for which Supplier and Comerica has received written notice (a "Direct Payment Notice") from the Customer prior to the earlier of delivery, payment or purchase of such raw materials, components or other goods. Material Setoffs may be taken only against the Customer's accounts payable for Component Parts arising at least two (2) business days after the date that a Direct Payment Notice is received by Comerica and only if the Customer provides Supplier and Comerica with proof of such payment or purchase. In the case of any direct payment made by a Customer to a vendor as a result of a vendor's refusal to sell to Supplier, Customer shall not, without Supplier's and Comerica's prior written consent, pay to the material vendor a price in excess of the applicable price set forth in the vendor's agreement with Supplier, whether characterized as an increase in the unit price or as a request for antecedent debt to be repaid. For clarity, there is no notice requirement for Raw Material Setoffs and there is no requirement that a Raw Material Setoff be taken only against accounts generated after notice or delivery of the raw materials.

The term "Professional Fee Setoffs" means the actual and documented professional fees incurred by the Customers relating to Supplier.

The term "Tooling Setoffs" means any actual and documented payments to Tooling Vendors and/or a party with a valid and existing lien on the subject Tooling (a "Tooling Lien Claimant") for the purchase price of or costs to modify or repair Tooling, or any portion thereof (i) on account of Tooling which is necessary to protect the production of Component Parts for a Customer's production (existing and future) and as to which the payments are necessary to secure the release of Tooling, or (ii) as to which written notice of the amount paid to the Tooling Vendor or Tooling Lien Claimant has been received by Comerica within five (5) business days after each such payment. Tooling Setoffs can only be asserted against payables for Tooling. Notwithstanding the foregoing, the Customer shall not, without the prior written consent of the Monitor, pay to a Tooling Vendor or Tooling Lien Claimant a price in excess of the applicable price set out in an agreement between such Tooling Vendor or Tooling Lien Claimant and Supplier, unless Supplier is unable to timely compel such person to deliver the Tooling to the Customer or Supplier unless such price is paid, after notice from the Customer to the Monitor, Supplier and Comerica that such Tooling is required to ensure the ongoing production

of Component Parts for the Customer without a material interruption in the supply of such Component Parts.

The parties hereto agree that: (a) Allowed Setoffs, Professional Fee Setoffs, Materials Setoffs and Raw Material Setoffs may not be taken in relation to any amounts to be paid for returnable packaging pursuant to section 2.4 of this Agreement, Inventory purchased pursuant to section 2.5 of this Agreement (but for clarity, Raw Materials Setoffs are permitted as provided for in Section 2.5), Supplier Owned Tooling purchased pursuant to Section 6.1 of this Agreement, or Designated Equipment purchased pursuant to section 6.2 of this Agreement; (b) in no event shall Allowed Setoffs and Professional Fee Setoffs taken by each Customer exceed, in the aggregate, 5% of the paid amount of any unpaid invoice; and (c) each Customer may set off or recoup against any accounts arising from the shipment of Component Parts or arising from Unpaid Tooling amounts that are owed by Supplier to the Customer for materials received by Supplier from the Customer pursuant to the Customer's Raw Materials Purchasing Program in the ordinary course of business and without limitation. Any Allowed Setoffs or Professional Fee Setoffs which are not taken or prohibited by the aggregate 5% cap may be rolled forward and applied to the future invoices, provided, however, the aggregate 5% cap will still apply to any setoff of each future invoice.

Other than as provided for and restricted by this Agreement in relation to payments to be made by the Customers to or for the account of Supplier (including any trustee in bankruptcy, receiver or interim receiver of Supplier), none of which is amended or modified by this sentence, the Customers retain their rights of setoff and recoupment for defensive purposes against third parties other than Supplier and Comerica, provided that the Customers agree that they will not assert, for purposes of seeking an affirmative recovery, any special, consequential or incidental damages or any other claims which the Customers have agreed to not assert by way of setoff, deduction or recoupment under this Agreement, as claims in any estate of Supplier, whether in the context of the CCAA Proceeding or any receivership or bankruptcy in relation to Supplier. The parties further agree that after (but not before) the Comerica Indebtedness has been fully paid, the Customers may assert their respective rights of setoff and recoupment against any resolved valid Unresolved Commercial Issues (the "Determined Unresolved Commercial Issues"), provided however, such rights shall be limited, in the case of each Customer, to an amount equal to 50% of the amount of that Customer's Determined Unresolved Commercial Issues. For example, as to the last point in the preceding sentence, if there are \$1.0 million of Determined Unresolved Commercial Issues, the Customer can use any valid set off and recoupment rights for up to \$500,000.

2.7 Obligation to pay sales taxes. Customer shall pay (if not already paid) all applicable federal and provincial sales taxes or deliver such exemption certificates or elections (and Supplier shall cooperate in the preparation or delivery of any such materials) in relation to each of the transactions contemplated under this Agreement.

2.8 Waiver of Price-downs. The Customers acknowledge and confirm that during the Term, and in relation to Inventory Purchase under Section 2.5 of this Agreement, the prices to be paid for the Component Parts are not subject to any price-downs not already in effect as at December 15, 2008.

2.9 Customer Funding.

(A) Subject to the terms of this Section, Customers agree during the Term to purchase subordinated participations from Comerica as necessary to provide the funding required under the Comerica Facilities ("the Customer Operations Funding") up to US\$8,800,000 (the "Cap"), subject to mutually agreed upon adjustments to the Cap. The Customer Operations Funding shall be in an aggregate amount consistent with the budget attached as Exhibit C to this Agreement (the "Budget"), but with a permitted variance in respect of aggregate disbursements set forth in the budget for any week on a rolling net basis of up to ten 10% percent, but in no event shall the forgoing variance result in the Customer Operations Funding exceeding the Cap. For clarity, the Cap is the aggregate amount from the consolidated Budget for the U.S., Mexican, and Canadian operations.

(B) The Customer Operations Funding shall be made available through the purchase of subordinated participations in the direct borrowings of Supplier under the Comerica Facilities, pursuant to the terms of the subordinated participation agreement dated January 12, 2009, as the same may be amended or restated (the "Subordinated Participation Agreement"). Customers will (i) on the Effective Date for the working days during the week of the Effective Date, and (ii) during the Term, on or before the Friday of each week for the week that immediately follows, purchase subordinated participations from Comerica in the amounts estimated by Supplier as being required to satisfy the obligations of Supplier to operate during the applicable week in excess of the Supplier's existing availability under the Comerica Facilities (the "Weekly Funding Amount"). The Weekly Funding Amount shall be calculated in a manner to permit payment by Supplier of such estimated obligations, whether or not actually paid in that week.

(C) The allocation of the Customers Operations Funding will be allocated by and among the Customers on a basis agreed upon as among the Customers in accordance with the percentages set forth in the attached

Exhibit D. The Customers Operations Funding hereunder shall be several and not joint.

(D) Supplier will provide the Customers weekly variance reporting.

(E) The Customer Operations Funding shall be in addition to any (i) Parts Bank Costs (as defined below), (ii) vendor hostage payments not covered in the Budget, the payment of which shall not give rise to a right of setoff, recoupment or deduction by any Customer, and (iii) program launch or other Customer-specific costs, each of which shall be funded and borne by the applicable Customer, individually (the "Individual Customer Funding Events"). Supplier shall not use Customer Operations Funding for payments to be covered pursuant to Individual Customer Funding Events, which each Customer agrees will be funded to Supplier under arrangements separately agreed to by Supplier and the applicable Customer, in advance of any obligations being incurred by Supplier.

3. Supplier's Obligations.

- 3.1 Cash Management. Supplier agrees to use its best efforts to minimize expenses through cash management and conduct its operations in accordance with the Budget. Supplier shall provide the Customers and Comerica actual to Budget data on a weekly basis.
- 3.2 Continue to Manufacture. Provided that Supplier has sufficient funding and Customers are otherwise complying with their obligations in all material respects under this Agreement, during the Term Supplier will continue to manufacture and deliver Component Parts from and after the Effective Date in accordance with Purchase Orders outstanding as of the Effective Date, Purchase Orders issued after the Effective Date and any new awards entered into during the Term. The terms and conditions of the Purchase Orders shall remain in full force and effect; provided, however, in the event of any inconsistency between the terms of this Agreement and the terms of the Purchase Orders, the terms of this Agreement will control.
- 3.3 Inventory Bank. At a Customer's request, during the Term Supplier will use commercially reasonable efforts to create an inventory parts bank of Component Parts currently in production (the "Inventory Parts Bank"), subject to the limitations set forth below. At Customer's cost, Supplier will ship the Inventory Parts Bank to the Customer's designated location as it is produced and Customer will pay for same at the prices provided for in the applicable Purchase Order, on the payment terms set forth in Section 2.2(c). Such requirement of Supplier to create an Inventory Parts Bank will be subject to the following: (i) sufficient funding; (ii) capacity, including labour capacity, and time limitations (e.g., machine capacity, manpower limitations and dunnage and material availability, including equitable allocation of resources with respect to requests from Customer);

(iii) availability of raw materials, and (iv) the Customer otherwise being in compliance with this Agreement. From and after the date that Customer requests an Inventory Parts Bank, Supplier will promptly notify Customer of any issues that would prevent Supplier's ability to manufacture and deliver the Inventory Parts Bank. Customer shall pay for all documented incremental costs associated with producing the Inventory Parts Bank, such as overtime premiums, packaging and additional Tooling.

- 3.4 Access to Books and Records. Supplier agrees that each Customer and its respective designee(s), agent(s) and representative(s) will have access to Supplier's books, records, management and operations during regular business hours, upon reasonable request and prior notice, for the sole purposes of (a) inspecting and, if permitted by Section 2.1, resourcing all Tooling involved with production of the Component Parts, (b) monitoring production of the Component Parts, (c) meeting with Supplier's representatives, and (d) monitoring Supplier's compliance with the terms of this Agreement, the Purchase Orders and the Access Agreement (referenced below). Supplier further agrees to provide each Customer with its cash flow projections as filed with the Court from time to time. Notwithstanding the foregoing, Supplier shall not be required to provide access to any books, records or other information that is subject to privacy legislation or confidentiality obligations.
- 3.5 Resourcing. In the event that the Customer resources under Section 2.1, and provided that Customer is otherwise in compliance with this Agreement, Supplier will use its commercially reasonable efforts to cooperate with the Customer in resourcing production of the Component Parts, including, without limitation, by providing the Customer and its respective agents, representatives, designees, consultants, officers and employees, with reasonable access to Supplier's then remaining officers and employees, and to any of Supplier's books and records (including tool prints, tool drawings and other documents), tool line-ups or tool processing sheets, tool or other drawings or any other engineering, design and technology information, PPAP packages, test reports, books or other PPAP documents, packaging instructions or like information in its possession or control, necessary for the Customer to resource production of its Component Parts.
- 3.6 Access Agreement. Simultaneously with the execution of this Agreement, Supplier will execute the Access Agreement attached as Exhibit B to this Agreement.
- 3.7 Agreement Approval. Contemporaneous with commencement of the CCAA Proceeding, Supplier shall seek the approval of this Agreement, the Access Agreement and the Customer funding contemplated under this Agreement in the CCAA Proceeding.

3.8 License. Notwithstanding anything in this Agreement to the contrary, and effective upon all payments being made by a Customer to Supplier in accordance with this Agreement, in the event of a Customer's resourcing under this Agreement, Supplier will grant to such Customer and its assignee(s) or designee(s) an (a) irrevocable, fully paid, worldwide non-exclusive license to the Intellectual Property (defined below) owned by Supplier related to the production of resourced Component Parts, and (b) an irrevocable sublicense to the Intellectual Property licensed to Supplier (to the extent that Supplier has the right to grant sublicenses therein) to make, have made, use, have used, modify, improve, prepare derivative works of, distribute, display, offer to sell, sell, import and do all other things and exercise all other rights in the licensed or sublicensed Intellectual Property for production of the resourced Component Parts for a Customer. The non-exclusive license granted in (a) and (b) of the immediately preceding sentence shall extend to a Customer's existing Purchase Orders (including in the production of new vehicles by a Customer), and service obligations for used Customer vehicles. Any license granted pursuant to this Section shall also apply to any new model year changes, refreshes or follow-on platforms and programs incorporating the Intellectual Property. This Section is not intended to limit or otherwise restrict any rights granted to a Customer in the Purchase Orders or any other agreement, but is intended to expand those rights.

The term "Intellectual Property" means (a) all currently existing registered and applied-for intellectual property owned by Supplier (including, but not limited to, all patents, patent applications, trademark registrations, trademark applications, copyright registrations, and copyright applications), (b) all agreements for intellectual property licensed to Supplier and (c) any other intellectual property used to produce Component Parts (whether or not the intellectual property is identified, including, but not limited to, unregistered copyrights, inventions, discoveries, trade secrets and designs, regardless of whether such items are registerable or patentable in the future, and all related documents and software), that are used in or to produce any Component Parts that Supplier directly or indirectly sells to an Customer.

3.9 Other Customer Accommodations. Supplier will use commercially reasonable efforts to obtain the agreements of each of Supplier's other customers who require continuing production from Supplier during the Term, to provide accommodations substantially similar to the accommodations provided by the Customers in Section 2.1 to 2.9 of this Agreement. Instead of providing funding through the purchase of subordinated participation as provided by the Customers in Section 2.9, other customers will provide their funding in the form of surcharges or piece price increases with a similar net economic affect as that being provided by the Customers. From and after the Effective Date, Supplier will not enter into an agreement (or modify or amend an existing

agreement) with any other customer on terms that are more favorable to such other customer in any material respect than the terms and conditions described herein without the consent of the Customers.

- 3.10 Sale Milestones. Supplier shall undertake a sale process (the "Sale Process") to attempt to effectuate a going concern sale of its business approved by Comerica to a Qualified Buyer (as defined below). Supplier agrees to conduct the Sale Process in accordance with the following milestones (each, a "Sale Process Milestone", or collectively, the "Sale Process Milestones"):
- (a) Court Approval of the Sale Process. Obtain Court approval of the Sale Process satisfactory to Comerica within ten (10) days of commencement of the CCAA Proceeding;
 - (b) Purchase Agreement. Obtain, by no later than February 18, 2009, one or more Purchase Agreements satisfactory to Comerica to sell Supplier's assets to a Qualified Buyer (as defined below);
 - (c) Court Approval of the Purchase Agreement. Obtain, by February 25, 2009, approval of the Purchase Agreement to sell Supplier's assets to a Qualified Buyer (as defined below); and
 - (d) Close: Implementation. By no later than February 28, 2009, close the sale of Supplier's assets to a Qualified Buyer.

For purposes of this Agreement, a "Qualified Buyer" means a buyer who is acceptable to Supplier and Comerica and who demonstrates to the reasonable satisfaction of the Customers wishing to continue production with such buyer that it: (a) possesses the financial capabilities, business plan and management structure to effect the acquisition of and operation of the facilities, in the opinion of the applicable Customer; (b) fits the applicable Customer's strategic purchasing plan; and (c) unless otherwise agreed to by the applicable Customer, would agree to assume all of the original Purchase Orders, without any modification that may have been provided to Supplier pursuant to this Agreement or other modification unless otherwise agreed to by the applicable Customer. Subject to the execution of confidentiality agreements in form and substance mutually agreeable to Supplier, Comerica and the Customers, Supplier, through the Monitor, will provide the Customers and Comerica with regular updates on the status of the Sale Process and will, through the Monitor, provide to the Customers copies of all offering memoranda and executed copies of asset purchase agreements received from prospective buyers.

- 3.11 Appraisal. Within 15 days following the commencement of the CCAA Proceeding, Supplier shall engage Corporate Assets Inc. (the "Appraiser"), being an appraiser acceptable to Supplier, Comerica and the Customers, to

conduct a valuation, on an orderly liquidation basis, of the Designated Equipment (as defined below).

4. **Comerica Accommodations.**

- 4.1 **Financing.** Comerica will enter into a forbearance agreement substantially in the form attached as Exhibit A (the "Forbearance Agreement"). Comerica will not institute borrowing base reserves inconsistent with the Forbearance Agreement, its loan documents and prior practices and will not modify the definition of eligible inventory or accounts receivable. Comerica will provide a component to the borrowing base under the Comerica Facilities based upon subordinated participations purchased by the Customers in accordance with the Subordinated Participation Agreement. Comerica agrees that it will apply to the Liabilities (as defined in the Forbearance Agreement) 100% of all payments in good funds on account of commercial claims from Customers and reserve 50% (as opposed to 100%).
- 4.2 **Access Agreement Consent.** Comerica consents to the Access Agreement granted in Section 3.6 and attached as Exhibit B to this Agreement and agree to memorialize such consent by signing and delivering Schedule 12(a) to the Access Agreement.
- 4.3 **Tooling Acknowledgement and Option Consent.** Comerica consents to the Tooling Acknowledgement and Option and terms thereof set forth in Sections 5 and 6 of this Agreement.

5. **Tooling Acknowledgment.**

- 5.1 For purposes of this Agreement, the term "Tooling" means all tooling, dies, test and assembly fixtures, gauges, jigs, patterns, and documentation regarding same, including engineering specifications, PPAP books, drawings and test reports together with any accessions, attachments, parts, accessories, substitutions, replacements, and appurtenances thereto that are necessary for the manufacture of Component Parts for a Customer, whether now or in the future. Tooling consists of three subcategories: "Customer Tooling"; "Unpaid Tooling"; and "Supplier Owned Tooling".
- (a) The term "Customer Tooling" means all Tooling that is not Unpaid Tooling or Supplier Owned Tooling (each as defined below). Customer Tooling is held by Supplier as a bailee-at-will and, to the extent held by a third party, is held by such third party as a bailee-at-will.
- (b) The term "Unpaid Tooling" means Tooling manufactured for a Customer for which such Customer (or its sub-supplier) has not made full payment under the applicable Purchase Order or agreement with Supplier.

(c) The term "Supplier Owned Tooling" means Tooling which is used to make Component Parts for a Customer but is not the subject of a purchase order or agreement with Supplier.

Upon payment by a Customer of the applicable tooling purchase order price for any item of Unpaid Tooling, such item will thereafter be included in the definition of Customer Tooling. Subject to the provisions of Sections 2.2, 2.3 and 5.5 of this Agreement, nothing in this Agreement modifies the Customer's payment obligations to Supplier on account of Unpaid Tooling.

5.2 Attached as Schedule D is a list of Unpaid Tooling that has been completed and for which PPAP has been completed or is in process. Schedule D sets forth, for each item of Unpaid Tooling, the amount Supplier believes is owed, the amounts, if any, Supplier has been paid as of the Effective Date by Customer on account thereof, and the status of the PPAP in relation to such Unpaid Tooling. Attached as Schedule E is a list of all Supplier Owned Tooling.

Any Tooling not contained on the above tooling schedules (the "Tooling Schedules") shall be deemed Customer Tooling. The Customers and Comerica shall have fifteen (15) days after the Effective Date to supplement or object to any items contained on the Tooling Schedules. A party failing to supplement or object during this period shall be deemed to accept and consent to each of the Tooling Schedules.

5.3 Neither Supplier, nor any other person or entity other than the applicable Customer (or its affiliates) will have any right, title or interest in Customer Tooling other than Supplier's ability to utilize the Customer Tooling in the manufacture of the Customer's Component Parts. Supplier acknowledges that upon a Resourcing Trigger Event, Customer, or its designee(s), will have the right to forthwith enter the premises of Supplier and take possession of any and all Customer Tooling and Supplier, and Comerica (if it has control of Supplier's premises), agrees to cooperate with such Customer in such Customer's taking possession of Customer Tooling and provide the applicable Customer or its designee(s) with such access to Supplier's premises; provided, however, the Customers will not interfere with Supplier's ongoing operations when removing the Customer Tooling, will use skilled workers or third parties, having adequate insurance coverage, in the removal of the Customer Tooling, will take reasonable and prudent care not to damage any machinery or equipment of Supplier or another customer in the process of such removal. Supplier also agrees to provide reasonable access to the Customers, or their nominee(s), during normal business hours, to affix any plate, stamp, tag, marking or other evidence of the Customers' ownership upon each item of Customer Tooling

- 5.4 Comerica agrees not to challenge Customer's ownership or rights to Customer Tooling, subject to the rights to challenge any of the lists described in Section 5.2 of this Agreement.
- 5.5 In the event of a dispute between Supplier and a Customer over whether any Tooling is Customer Tooling, Unpaid Tooling or Supplier Owned Tooling arises, the matter shall be submitted to the Court in the CCAA Proceeding for expedited resolution. The Customer will have the right to take possession of the Tooling subject to the dispute (the "Disputed Tooling"), provided that the full amount claimed due by Supplier for the Disputed Tooling, determined in accordance with Section 2.3, in the case of Tooling that Supplier asserts is Unpaid Tooling, and determined in accordance with Section 6 of this Agreement, in the case of Tooling that the Supplier asserts is Supplier Owned Tooling, is paid to the Monitor, to be held in trust for Supplier (or Customer, if the dispute is resolved in Customer's favour), prior to Customer taking possession of any Disputed Tooling. Pending resolution of the dispute, the Disputed Tooling will remain subject to any liens and security interests of Supplier and Comerica, notwithstanding Supplier's relinquishment of possession, which shall not be deemed or construed to be a release of such rights. Any disputes in relation to funds held in trust shall be dealt with in accordance with Section 13.10 of this Agreement.

6. Purchase of Supplier Owned Tooling and Designated Equipment.

- 6.1 Supplier Owned Tooling. Each Customer (or affiliate of a Customer) reserves the right and is granted an irrevocable, exclusive option, upon a Resourcing Triggering Event, to purchase any or all Supplier Owned Tooling used in the production of its Component Parts. The purchase price of Supplier Owned Tooling shall be the Supplier's cost multiplied by a fraction, the numerator of which shall be equal to the remaining production life of the vehicle program and any successor program, expressed in months, and the denominator of which shall be equal to the Customer's published estimated production life of the vehicle, expressed in months. Upon a Customer's purchase of and payment for an item of Supplier Owned Tooling, such item will thereafter be Customer Tooling. Comerica does not object to and will not oppose the exercise of such option, and upon payment of the purchase price to Comerica on Supplier's account required under this Section, will release any lien it has in the purchased Supplier Owned Tooling. Supplier acknowledges that the foregoing price to be paid for the applicable Supplier Owned Tooling constitutes a commercially reasonable price, and that any sale pursuant to the foregoing shall be deemed to be commercially reasonable in all respects, including method, time, place and terms. The option will expire fifteen (15) days after the expiration of the Term unless the Purchaser has exercised the option and paid the applicable purchase price in full by such date. If requested by Customer, upon exercise of the option and payment

to Comerica on account of Supplier of the applicable price, a Bill of Sale for the Supplier Owned Tooling will be delivered by Supplier to the Customer.

6.2 Designated Equipment. Supplier grants to the Customer or its assignee(s) or designee(s) (the "Purchaser") an irrevocable, exclusive option, upon the right of a Customer to resource under Section 2.1 above, to purchase any of the machinery and equipment owned by Supplier and used exclusively to produce Component Parts for that Customer or machinery and equipment not used exclusively to produce Component Parts for an individual Customer but for which each Customer who relies on that machinery and equipment consents (the "Designated Equipment"). The purchase price of each piece of Designated Equipment shall be paid to Comerica on Supplier's account in cash, in an amount equal to the greatest of (i) 92.5% of net book value as determined by Supplier's books and records, if it can be determined (ii) 25% of the cost of the Designated Equipment, and (iii) 100% of its appraised orderly liquidation value determined in accordance with an appraisal performed by an appraiser approved by all Parties (the "Option Price"). Comerica does not object to, and will not oppose the exercise of such option, and, upon payment of the purchase price to Comerica on account of Supplier as required under this Section, will release any lien it has in the purchased Designated Equipment. Supplier acknowledges that the foregoing price to be paid for the applicable Designated Equipment constitutes a commercially reasonable price, and that any sale pursuant to the foregoing shall be deemed to be commercially reasonable in all respects, including method, time, place and terms. This option will expire fifteen (15) days thereafter unless the Purchaser has exercised the option and paid the applicable purchase price in full by such date. If requested by Customer, upon exercise of the option and payment of the applicable price, a Bill of Sale for the Designated Equipment will be delivered by Supplier to the Customer.

6.3 Upon exercise of the foregoing options and payment of the applicable price and payment of all other amounts due and payable by the Customer under this Agreement to Comerica on account of Supplier, the Purchaser shall, subject to the provisions of this Section 6.3, be entitled to take possession of the purchased Supplier Owned Tooling and Designated Equipment free and clear of all claims and interests, liens, security interests and encumbrances. The obligations of the Purchaser to complete the purchase of any Supplier Owned Tooling or Designated Equipment, and the obligations of Supplier to convey, shall be subject to the aforesaid payments having been fully made, without setoff, recoupment or deduction, and an Order being obtained from the Court vesting title in and to the Supplier Owned Tooling and/or the Designated Equipment in the Purchaser free and clear of all claims, interests, liens, security interests and

encumbrances, in a form satisfactory to the Purchaser and Comerica, each acting reasonably. Purchaser shall be entitled following the making of such Order and the payment to Comerica, for the account of Supplier, without further payment of any kind to own, operate, use and enjoy, sell, assign, transfer and/or convey the same. Supplier hereby agrees to cooperate with the Purchaser in its taking possession and control of such Supplier Owned Tooling and Designated Equipment upon completion of the purchase transaction. If requested by Purchaser, upon exercise of the option and payment to Comerica, for the account of Supplier, of the applicable price and payment of all other amounts due and payable by the Customer under this Agreement (subject to any dispute of such amount as aforesaid), a Bill of Sale by Supplier in respect of such Supplier Owned Tooling and Designated Equipment will be delivered to the Purchaser.

7. **Events of Default.** The occurrence of any one or more of the following at any time during the Term will be "Events of Default", or individually, an "Event of Default", hereunder unless a waiver or deferral thereof is agreed to in writing, in each instance, by the applicable Customer or Customers, and Comerica:
- 7.1 Exclusive of breaches by Supplier that are the result of a breach of this Agreement by the applicable Customer, unless cured in five (5) days after notice, Supplier materially breaches its obligations to a Customer under this Agreement, except if the consequences of such breach is a substantial likelihood that such Customer's production will be interrupted, then Supplier shall have no right to cure;
 - 7.2 Supplier repudiates or materially breaches its obligations under the Purchase Orders to a Customer, other than arising from a material breach by a Customer under this Agreement or the Purchase Orders or a material breach by a directed-buy supplier to Supplier, the consequence of which is a substantial likelihood that such Customer's production will be interrupted;
 - 7.3 the terms of this Agreement are modified or superseded by an Order made by the Court in the CCAA Proceeding or by any plan of arrangement filed by Supplier or any other Canadian insolvency proceeding; or
 - 7.4 the Customers are requested by Supplier or required to contribute any additional accommodations other than those set forth in this Agreement.
8. **Customer Defaults.** In the event that a Customer fails to perform its obligations to Supplier under this Agreement including, without limitation, its failure to make any payments contemplated hereunder as and when due, and such failure is not cured within five (5) business days after written notice to the respective Customer, Supplier shall have no continuing obligations to such Customer hereunder. For clarity, during the five (5) business day cure period set forth in the foregoing sentence, Supplier shall not be relieved from any of its obligations set

forth in this Agreement and, subject to adequate financing, must continue to manufacture and deliver Component Parts to the Customer.

9. **Disputes.** Except as otherwise provided for herein, any disputes as to the payment of amounts claimed due under this Agreement shall be resolved by the Court in the CCAA Proceeding, at a hearing to be scheduled within thirty (30) days of the date payment is otherwise due under this Agreement. Except as otherwise provided herein, any other disputes relating to this Agreement shall be resolved by the Court in the CCAA Proceeding, at a hearing to be scheduled on an expedited basis.
10. **Reservation of Rights.** Except to the extent expressly provided in this Agreement, the parties reserve and do not waive any claims, rights and remedies that they individually may have under the Purchase Orders, any other agreements between the parties or otherwise applicable law, and the parties expressly reserve all such claims, rights and remedies they have under this Agreement, any Purchase Orders, any other agreements between the parties and/or otherwise applicable law.
11. **[Intentionally Omitted].**
12. **Notice.** Any notice or other instrument to be given hereunder must be in writing and, except as otherwise provided in this Agreement, will be deemed to be duly given if mailed, delivered by hand or sent by facsimile or e-mail delivery to the party to whom such communication is intended to be given and any notice so delivered or sent will be deemed to have been duly given at the time of service on the day on which it was so delivered or sent, and if mailed, will be deemed to be given three (3) days following the date of mailing. Until changed by notice in the manner described above, the addresses of the parties for the purpose of notice will be:

If to Supplier: SKD Automotive Group
1450 W. Long Lake Rd.
Suite 210
Troy, MI 48098
Attention: John Chen
Facsimile: (248) 267-9669
E-Mail: jchen@skdautomotive.com

With a copy to: Lang Michener LLP
Brookfield Place, 181
Bay Street, Suite 2500
Toronto, Ontario M5J 2T7
Attention: Sheryl E. Seigel
Facsimile: (416) 365-1719
Email: sseigel@langmichener.ca

If to Comerica: Comerica Bank
One Detroit Center
500 Woodward Avenue, 4th Floor
Detroit, MI 48226
Attention: James L. Embree
Facsimile: (313) 222-1244
E-mail: jlembree@comerica.com

With a copy to: Bodman LLP
6th Floor at Ford Field
1901 St. Antoine Street
Detroit, Michigan 48226
Attention: Ralph E. McDowell
Facsimile: (313) 393-7579
E-mail: rmcowell@bodmanllp.com

If to Chrysler: Chrysler LLC
800 Chrysler Drive
CIMS 485-14-78
Auburn Hills, Michigan 48326
Attention: Sigmund Huber
Director, Supplier Relations
Facsimile: (248) 512-1771
Email: seh43@chrysler.com

With a copy to: Chrysler LLC
CIMS 485-14-78
1000 Chrysler Drive
Auburn Hills, Michigan 48326-2766
Attention: Kim R. Kolb
Senior Staff Counsel
Facsimile: (248) 512-1771
Email: krk4@chrysler.com

And: Dickinson Wright PLLC
500 Woodward Ave., Suite 4000
Detroit, Michigan 48226
Attention: James A. Plemmons
Facsimile: (313) 223-3598
Email: jplemmons@dickinsonwright.com

And: Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario, Canada
M5H 3Y4
Attention: Craig J. Hill
Facsimile: (416) 361-7301
Email: chill@blgcanada.com

If to Ford: Ford Motor Company
Building 3
20100 Rotunda Drive
Number 3A041
Dearborn, Michigan 48124
Attention: Bill Strong
Facsimile: (313) 206-7044
Email: wstrong@ford.com

With a copy to: Ford Motor Company
One America Road
World Headquarters
Suite 416
Dearborn, Michigan 48126
Attention: Daniella Saltz
Facsimile: (313) 322-3804
Email: dsaltz@ford.com

And: Miller Canfield Paddock and Stone, PLC
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Attention: Stephen S. LaPlante
Facsimile: (313) 496-8478
Email: laplante@mcps.com

If to Honda: Honda of America Mfg., Inc.
North American Purchasing Office
21001-A State Route 739
Raymond, Ohio 43067
Attention: Bryan Clay
Facsimile: (937) 645-7401
Email: Bryan_Clay@ham.honda.com

With a copy to: Joseph F. LaFleur, Esq.
Honda of America Mfg., Inc.
24000 Honda Parkway
Marysville, Ohio 43040-9251
Facsimile: (937) 644-6583
Email: Joe_LaFleur@ham.honda.com

And Robert A. Bell, Jr.
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43216-1008
Facsimile: (614) 719-5169
E-mail: rabell@vorys.com

13. **General Terms.**

- 13.1 This Agreement together with the other documents executed in connection herewith, including the Access Agreement and the Purchase Orders, and the memorandum of understanding regarding interim funding dated January 11, 2009, and the agreement by way of email exchange on January 5, 2009 regarding interim funding, constitutes the entire understanding of the parties in connection with the subject matter hereof, other than in relation to matters covered by the Forbearance Agreement, the Subordinated Participation Agreement, the agreement between the Supplier and the Customers regarding the application of proceeds on account of the subordinated participations purchased by the Customers from Comerica, and any documents related or ancillary thereto. This Agreement may not be modified, altered or amended except by an agreement in writing signed by all parties. In the event of any inconsistency between the terms of any purchase orders and this Agreement, the terms of this Agreement shall govern.
- 13.2 The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation or entity that they represent and that their signatures bind said corporations or entities to the terms of this Agreement.
- 13.3 Supplier and the Customers may not assign or transfer, directly or indirectly, any of its rights under this Agreement without the prior written consent of all the parties to this Agreement. Likewise, this Agreement is not intended for the benefit of any third parties including any purchasers of Supplier's assets including, without limitation, other customers of Supplier (other than affiliates of a Customer).
- 13.4 No delay or failure of any party to exercise any right, power or privilege hereunder will affect such right, power or privilege, nor will any single or

partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege.

- 13.5 Should any provision of this Agreement be held invalid or unenforceable, the remainder of this Agreement will not be affected thereby.
- 13.6 Supplier and the Customers agree that they will not enter into any other arrangements or agreements that would in any way materially impair their respective rights under this Agreement.
- 13.7 Nothing in this Agreement will be interpreted to constitute Supplier, Comerica or any Customer as agent for any other party to this Agreement for any purpose.
- 13.8 Except as specifically provided in this Agreement, this Agreement is not intended to modify the terms and conditions of the Purchase Orders or the Comerica loan documents or Comerica Security, which terms and conditions will otherwise remain in full force and effect.
- 13.9 This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts will be deemed to be an original and taken together will constitute but one and the same instrument. The parties agree that their respective signatures may be delivered by facsimile or electronic transmission in "pdf" format, and that facsimile signatures or signature provided in pdf format will be treated as originals for all purposes.
- 13.10 Customer shall pay any amounts in dispute under sections 5.5 and 6.3 of this Agreement to the Monitor and the Monitor shall hold such amounts in trust for the Supplier or Customer, as each or either is ultimately determined to be entitled thereto, to be released only (i) with the written consent of the Customer, Supplier and Comerica, or (ii) pursuant to an Order of the Court. The Customer, Supplier and Comerica agree to resolve any such disputed matters expeditiously. If any dispute is not forthwith resolved, any of Supplier, a Customer, Comerica and the Monitor, may seek resolution as set forth in Section 9 of this Agreement.
- 13.11 This Agreement is made in Province of Ontario and will be governed by, and construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to conflicts of law principles.

14. **REPRESENTATIONS. THE PARTIES ACKNOWLEDGE THAT THEY HAVE BEEN GIVEN THE OPPORTUNITY TO CONSULT WITH COUNSEL OF THEIR CHOICE BEFORE EXECUTING THIS AGREEMENT AND ARE DOING SO WITHOUT DURESS, INTIMIDATION OR COERCION, AND WITHOUT RELIANCE UPON ANY REPRESENTATIONS, WARRANTIES OR COMMITMENTS**

OTHER THAN THOSE REPRESENTATIONS, WARRANTIES OR COMMITMENTS SET FORTH IN THIS AGREEMENT.

15. JURY TRIAL WAIVER. THE PARTIES ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A RIGHT, BUT THAT THIS RIGHT MAY BE WAIVED. THE PARTIES EACH HEREBY KNOWINGLY, VOLUNTARILY, AND WITHOUT DURESS, INTIMIDATION OR COERCION, WAIVE ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES ARISING OUT OF OR IN RELATION TO THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THE PARTIES EXECUTED IN CONNECTION WITH THIS AGREEMENT. NO PARTY WILL BE DEEMED TO HAVE RELINQUISHED THE BENEFIT OF THIS WAIVER OF JURY TRIAL UNLESS SUCH RELINQUISHMENT IS IN A WRITTEN INSTRUMENT SIGNED BY THE PARTY TO WHICH SUCH RELINQUISHMENT WILL BE CHARGED.

[signatures on next page]

[signature page to Accommodation Agreement]

CHRYSLER CANADA INC.

By: _____
I have authority to bind the Corporation

print name

FORD MOTOR COMPANY

By: _____
I have authority to bind the Corporation

print name

**CHRYSLER LLC on behalf of itself and
CHRYSLER MOTORS LLC**

By: _____
I have authority to bind the Corporation

print name

HONDA OF AMERICA MFG., INC.

By: _____
I have authority to bind the Corporation

print name

**SKD COMPANY, by its partners, NMC
CANADA, INC. and 2515080 NOVA
SCOTIA COMPANY**

By: _____
I have authority to bind the NMC Canada,
Inc.

print name

COMERICA BANK

By: _____
I have authority to bind the Corporation

print name

By: _____
I have authority to bind the 2515080 Nova
Scotia Company

print name

Each of undersigned consent and agree to all terms and conditions of the foregoing Accommodation Agreement.

**SKD AUTOMOTIVE GROUP,
LIMITED PARTNERSHIP**

By: PL International Corporation
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

"GUARANTORS"

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

SKD HOLDING, L.P.

By: SKD Holding, Inc.
Its: General Partner

By: _____
John Chen
Its: Vice President/Treasurer

SKD, L.P.

By: Quincy Holdings, Inc.
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

2515080 NOVA SCOTIA COMPANY

By: _____
John Chen
Its: President

EASSA MEXICO, S. DE R.L. DE C.V.

By: _____
John Williams
Its: Treasurer

SKD DE MEXICO, S. DE R.L. DE C.V.

By: _____
John Chen
Its: Treasurer

SCHEDULE A – Chrysler Undisputed Accounts Payable, Unresolved Accounts Payable and Unresolved Commercial Issues

SCHEDULE B – Ford Undisputed Accounts Payable, Unresolved Accounts Payable and Unresolved Commercial Issues

SCHEDULE C – Honda Undisputed Accounts Payable, Unresolved Accounts Payable and Unresolved Commercial Issues

SCHEDULE D – Unpaid Tooling that has been completed and for which PPAP has been completed or is in process.

SCHEDULE E – Supplier Owned Tooling

EXHIBIT A – Forbearance Agreement

EXHIBIT B – Access Agreement

EXHIBIT C – Budget

EXHIBIT D – Allocation Percentages Among Customers

Tab A

**Exhibit A to the Accommodation Agreement
– Forbearance Agreement**

Note: A copy of the proposed form of Forbearance Agreement, to be attached to the Accommodation Agreement as Exhibit A, is attached as Exhibit "H" to the Affidavit of John Chen.

Tab B

Exhibit B to the Accommodation Agreement – Access Agreement

Note: A copy of the proposed form of Access Agreement, to be attached to the Accommodation Agreement as Exhibit B, is attached as Exhibit "L" to the Affidavit of John Chen.

Tab C

Exhibit C to the Accommodation Agreement – Budget

SKD Automotive Group LP
Borrowing Base Calculation Estimate
 (\$USD)

	1/24/09	1/16/09	1/23/09	1/30/09	2/6/09	2/13/09	2/20/09	2/27/09
Beginning AR	\$23,791	\$23,791	\$25,077	\$15,176	\$17,613	\$17,118	\$16,398	\$16,449
+ Sales (excl Mexico) (2)	-	1,286	2,785	3,226	2,581	2,725	2,424	2,969
- Receipts (excl Mexico) (2)	-	-	12,687	789	3,077	3,445	2,374	2,635
Total AR for BBC	23,791	25,077	15,176	17,613	17,118	16,398	16,449	16,782
- Ineligible	(22,034)	(22,985)	(10,584)	(11,157)	(11,370)	(11,182)	(11,228)	(11,171)
Total Eligible AR	1,757	2,092	4,592	6,457	5,748	5,217	5,221	5,612
Collateral Value AR (1)	1,406	1,674	4,133	5,811	5,174	4,695	4,699	5,051
Inventory Value (3)	5,381	4,994	4,886	4,849	4,729	4,524	4,435	4,321
Other Collateral Reliance	14,995	14,909	14,909	14,909	14,909	14,909	14,909	14,909
Less Reserve	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Less Admin Reserve	(1,445)	(1,445)	(1,445)	(1,445)	(1,445)	(1,445)	(1,445)	(1,445)
Less Other Reserve	(471)	(471)	(471)	(471)	(471)	(471)	(471)	(471)
Plus Customer Participation	1,073	2,179	3,425	4,567	5,773	6,761	7,301	8,799
Less Estimated Setoff Reserve	(960)	(960)	(182)	(323)	(304)	(274)	(289)	(144)
Total Lomible Collateral	17,854	15,880	20,255	22,897	23,364	23,699	24,139	26,019
Total Liability	17,808	15,191	19,177	21,961	22,410	22,715	23,169	24,905
Bank	16,736	13,012	15,752	17,394	16,637	15,954	15,868	16,106
Customer	1,073	2,179	3,425	4,567	5,773	6,761	7,301	8,799
Excess (Deficit) availability	46	689	1,078	937	954	984	969	1,114
Cash Balance per model	6,562	(47)	0	0	0	0	0	0
Adjusted availability	\$6,608	\$642	\$1,078	\$937	\$954	\$984	\$969	\$1,114
Estimated Weekly Customer Participation	\$1,073	\$1,107	\$1,246	\$1,142	\$1,206	\$988	\$540	\$1,498
Estimated Cumulative Customer Participation	\$1,073	\$2,179	\$3,425	\$4,567	\$5,773	\$6,761	\$7,301	\$8,799
Contra								
Beginning	\$12,580	\$12,935	\$13,819	\$522	\$1,095	\$1,308	\$1,120	\$1,166
+ Purchases	288	885	885	885	1,262	1,262	1,262	1,262
- Offsets	-	-	14,182	312	1,049	1,450	1,216	1,319
End Contra	\$12,868	\$13,819	\$522	\$1,095	\$1,308	\$1,120	\$1,166	\$1,109

- (1) The initial 80% advance rate for A/R is increased to 90% on 1/23/09.
- (2) Receipts for January and February are based on SKD estimates.
- (3) Inventory for January and February 2009 are based on SKD estimates.

SKD Automotive Group LP
Estimated Cash Flow Forecast - Consolidated
(\$USD)

	9-Jan	16-Jan	23-Jan	30-Jan	Jan. 2009	6-Feb	13-Feb	20-Feb	27-Feb	Feb. 2009	Total Jan./Feb.
Total Receipts	10,675	953	19,241	1,190	32,058	4,035	3,969	2,725	3,531	14,259	46,317
Disbursements											
Customer Steel Autodebit/Scrap Rebate	-	-	18,387	342	18,729	2,436	1,621	1,343	1,905	7,306	26,035
Accounts Payable - Trade	242	1,030	968	1,400	3,640	587	633	636	1,414	3,270	6,910
Payroll - Hourly	199	371	798	469	1,836	216	193	427	415	1,251	3,087
Payroll - Salaried	283	2,364	79	1,059	3,785	489	1,048	43	721	2,300	6,085
Restructuring Fees and Setoffs	211	1,180	1,525	634	3,550	755	779	731	738	3,003	6,552
Interest	150	-	-	128	277	-	-	-	128	128	405
Other Fees	-	-	-	(58)	(58)	-	-	-	(55)	(55)	(113)
Accrued Payroll	-	-	1,423	-	1,423	-	-	-	-	-	1,423
Accounts Payable - Tooling	-	-	-	-	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	1,084	4,944	23,180	3,973	33,181	4,484	4,274	3,180	5,266	17,203	50,384
Net Cash Flow	9,592	(3,992)	(3,939)	(2,783)	(1,123)	(449)	(305)	(455)	(1,735)	(2,944)	(4,067)
Line Paydown/(Advance)	5,890	2,617	(3,986)	(2,783)	1,737	(449)	(305)	(455)	(1,735)	(2,944)	(1,207)

Tab D

**Exhibit D to the Accommodation Agreement – Allocation of
Percentages Among Customers**

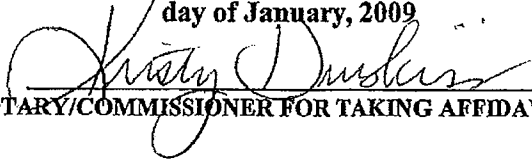
SKD Automotive Group

EXHIBIT D - ALLOCATION PERCENTAGES BY CUSTOMER
FOR THE PERIOD JANUARY 1 - FEBRUARY 27, 2009

Historical Sales	Brampton	Milton	Mexico	U.S.
Chrysler	56%	57%	38%	40%
Ford	44%	21%	0%	21%
Honda	0%	22%	0%	27%
GM	0%	0%	62%	12%
Total	100%	100%	100%	100%

Tab K

**This is Exhibit "K" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Duskus", written over a horizontal line.

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

**AMENDED AND RESTATED
SUBORDINATED PARTICIPATION AGREEMENT**

Subordinated Participation Agreement (“Agreement”) dated January ____, 2009, among Comerica Bank (“Lender”), General Motors Corporation (“GM”), Ford Motor Company (“Ford”), Chrysler LLC (“Chrysler”), Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, “Honda”) (Honda, collectively with GM, Ford, and Chrysler, the “Participants,” and each individually, a “Participant”).

RECITALS:

A. Lender has various loans and other financial accommodations outstanding to SKD Automotive Group, Limited Partnership (“Automotive”) and SKD Company (“SKD,” together with Automotive, “Borrowers”), all or part of which loans are guaranteed by 2515080 Nova Scotia Company; NMC Canada, Inc.; Eassa Mexico, S. De R.L. De C.V.; SKD De Mexico, S. De R.L. De C.V.; SKD, L.P.; and SKD Holdings, L.P. (collectively, “Guarantors”), under various other loan and collateral documents, as amended (“Loan Documents”). References to Borrowers include Borrowers as debtors in any Canadian or U. S. CCAA or bankruptcy proceedings. Capitalized terms not defined in this Agreement are defined in the Loan Documents.

B. Participants have agreed in accordance with the terms and conditions of this Agreement to purchase from Lender for cash, at par, undivided subordinated interests (each a “Participation”) in the Loans (defined below). The Participation amount will be included as a component of the borrowing base under and as limited by, the terms of the Loan Documents and this Agreement.

C. This Agreement amends and restates a Subordinated Participation Agreement among the parties dated January 12, 2009.

The parties agree as follows:

Terms and Conditions

1. From time to time, and as and when required under an Accommodation Agreement (or prior interim agreements) among the parties and Borrowers, Lender agrees to sell and each of the Participants absolutely and unconditionally agrees to purchase, by the payment of immediately available funds, a Participation in accordance with the percentages as agreed among the Participants in the prior interim agreements and/or respective accommodation agreements, as applicable (“Respective Percentages”) (each such purchase will be a Participation). Lender will update the Schedule of Subordinated Participations attached as Exhibit 1 as new Participations are purchased. The obligations of the Participants shall be several and not joint. Borrowers and Participants are parties to a separate agreement (the “Additional Participations and Allocation Agreement”) that requires Participants to purchase additional Participations under certain circumstances. Although Lender is not a party to and is

not bound by the Additional Participations and Allocation Agreement, Lender agrees to sell the additional Participations.

2. Effective as of the date of each payment by a Participant in good funds, Lender sells and grants to such Participant, and each such Participant making a payment accepts from Lender, an undivided, subordinated participation in the Loans equal to the amount of each payment.

3. (a) Without further action by Lender, execution and delivery of this Agreement and receipt by Lender of a payment for a Participation shall constitute a sale and purchase of a Participation and shall confer on the Participants with respect to the Participation, except as provided below, interests in the Loans made by Lender to Borrowers and, through Lender, in all the rights and benefits of Lender under the provisions of the Loan Documents as they relate to the Loans, including any and all support and collateral security for the Loans.

(b) The interest of Participants in the Loans shall in all respects be subject and subordinate to the rights of Lender in the balance of the Loans and shall be subject further to the limitations provided below.

(c) Lender shall have the right to apply payments of any kind from any source, including the proceeds of any collateral security, to Lender's interest in the Loans, or any other present or future obligations of Borrowers to Lender in the Loans, including all fees, costs and expenses due to Lender from Borrowers, whether or not allowable under 11 U.S.C. § 506(b) (or Canadian law), and including any and all indebtedness, obligations or liabilities for which Borrowers would otherwise be liable to Lender under or in connection with the Loan Documents were it not for the invalidity, irregularity or unenforceability of them by reason of any bankruptcy, insolvency or other law or order of any kind, or for any other reason, in any manner in Lender's sole and unfettered discretion, before making any payment(s) to Participants, any other participants or other lender on account of the Loans.

(d) "Loans" means:

- (i) the outstanding principal balance of all Liabilities of Borrowers to Lender including any advances made in the future and all other amounts due or to become due to Lender under the Loan Documents, including without limitation any obligations guaranteed by either of the Borrowers;
- (ii) all reimbursement obligations and fees with respect to any letters of credit;
- (iii) all accrued and unpaid interest and fees due by Borrowers to Lender on account of the above described loans, whether or not allowable under 11 U.S.C. § 506(b) (or Canadian law);
- (iv) all expenses and costs arising from or related to the financing arrangements among Borrowers, Guarantors, and Lender, the Loan Documents, and/or any collateral security, including but not limited to, all charges, attorneys' fees and costs called for by the Loan Documents, whether or not allowable under 11 U.S.C. § 506(b) (or Canadian law); and

- (v) any other amounts due from Borrowers or Guarantors or any of them, including without limitation, overdrafts, protective advances of any nature, interest rate hedges, etc.

4. Lender shall have the right to manage, perform, and enforce the terms of the Loan Documents and to exercise and enforce all of the privileges and rights exercisable by it under the Loan Documents, in its sole discretion, without the concurrence of Participants, including the right to amend the Loan Documents, to amend, modify, waive, terminate, or release any of the obligations of Borrowers or any Guarantor or to release any collateral securing the Loans. Notwithstanding the foregoing, Lender agrees that it shall not, without the prior written consent of the Participants, (a) release the Borrowers from their obligations with respect to the Participants' interests in the Loans or reduce the principal amount of the Borrower's obligations with respect to the Participants' interests in the Loans, or (b) after the Lender's senior portion of the Loans has been irrevocably paid in full, release any collateral securing the Loans or any obligations of the Guarantors. This Agreement shall not be construed to create a fiduciary relationship between Lender and Participants. Participants acknowledge and agree that Lender's actions under this Agreement are strictly administrative and any repayment of principal or interest to any Participant is solely dependent upon Borrowers. Except for willful misconduct or actual fraud, Participants exonerate Lender of and from any obligation or liability, express or implied, for any loss, depreciation of or failure to realize upon the Loans, or any collateral securing the Loans, or for failure to collect or receive payments of any sums owing from Borrowers or any Guarantor, or for any mistake, omission, or error of judgment in passing upon or accepting the Loans, the collateral, if any, the Loan Documents, or in making of any advances of monies or extensions of credit to Borrowers, or in making any examinations, audits or reviews of the affairs of Borrowers, or in granting to Borrowers extensions of time for payment of the Loans or in administering or monitoring the collateral for the Loans. Moreover, Lender does not assume and does not have any obligation or liability and Lender undertakes no guaranties, express or implied, with respect to the existing or future financial worth or responsibility of Borrowers, Guarantors or of any of the account debtors of Borrowers, or of any other guarantors of Borrowers' obligations, with respect to the genuineness or value of the collateral, or with respect to the payment or the collectibility of the Loans.

5. Participants shall not be entitled to any monies received by Lender in accordance with the provisions of the Loan Documents, whether directly or indirectly from the sale or liquidation of any collateral or otherwise in reduction of their Participation unless and until Lender's portion of the Loans have been irrevocably repaid in full and all other costs, expenses, consultant fees, and attorneys' fees of Borrowers to Lender have been irrevocably paid in full and Lender's loan commitments to Borrowers, if any, have been terminated. If at any time prior to written notice by Lender to Participants that Lender's portion of the Loans has been irrevocably paid in full (as described in the previous sentence) Participants shall receive from any source whatsoever (whether by direct remittance, setoff, recoupment, foreclosure of security interest, or otherwise) any payment on the Loans, Participants will hold such payment in trust for Lender and promptly pay over to Lender such payment in the form received with any necessary endorsements. Lender shall have the right, in its sole and absolute discretion, to hold funds collected on account of the Loans and not remit them to Participants, even if Lender's senior portion of the Loans has been paid, in the event Lender believes that the possibility exists that it will be required to defend claims or disgorge for any reason any amounts paid to Lender or that

Lender will incur additional Loans (including attorney fees or other expenses). If any amount is paid to any Participant on the Loans prior to irrevocable payment in full of Lender's senior portion of the Loans, it shall be deemed to be held in trust for the benefit of Lender, and such Participant shall immediately pay such amount over to Lender. If Lender is required to disgorge any amounts it has received on account of the Loans, Participants shall immediately reimburse Lender for the amount that Lender was required to disgorge, limited to the amount of distributions received by Participants on account of the Loans.

6. Interest on the Participation outstanding from time to time shall accrue at the interest rate(s) provided under, and shall otherwise be calculated in accordance with, the Loan Documents but shall not be paid by Borrowers to Lender (or to Participants by either Borrowers or Lender) unless and until the senior obligations of Borrowers to Lender (as described above) have been irrevocably paid in full. Accordingly, until all of Borrowers' senior obligations to Lender with respect to Lender's portion of the Loans (as described above) have been paid, Participants shall receive no payments of interest regarding the Participation.

7. To the extent that the Participants are entitled to receive any payment on account of the Participation under this Agreement after payment in full of the senior obligations of the Borrowers to the Lender (as described above), such payment shall be paid to a disbursing agent for disbursement under a separate agreement entered into among the Participants and the Borrowers. That separate agreement will address, as among the parties to that agreement, the application of U.S. and Canadian proceeds and the provision for payment of the non-intercompany claims. Participants and Borrowers will identify the disbursing agent by joint notice to Lender.

8. Participants represent to Lender that they accept (and are able to bear) the financial risks inherent in the Participation and do not foresee the occurrence of any event that would alter that ability. Further, Participants accept the full risk of nonpayment of the Participation and agree that Lender shall not be responsible for the performance or observance by Borrowers (or any Guarantor) of any of the terms, covenants, or conditions of the Loan Documents.

9. Participants further acknowledge that the Participation is being made at their request and is the purchase of an undivided, subordinated interest in an ordinary debt and related collateral security, if any, and is not and shall not be construed to be a "security" as that term is defined under any applicable state, provincial or federal securities laws.

10. Participants acknowledge that they had an opportunity to make such review and investigation as Participants and their attorneys and advisors believe to be necessary to enable them to make an independent, informed judgment with respect to the creditworthiness of Borrowers, the value and extent of the collateral, if any, Lender's rights against Borrowers and Borrowers' assets and the desirability of purchasing the Participation. Participants also acknowledge that they are experienced and knowledgeable in financial matters, and that they are not purchasing the Participation for purposes of investment gain (other than the possible payment of interest thereon), and that they have all necessary information to make an independent, informed judgment with respect to the financial status and condition of the Borrowers. Lender has no duty or responsibility, either initially or on a continuing basis, to provide any Participant

with any credit or other information. Lender is not responsible to any Participant for any recital, statement, information, representation or warranty whether oral or in any agreement, document, certificate or statement delivered in or in connection with the Loan Documents. Lender is not required to make any inquiry concerning the performance or observance of any terms of the Loan Documents, Borrowers' financial condition or the existence of any default or event of default.

11. Nothing in this Agreement shall be construed to limit or restrict Lender from in any way exercising any rights or remedies arising out of the Loan Documents or any documents or agreements executed by Borrowers or any Guarantor or provided for under applicable law except to the extent otherwise expressly provided in this Agreement. Participant shall have no right to enforce any of the Loan Documents including but not limited to exercising any rights or remedies arising out of the Loan Documents or any documents or agreements executed by Borrowers or provided for under applicable law unless and until (a) the Lender's senior portion of the Loans has been irrevocably paid in full; and (b) the Lender has assigned the Loan Documents to Participants in accordance with Section 15 of this Agreement. Until such time, all rights, remedies, privileges, etc. with respect to the Loans, other loans to Borrowers from Lender and the Loan Documents may be exercised only by Lender and without any requirement of consent or approval of Participants. Participants shall not contest, challenge, or object to any of Lender's claims against Borrowers or any Guarantor (including any claim under 11 U.S.C. § 506(b) in the event of a bankruptcy of one or more of Borrowers or any Guarantor), or the extent, validity, perfection, or priority of Lender's liens that secure the Loans.

12. References to Lender in this Agreement shall be deemed to include its affiliates, successors, assigns, employees, agents, auditors, officers, directors, and attorneys.

13. (a) Participants agree not to sell, assign, or transfer or suffer any sale, assignment or transfer, in whole or in part, of the Participation or its undivided, subordinate interest in the Loans without the prior written consent of Lender.

(b) Notwithstanding anything in this Agreement or the Loan Documents to the contrary, Lender may sell, assign, or transfer, in whole or in part, the Loans to any person or entity without the consent of Participants. Notwithstanding any such sale, assignment or transfer, or any subsequent assignment or transfer, the senior obligations of Borrowers to Lender shall, subject to the terms of this Agreement, be and remain senior for purposes of this Agreement, and every assignee or transferee of any of the senior debt or of any interest in it shall, to the extent of such interest be entitled to rely upon and be the third party beneficiary of the subordination and other terms provided under this Agreement, and shall be entitled to enforce the terms and provisions of this Agreement to the same extent as if such assignee or transferee were initially a party of this Agreement. Any such sale, assignment or transfer shall be subject to each Participant's rights under this Agreement.

14. Unless and until Lender's portion of the Loans shall have been irrevocably repaid in full and all other costs, expenses, consultant fees, attorneys' fees and other obligations of Borrowers to Lender have been irrevocably paid in full and Lender's commitments, if any, have been terminated, Participants shall not set off or recoup any amounts owing to any Participant by

either of Borrowers or any Guarantor on account of the Participation against any amounts owing by any Participant to Borrowers or any Guarantor.

15. In Lender's sole and absolute discretion, Lender may (but is not obligated to) assign the Loan Documents to Participants jointly (or their designated agent) after Lender's senior portion of the Loans has been paid in full. The assignment of the Loan Documents and the endorsement of any notes reflecting the Loans shall be made without recourse to Lender, and without representation or warranty of any nature or kind by Lender.

16. Participants agree (which agreement shall survive any termination of the Participation) to reimburse Lender for all reasonable out-of-pocket expenses (including attorneys' fees) incurred by Lender in connection with the Loans or with an event of default or in enforcing the obligations of Borrowers or any Guarantor under the Loans for which Lender is not reimbursed by Borrowers, pro rata according to Participants' percentage of the Loans. Lender shall not be required to take any action with respect to the Loans or to prosecute or defend any suit in respect of the Loans unless indemnified to its satisfaction by Participants in a separate written document against loss, costs, liability, and expense. If any indemnity furnished to Lender shall become impaired, it may call for additional indemnity and cease to do the acts indemnified against until such additional indemnity is given. Notwithstanding anything to the contrary in this Agreement or otherwise, Participants' obligation under this paragraph shall not exceed each Participant's Respective Percentage in the sum of any amount distributed or to be distributed on account of the Participation, and Lender may apply any distributions to be made to Participants' obligations under this paragraph.

17. This Agreement shall be construed in accordance with the laws of the State of Michigan (without reference to its conflict of laws principles). Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. All notices to be given under this Agreement, shall be given to the applicable party at the address indicated below, or such other address as shall be indicated in writing to the other party:

If to Comerica: Comerica Bank
 One Detroit Center
 500 Woodward Avenue, 4th Floor
 Detroit, Michigan 48226
 Attention: James L. Embree
 Facsimile: (313) 222-1244
 E-mail: jlembree@comerica.com

With a copy to: Bodman LLP
6th Floor at Ford Field
1901 St. Antoine Street
Detroit, Michigan 48226
Attention: Ralph E. McDowell
Facsimile: (313) 393-7579
E-mail: rmcowell@bodmanllp.com

If to Chrysler: Chrysler LLC
800 Chrysler Drive
CIMS 485-14-78
Auburn Hills, Michigan 48326
Attention: Sigmund Huber
Director, Supplier Relations
Facsimile: (248) 512-1771
Email: seh43@chrysler.com

With a copy to: Chrysler LLC
CIMS 485-14-78
1000 Chrysler Drive
Auburn Hills, Michigan 48326-2766
Attention: Kim R. Kolb
Senior Staff Counsel
Facsimile: (248) 512-1771
Email: krk4@chrysler.com

And: Dickinson Wright PLLC
500 Woodward Avenue, Suite 4000
Detroit, Michigan 48226
Attention: James A. Plemmons
Facsimile: (313) 223-3598
Email: jplemmons@dickinsonwright.com

And: Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario, Canada
M5H 3Y4
Attention: Craig J. Hill
Facsimile: (416) 361-7301
Email: chill@blgcanada.com

If to GM: General Motors Corporation
30009 Van Dyke Road
P.O. Box 9025
Mail Code: 480-206-136
Warren, Michigan 48090-9025
Attention: Mark W. Fischer
Facsimile: (586) 575-3404
Email: mark.w.fischer@gm.com

With a copy to: Honigman Miller Schwartz and Cohn LLP
2290 First National Building
660 Woodward Avenue
Detroit, Michigan 48226
Attention: Donald F. Baty, Jr.
Facsimile: (313) 465-7314
Email: dbaty@honigman.com

If to Ford: Ford Motor Company
One America Road
World Headquarters
Suite 416
Dearborn, Michigan 48126
Attention: Daniella Saltz
Facsimile: (313) 322-3804
Email: dsaltz@ford.com

With a copy to: Ford Motor Company
Building 3
20100 Rotunda Drive
Number 3A041
Dearborn, Michigan 48124
Attention: Bill Strong
Facsimile: (313) 206-7044
Email: wstrong@ford.com

And: Miller Canfield Paddock and Stone, PLC
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Attention: Stephen S. LaPlante
Jonathan S. Green
Facsimile: (313) 496-8478
Email: laplante@mcps.com

If to Honda: Honda of America Mfg., Inc.
North American Purchasing Office
21001-A State Route 739
Raymond, Ohio 43067
Attention: Bryan Clay
Facsimile: (937) 645-7401
Email: Bryan_Clay@ham.honda.com

With a copy to: Joseph F. LaFleur, Esq.
Honda of America Mfg., Inc.
24000 Honda Parkway
Marysville, Ohio 43040-9251
Facsimile: (937) 644-6583
Email: Joe_LaFleur@ham.honda.com

And Robert A. Bell, Jr.
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43216-1008
Facsimile: (614) 719-5169
E-mail: rabell@vorys.com

19. This Agreement and any other agreements referenced in it constitute the entire understanding of the parties in connection with the matters referenced and shall not be modified or altered except by a writing signed by Participants and Lender. There are no other agreements, oral or written, express or implied, relating to its subject matter other than this Agreement and the other agreements referenced and all prior agreements and understandings have been merged into this Agreement.

20. Participants acknowledge that they have reviewed (or have had the opportunity to review) this Agreement with counsel of their choice and have executed this Agreement of their own free will and accord and without duress or coercion of any kind by Lender or any other person or entity.

21. This Agreement may be executed in counterparts and facsimile copies of any signatures shall be treated as original signatures.

22. PARTICIPANTS AND LENDER ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. LENDER AND PARTICIPANTS EACH HEREBY KNOWINGLY VOLUNTARILY AND WITHOUT COERCION, WAIVE ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES INVOLVING OR RELATING TO THIS AGREEMENT. NEITHER LENDER NOR PARTICIPANTS SHALL BE DEEMED TO HAVE GIVEN UP THIS WAIVER OF JURY TRIAL UNLESS SUCH RELINQUISHMENT IS IN A WRITTEN INSTRUMENT SIGNED BY THE PARTY TO BE CHARGED.

LENDER:

COMERICA BANK

By: _____

Its: _____

PARTICIPANTS:

GENERAL MOTORS CORPORATION

By: _____

Its: _____

FORD MOTOR COMPANY

By: _____

Its: _____

CHRYSLER LLC

By: _____

Its: _____

**HONDA OF AMERICA MFG., INC. for itself
and on behalf of HONDA CANADA MFG., a
division of HONDA CANADA, INC., HONDA
MANUFACTURING OF INDIANA, LLC and
HONDA MANUFACTURING OF ALABAMA,
LLC**

By: _____

Its: _____

Each of undersigned consents and agrees to all terms and conditions of the foregoing Subordinated Participation Agreement. In addition, each of the undersigned Guarantors consents to the foregoing and acknowledges and agrees that: (i) the Loan Documents, this Agreement, and every other document executed or delivered in connection with the transactions contemplated hereby, and all the terms and conditions thereof, shall be and remain in full and force and effect with the changes effected by this Agreement deemed to be incorporated therein; (ii) neither the validity, priority and enforceability of the Loan Documents, nor its guaranty of the Borrowers' obligations thereunder shall be affected or impaired by the consummation of the transactions contemplated hereby; and (iii) as of the date hereof, its guaranty of the Borrowers' obligations under the Loan Documents is its valid obligation, enforceable in accordance with its terms without defense or setoff by or on behalf of such Guarantor.

"BORROWERS"

**SKD AUTOMOTIVE GROUP,
LIMITED PARTNERSHIP**

By: PL International Corporation
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

SKD COMPANY

By: 2515080 Nova Scotia Company
Its: General Partner

By: _____
John Chen
Its: Vice President

"GUARANTORS"

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

SKD HOLDING, L.P.

By: SKD Holding, Inc.
Its: General Partner

By: _____
John Chen
Its: Vice President/Treasurer

SKD, L.P.

By: Quincy Holdings, Inc.
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

2515080 NOVA SCOTIA COMPANY

By: _____
John Chen
Its: Vice President

EASSA MEXICO, S. DE R.L. DE C.V.

By: _____
John Williams
Its: Treasurer

SKD DE MEXICO, S. DE R.L. DE C.V.

By: _____
John Chen
Its: Treasurer

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

EXHIBIT 1

**SCHEDULE OF
SUBORDINATED PARTICIPATIONS**

Participations under first interim agreement:

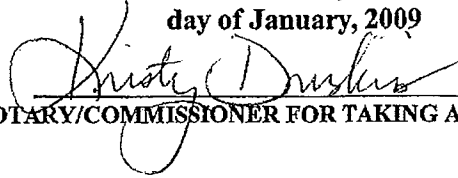
Chrysler	\$557,700
Ford	\$306,217
Honda	\$158,286
General Motors	<u>\$50,297</u>
TOTAL:	\$1,072,500

Participations purchased under second interim agreement:

Chrysler	\$535,003
Ford	\$262,811
Honda	\$161,285
General Motors	<u>\$147,401</u>
TOTAL:	\$1,106,500

Tab L

**This is Exhibit "L" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Douglas", written over a horizontal line.

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

ACCESS AND SECURITY AGREEMENT

This Access and Security Agreement (the "Agreement"), by and among SKD Company ("Supplier"), and Ford Motor Company ("Ford"), Chrysler Canada Inc. ("Chrysler Canada"), Chrysler LLC, on behalf of itself and Chrysler Motors LLC (together with Chrysler Canada, "Chrysler"), Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, "Honda") (collectively, the "Customers") is entered into this ____ day of January, 2009 (the "Effective Date").

RECITALS

A. Pursuant to various commitments, purchase orders, supply agreements and/or releases issued by each Customer and accepted by Supplier (collectively, the "Purchase Orders" or individually, a "Purchase Order"), Supplier is obligated to manufacture, and each Customer is obligated to pay for, each Customer's requirements of certain component parts, service parts or assembled goods (collectively, the "Component Parts" or individually, a "Component Part").

B. Supplier is currently indebted to Comerica (the "Comerica Indebtedness") pursuant to certain credit facilities provided by Comerica Bank ("Comerica") to Supplier and SKD Automotive Group, Limited Partnership (the "Comerica Facilities"). To secure the Comerica Indebtedness, Comerica has been granted security over the real and personal property and assets of Supplier.

C. The Comerica Facilities have matured, but Comerica has agreed to enter into forbearance arrangements with Supplier, provided that arrangements acceptable to Comerica can be entered into between Supplier and the Customers.

D. As a result of Supplier's financial difficulties, Supplier currently anticipates that it will commence a proceeding (the "CCAA Proceeding") under the *Companies' Creditors Arrangement Act* (the "CCAA") in the Ontario Superior Court of Justice (the "Court"). Supplier has requested that the Customers provide financial and other accommodations to Supplier during the CCAA Proceeding, and the Customers have requested that Comerica and Supplier provide certain assurances and acknowledgements to the Customers regarding, among other things, Supplier's ongoing production of Component Parts for the Customers.

E. The financial advisor to Supplier, Conway MacKenzie, Inc., and RSM Richter Inc., the proposed court-appointed monitor in CCAA Proceeding (the "Monitor"), are working with Supplier to consider alternatives to restructure Supplier's business, that may include a sales process (the "Restructuring Process").

F. Supplier has requested that the Customers provide certain financial and other accommodations to Supplier during the Restructuring Process and, similarly, due to the concerns and uncertainties surrounding Supplier's financial condition, Comerica and the Customers have requested certain acknowledgements and agreements from Supplier and each other to induce Comerica and the Customers to provide those accommodations, all as set forth in the Accommodation Agreement (the "Accommodation Agreement") of even date herewith. In

consideration of the accommodations provided by Customers, Supplier has agreed to grant Customers a "Right of Access" (as defined below) to those facilities listed in Exhibit A attached hereto (the "Facilities").

G. Supplier acknowledges that any material delay in production of the Component Parts or a default under the Purchase Orders will cause Customers irreparable harm.

H. Supplier is entering into this Agreement to afford Customers the right to use certain of Supplier's assets located at the Facilities as provided below if a Default (as defined below) occurs.

BASED ON THE FOREGOING RECITALS which are incorporated as representations and warranties of the parties, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Customers and Supplier agrees as follows:

TERMS AND CONDITIONS

1. Defined Terms. In addition to those terms defined elsewhere in this Agreement, the following terms have the indicated meanings, unless the context otherwise requires:

"Accounts" means (i) all accounts receivable, contract rights, book debts, notes, drafts, instruments, documents, acceptances, payments under leases and other forms of obligations, now owned or hereafter received or acquired by or belonging or owing to the Supplier (including under any trade name, styles, or division thereof) whether arising out of goods sold or leased or services rendered by the Supplier or from any other transaction, whether or not the same involves the sale of goods or services by the Supplier (including, without limitation, any such payment obligation or right to payment which might be characterized as an account, contract right, general intangible, or chattel paper under the Code in effect in any jurisdiction); (ii) all monies due to or to become due to the Supplier under all contracts for the sale or lease of goods or the performance of services by the Supplier (whether or not yet earned by performance on the part of the Supplier) now in existence or hereafter arising; and (iii) deposit accounts, insurance refunds, tax refunds, tax refund claims and related cash and cash equivalents, now owned or hereafter received or acquired by or belonging or owing to Supplier.

"Contract Rights" means all rights of the Supplier (excluding payments) under each "Contract" (defined below).

"Contracts" or individually, "Contract", means, any licensing agreements and any and all other contracts, supply agreements, or other agreements used in the manufacture, production or assembly of Component Parts and in or under which the Supplier may now or hereafter have any right, title, or interest and which pertain to the manufacture, production or assembly of Component Parts and which pertain to the lease, sale, or other disposition by the Supplier of "Equipment" (defined below), "Inventory" (defined below), fixtures, real property, or the right to use or acquire personal property, as any of the same may from time to time be amended, supplemented, or otherwise modified.

"Default" means an "Event of Default" occurs under the Accommodation Agreement or if Comerica ceases funding prior to February 28, 2009 for any reason.

"Documents" means all documents of title now owned or hereafter acquired by Supplier as an owner.

"Equipment" means all machinery, equipment, vehicles, furnishings, and fixtures now owned or hereafter acquired by Supplier, including, without limitation, all items of machinery and equipment of any kind, nature and description, whether affixed to real property or not, as well as all additions to, substitutions for, replacements of or accessions to any of the foregoing items and all attachments, components, parts (including spare parts), and accessories whether installed thereon or affixed thereto in each case to the extent used in the manufacture or production of the Component Parts.

"General Intangibles" means all customer lists, rights in intellectual property, goodwill, trade names, service marks, trade secrets, patents, trademarks, copyrights, applications therefore, permits, licenses, now owned or hereafter acquired by Supplier which pertain to the manufacture, production or assembly of Component Parts, but excluding items described in the definition of Accounts.

"Instruments" means all negotiable instruments now owned or hereafter acquired by Supplier.

"Intellectual Property" means all now existing or hereafter acquired patents, trademarks, copyrights, inventions, licenses, discoveries, processes, know-how, techniques, trade secrets, designs, specifications and the like (regardless of whether such items are now patented or registered, or registerable, or patentable in the future), and all technical, engineering, or other information and knowledge, production data and drawings, which are used in the manufacture, production or assembly of the Component Parts.

"Inventory" means all goods and other personal property now or hereafter owned by Supplier which are leased or held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in Supplier's business, or in the processing, packaging or shipping of the same, and all finished goods.

"Loan Documents" means collectively, any loan agreements, any notes, any security agreements, pledge agreements, assignments, deeds of trust, mortgages or other encumbrances or agreements which secure or relate to any obligations owing to Comerica.

"Obligations" means the obligation to provide any Customer or its designee(s) the "Right of Access" (as defined below).

"Operating Assets" means Supplier's assets, wherever located, including those located at or about the facilities listed on Exhibit A which are necessary or useful for

production of the Component Parts, including Equipment, Contract Rights, and General Intangibles (other than deposit accounts, insurance refunds, tax refund claims and related cash and cash equivalents), but specifically excluding any Accounts, Inventory, Documents, Instruments, Chattel Paper, payments under Contracts and Proceeds of such excluded items and Proceeds of General Intangibles.

"Proceeds" means (i) any and all proceeds of any insurance, indemnity, warranty, or guarantee payable to the Supplier from time to time with respect to any of the "Collateral" (defined in paragraph 2 below); (ii) any and all payments (in any form whatsoever) made or due and payable to the Supplier from time to time in connection with any requisition, confiscation, condemnation, seizure, or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau, or agency (or any Person acting under color of governmental authority); and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Real Estate" means all real property listed on Exhibit A.

2. Grant of Liens and Security Interests. As collateral security for the Obligations, Supplier hereby grants to Customers a continuing security interest (the "Customers' Security") in the Operating Assets and the Real Estate, whether now owned or hereafter acquired by Supplier, or in which Supplier now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"). Further, Supplier hereby grants Customers permission to file any financing statements and/or mortgages deemed necessary by Customers to perfect its security interest granted hereby. The security interests granted to Customers pursuant to this Agreement to secure the Obligations is junior to the liens and security interests granted to Comerica and to the charges granted in the initial order made in the CCAA Proceeding (the "CCAA Charges"), but in all cases, Comerica's exercise of its rights and remedies with respect to its liens and security interests is subject to the terms of this Agreement. Comerica and the holders of any CCAA Charges may take any necessary action to protect their rights in the Collateral, conditioned upon such action not impairing the Customer's "Right of Access" (as defined below). The last day of the term of any lease, sublease or agreement therefor is specifically excepted from the security interest created hereunder, but the Supplier agrees to stand possessed of such last day in trust for the Customer. To the extent that the creation of the security interest hereunder would constitute a breach or cause the acceleration of any agreement, contract, lease, license or permit to which the Supplier is a party, the security interest shall not attach thereto, but the Supplier shall hold its interest therein in trust for the Customer, and the security interest shall attach to such agreement, contract, lease, license or permit forthwith upon obtaining the consent of the other party thereto.

Supplier shall not grant any person not a party hereto a similar right of access except on terms acceptable to the Customers and Comerica.

3. Right of Access.

(a) General. Supplier acknowledges that any delay in the production, processing or shipment of Component Parts, and any defaults under the Purchase Orders or the Accommodation Agreement may cause Customers irreparable harm. To address Customers'

concern in this regard, subject to termination pursuant to Section 13, Supplier hereby grants to each Customer or its designee(s) the non-exclusive right, without creating an obligation, to use and occupy the Operating Assets and the Real Estate, to manufacture, process and/or ship Component Parts (the "Right of Access") for a period of up 90 days from the date such Customer provides the written notice referenced below ("Occupancy Period") upon the occurrence of a Default. In any event, the Occupancy Period and the Right of Access terminate on the sale of the Operating Assets to a "Qualified Buyer" as defined in the Accommodation Agreement. Any one or more of the Customers, as applicable, may invoke the Right of Access at any one or more of the Facilities at any time after the occurrence of a "Default" by delivering written notice to Supplier (with a copy to Comerica and the other Customers) indicating such Customer's intention to invoke the Right of Access. If the Customer does not issue such notice or take steps to exercise the Right of Access on or before the earlier of (i) ten (10) business days following the delivery of a notice by Supplier that a Default has occurred, and (ii) the last day of the Term, the Right of Access arising from that specific Default shall terminate. Customers have no right to sell, transfer, or dispose of the Operating Assets or the Real Estate as part of the Right of Access. If the Right of Access is not invoked as to all of the Facilities, subject to the terms of this Agreement, it may be invoked thereafter as to additional Facilities within ten (10) business days of the first such exercise, otherwise the Right of Access for such additional Facilities is deemed to be waived.

(b) Customers' Obligations. If any one or more of the Customers, as applicable, invokes the Right of Access for itself or its designee(s) (such Customer an "Exercising Customer"), in lieu of payment to Supplier for Component Parts that are produced by the Exercising Customer after exercise of the Right of Access, the Exercising Customer will, as to each Facility at which the Exercising Customer has exercised the Right of Access:

- (i) use reasonable care in the use, custody and preservation of Supplier's assets, and indemnify, defend and hold Supplier, its officers, directors, and employees, and any landlord of the Facility, harmless from any injury, physical damage to property or physical injury suffered by third parties and all claims, costs, damages, liabilities (including reasonable legal fees), and obligations of and/or against the Supplier arising out of or caused by the Exercising Customer's or its designee's use of the Operating Assets and the Real Estate during the Occupancy Period; provided, however, the foregoing obligations shall not apply to claims arising out of or related to conditions which existed or events that occurred before the Occupancy Period;
- (ii) indemnify, defend and hold Comerica harmless from any damage to property or injury suffered by third parties directly caused by either or both of the Customer's or its designee's use of the Operating Assets and Real Estate during the Occupancy Period;
- (iii) provide reasonable access to the Real Estate to Comerica and its designee(s), and to any receiver, interim receiver, receiver and manager or trustee in bankruptcy appointed in respect of the

Supplier or its property, for the purpose of permitting Comerica to forthwith undertake efforts to liquidate any property and assets of Supplier, other than Operating Assets and Real Estate provided such access does not in any material way interfere, delay or hinder the Exercising Customer's Right of Access;

- (iv) insure and maintain the Operating Assets and the Real Estate in the same condition as existed on the date the Exercising Customer exercised the Right of Access, ordinary wear and tear excepted, and provide evidence of property and third party liability insurance, to Supplier in advance of the commencement of the Occupancy Period, which insurance shall name Supplier, any landlord and any owner of the Real Estate as additional named insureds and otherwise be in form and substance and for an amount satisfactory to Supplier, acting reasonably;
- (v) (a) directly pay the actual costs, expenses and liabilities incurred in connection with the manufacturing of Component Parts during the Occupancy Period including, without limitation, utilities, security and all other overhead expenses required to keep a Facility open and operating, and prorated property taxes and assessments attributable to the Operating Assets and Real Estate, any payments on account of any of the Operating Assets or the Real Estate which are leased from third parties, any rent, additional rent or other payments due or accrued during the Occupancy Period in relation to any real or personal property leases, all costs and expenses related to raw materials, components and supplies; and (b) pay to Comerica for the account of Supplier, in advance, the monthly access fee set out on Exhibit A for each Facility in respect of which the Right of Access is exercised, such amount being payable for the use of that Facility and the Operating Assets owned by Supplier located thereon.
- (vi) subject to the Exercising Customer's or its designee's non-exclusive right to use and occupy the Operating Assets and the Real Estate during the Occupancy Period, afford Supplier's representatives including the agents and advisors to the Supplier, the Monitor appointed in the CCAA Proceeding and any receiver, interim receiver, receiver and manager or trustee in bankruptcy appointed in respect of the Supplier or its property (and representatives of the Comerica, secured creditors or mortgagees of the Operating Assets and/or Real Estate) reasonable access to inspect the Operating Assets and Real Estate, to prepare for a liquidation of the Operating Assets and Real Estate at the end of the Occupancy Period, to preserve and protect the property and assets situated on the Real Estate, to remove property and assets other than the Operating Assets from the Real Estate and to sell

any asset, other than the Operating Assets and Real Estate, prior to expiration of the Occupancy Period provided such access does not in any material way interfere, delay or hinder the Exercising Customer's Right of Access. Supplier shall not grant to any third party, other than a Customer, the right, during the Occupancy Period, to use or occupy the Operating Assets and Real Estate to manufacture that Customer's Component Parts;

- (vii) subject to Supplier's other customers agreeing to: (a) make payment to the Exercising Customer, or its designee(s) as applicable, on account of its allocable share of overhead and related expenses and all direct expenses related to such other customer's production and (b) Supplier making the necessary tangible personal property available for use during the Occupancy Period, the Exercising Customer agrees, for itself and its designee(s), to produce component parts for such other customers during the Occupancy Period or to provide the other customers access provided such customers do not in any material way interfere, delay or hinder the production of the Exercising Customer's Component Parts;
- (viii) pay the amounts owing by the Customer under Section 3(c)(i);
- (ix) observe all applicable laws, rules and regulations and ordinances relating to the use, operation and occupancy of the Operating Assets (including the Real Estate) and to the manufacturing, processing and shipping of the Component Parts; and
- (x) with respect to amounts that the Exercising Customer is required to pay in accordance with the foregoing provisions of this Section 3, the Exercising Customers shall, where applicable, make payment to the Supplier of such amounts in advance, before such amounts are due or become payable (unless expressly provided to the contrary in the foregoing provisions of this Section 3), without assertion of any rights of set-off, recoupment or deduction, or, where applicable, shall make payment of such amounts to third parties (and, upon request, provide to the Supplier and Comerica evidence of such payment), without set off, recoupment or deduction.

(c) Supplier's Obligations. If any one or more of the Customers invokes the Right of Access, Supplier will comply with the following:

- (i) At each Exercising Customer's election in its sole discretion, Supplier will use its reasonable commercial efforts to continue to employ those of its employees which the Exercising Customer determines are necessary to maintain production of Component

Parts for such Exercising Customer (the "Retained Employees") and each Exercising Customer or its designee(s) will provide one or more upfront advance payments to Supplier prior to the cost and expense being incurred by Supplier on account of all costs and expenses relating to Supplier's employment of any Retained Employees to be incurred during the Occupancy Period. Without limiting the generality of the foregoing, each Exercising Customer or its designee(s) shall be obligated to pay to Supplier, in advance of Supplier's retention of any employees under this Agreement, all amounts estimated to be incurred by Supplier to meet its regular payroll and related obligations, including salaries, wages, payroll taxes (employment insurance, income tax and Canada Pension Plan), payroll service provider fees, vacation pay, workers' compensation, unemployment insurance, disability, medical, dental, drug, travel group life and like insurance, welfare, pension contributions and other payments and contributions required to be made by Supplier with respect to the Retained Employees in accordance with the regular compensation practice of the Supplier and, in the case of members of the Union, in accordance with the applicable collective agreement, which are incurred during the Occupancy Period, but in no event will an Exercising Customer be liable for any costs for unfunded pension liability, actuarial liability, past service unfunded actuarial liability or solvency or other deficiency relating to any pension plan or other obligations relating to service prior to the time the Exercising Customer exercised the Right of Access. Notwithstanding the foregoing, under no circumstances will an Exercising Customer be responsible for reimbursing Supplier for costs and expenses relating to Supplier's employment of the Retained Employees to the extent the Retained Employees are performing services unrelated to the production of the Component Parts. The Exercising Customer shall have no responsibility for severance and termination pay owing to any Retained Employees subsequently terminated. The Supplier shall use all funding provided under this Section 3(c)(i) towards compensating Retained Employees and for no other purpose including, without limitation, payment to Comerica;

- (ii) From the date hereof, Supplier will not increase compensation or benefits of the Retained Employees without the written consent of each Exercising Customer except as may be required by applicable law or pre-existing contract;
- (iii) Supplier will indemnify, defend and hold each Exercising Customer, its designee(s) and its respective employees and agents, harmless from any and all costs and expenses of the nature set forth in Sections 3(b)(v) and 3(c)(i) which are obligations of

Supplier in respect of the period prior to the date of the Exercising Customer's exercise of the Right of Access; and

- (iv) During the Occupancy Period, Supplier agrees that each Exercising Customer and its designee(s) and agents and representatives will have access to Supplier's books and records during normal business hours for the purposes of confirming any estimates and calculating amounts to be paid by such Exercising Customer prior to payment, and for the purpose of reconciling actual payments by such Exercising Customer against estimates in order to determine if any adjustments are necessary.

(d) Right to Terminate. Each Exercising Customer will have the absolute right to terminate the Right of Access with respect to any one or more of the Facilities upon ten (10) business days' written notice to Supplier and Comerica. Upon expiration of the notice period with respect to the Facility to which the notice applies, the Occupancy Period will terminate and, except for the Exercising Customer's obligations under Section 3(b)(i) and payment of any amounts payable under Sections 3(b)(i) through (x) and 3(c)(i) above not paid as of the termination of the Occupancy Period and relating to the Facility to which the notice applies, the Exercising Customer will have no further obligations or liabilities to Supplier, or Comerica, or any other person or entity on account of the Right of Access for the respective Facility.

(e) Indemnification. To the extent Supplier ("Indemnitee") makes a claim against an Exercising Customer for indemnification under sub-paragraph (b)(i), Indemnitee agrees the following shall apply:

- (i) Exercising Customer's indemnity obligations are secondary to any applicable insurance coverage or indemnities from third parties. In addition, the Exercising Customer's indemnity does not include any losses, liabilities, claims or damages or expenses to the extent the same are determined in a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of Indemnitee.
- (ii) If an Indemnitee becomes aware of any claims, demands, actions or proceedings for which it will be seeking indemnification, it must use its best efforts in good faith to notify promptly the Exercising Customer in writing of same; failure to provide such notice must only affect the Exercising Customer's liability to the extent that the Exercising Customer suffers damage or injury as a result of the failure to give such prompt notice. The Exercising Customer must have the right, at its expense, to assume the defense thereof (retaining counsel of its choosing who must be reasonably acceptable to Supplier or Comerica, as applicable) and the Exercising Customer will have the right, in its unfettered discretion, to settle any such claims or actions on any basis they

deem appropriate. An Indemnitee may, but is not required to engage a single firm of separate counsel of its choice in connection with any matters to which Exercising Customer's indemnification relates, provided that Exercising Customer shall at no time be obligated to pay for more than one firm on behalf of Indemnitee.

- (iii) Indemnitee agrees that it must: (1) refrain from taking action that has a material adverse impact on the defense of such claim; (2) cooperate fully with the defense of any claims made hereunder at Exercising Customer's cost and expense; and (3) upon Exercising Customer's request, provide reasonable assistance to Exercising Customer (at Exercising Customer's cost and expense) in the defense of such claim.

(f) **SPECIFIC PERFORMANCE.** IN CONNECTION WITH ANY ACTION OR PROCEEDING TO ENFORCE THE RIGHT OF ACCESS, SUPPLIER ACKNOWLEDGES THAT CUSTOMERS WILL NOT HAVE AN ADEQUATE REMEDY AT LAW, THAT THE OPERATING ASSETS AND REAL ESTATE ARE UNIQUE AND THAT CUSTOMERS WILL BE ENTITLED TO SPECIFIC PERFORMANCE OF SUPPLIER'S OBLIGATIONS TO AFFORD EACH CUSTOMER ITS RIGHT OF ACCESS UNDER THIS AGREEMENT. SUPPLIER FURTHER AGREES THAT THE CUSTOMERS MAY SEEK EXPEDITED RELIEF FROM A COURT OF PROPER JURISDICTION AND THAT TWO (2) BUSINESS DAYS' NOTICE (OR SUCH SHORTER NOTICE AS MAYBE NECESSARY IN THE CIRCUMSTANCES) OF SUCH REQUESTED EXPEDITED RELIEF SHALL BE ADEQUATE NOTICE THEREOF.

(g) **Appointment of Receiver.** In addition to any rights and remedies Customers may have as secured creditors or under the terms of this Agreement or any other agreement between any Customer and Supplier, Customers will have the right to the appointment of a receiver or a receiver and manager to effectuate the Right of Access. In connection with any hearing on the appointment of a receiver, Supplier agrees that two (2) business days' notice (or such shorter notice as may be necessary in the circumstances) of any request for a hearing on such appointment will be adequate notice and that the only issue to be litigated at the hearing will be whether or not a Default has occurred.

(h) **IRREPARABLE HARM; LIMITATION OF NOTICE.** SUPPLIER ACKNOWLEDGES THAT THE CUSTOMERS WILL SUFFER IRREPARABLE HARM IF ANY ONE OR MORE CUSTOMERS INVOKE THE RIGHT OF ACCESS AND SUPPLIER FAILS TO COOPERATE WITH ANY CUSTOMER IN ALLOWING THE CUSTOMER TO EXERCISE THE RIGHT OF ACCESS UNDER THIS AGREEMENT. ACCORDINGLY, PROVIDED THAT SUPPLIER RECEIVES NOTICE IMMEDIATELY UPON CUSTOMER'S DETERMINATION TO REQUEST HEARINGS, BUT AT LEAST TWO (2) BUSINESS DAYS' NOTICE (OR SUCH SHORTER NOTICE AS MAYBE NECESSARY IN THE CIRCUMSTANCES) OF ANY REQUEST FOR HEARINGS IN CONNECTION WITH PROCEEDINGS INSTITUTED BY THE EXERCISING CUSTOMER, SUPPLIER WAIVES, TO THE FULLEST

EXTENT POSSIBLE UNDER APPLICABLE LAW, THE RIGHT TO NOTICE IN EXCESS OF TWO (2) BUSINESS DAYS IN CONNECTION WITH ANY JUDICIAL PROCEEDINGS INSTITUTED BY THE EXERCISING CUSTOMER TO ENFORCE THE RIGHT OF ACCESS.

4. License. Provided Customers are otherwise in compliance with their obligations under this Agreement, Supplier hereby grants each Customer or its designee(s) a non-exclusive worldwide, irrevocable, fully paid right and license to use any of its Intellectual Property to develop, manufacture, and assemble the Component Parts for each Exercising Customer's use and/or use by third parties during the Occupancy Period in accordance with this Agreement, whether or not any such development or manufacture uses any part of the Operating Assets (the "License"). The Exercising Customer's right to use the License will include the right to sublicense third parties for the manufacture or sub-assembly of the Component Parts during the Occupancy Period; provided, however, that any sublicense must satisfy the terms of this Agreement and sublicensing will have no effect on Customers' obligations under this Agreement. The License is in addition to and not intended to replace any license or similar rights arising under or in connection with the Purchase Orders and the Accommodation Agreement.

(a) Right to Use License. Although the License is being granted to Customers as of the date set forth above, each Customer agrees that neither it nor its sublicensee(s) will utilize the License unless such Customer exercises the Right of Access (and then it or any sublicensee(s) will only use the License during the Occupancy Period after which the rights granted in this Section 4 automatically expire and will have no further force and effect).

(b) No Royalty. For all purposes, Supplier has been fully paid for the License and other rights granted to Customers under this Agreement (except as otherwise provided in this Agreement) and no royalties, fees, payments, charges or other consideration will be due from Customers on account of the License or this Agreement or any one or more Customer's (or sublicensee's) use of the License or other rights granted pursuant to this Agreement (except as otherwise provided in this Agreement).

(c) Protection of Ownership. The Customer and any third party licensee shall treat and preserve the Intellectual Property in accordance with the same practices employed by the Customer to safeguard its own intellectual property against unauthorized use and disclosure and will only use such information, data and trade secrets during the Occupancy Period in connection with producing Component Parts. The foregoing obligations of Customers will not be applicable to information which is now or becomes hereafter available to the public through no action, conduct, omission or fault of Customers. The provisions of this Section 4 will survive termination of this Agreement.

5. Court Approvals. Upon the commencement of the CCAA Proceeding, Supplier hereby agrees that it will exercise its commercial best efforts in good faith to obtain the applicable court's entry of an order authorizing Supplier to enter into this Agreement, which order will be sought commensurately with the commencement of the CCAA Proceeding. The order approving this Agreement shall also approve the Customers' Security granted under this Agreement and shall otherwise be in a form satisfactory to Customers.

6. Rights of Customers; Limitations on Customers' Obligations. Unless a Customer exercises the Right of Access, in which case the Exercising Customer will have the obligations as set forth in this Agreement, Customers will not have any obligation or liability by reason of or arising out of this Agreement. In addition, regardless of whether any Customer exercises the Right of Access, Customers will not be required or obligated in any manner to perform or fulfill any of the obligations of Supplier.

7. Remedies. Subject to the terms of Section 2 above, upon a Default, Customers will have all rights and remedies provided in this Agreement, in any other agreements with Supplier, and all rights and remedies available to a secured creditor under applicable law, provided that nothing herein shall restrict the Supplier (subject to Supplier's agreements with, and the rights of, Comerica) from having continuing use of its cash collateral or shall be construed or deemed to prevent Supplier, or any of its representatives, from having access to the Facilities, Operating Assets, Real Property and/or the books and records of Supplier except as such right may be limited during the Occupancy Period and provided such rights do not unreasonably interfere, hinder or delay the Exercising Customer's Right of Access in relation to Operating Assets and Real Property. Any rights of the Customers under the Customers' Security shall rank subsequent to and be postponed to the security and associated rights of Comerica granted in relation to the Comerica Facilities and the beneficiaries of the CCAA Charges. Further, in connection with Customers' rights and remedies under this Agreement:

(a) Supplier waives any right it may have to require Customers to foreclose their security interests and liens and/or reduce the Obligations to a monetary sum; Customer shall not have any rights of foreclosure, sale, transfer, assignment, lease or other disposition in relation the Collateral;

(b) If any one or more Customers exercise the Right of Access, the Exercising Customer will be treated as a secured party in possession and the Exercising Customer's use and occupancy of the Operating Assets will not be deemed to be acceptance of such assets in satisfaction of the Obligations; and

(c) All of Customers' rights and remedies under this Agreement are cumulative and not exclusive of any rights and remedies under any other agreement or under applicable law or at equity.

8. Injunctive Relief. Given that Customers will incur significant damages if Supplier fails to timely satisfy its obligations to Customers and Customers' respective assembly or other plant operations will be negatively impacted, and because Customers do not have an adequate remedy at law and would be irreparably harmed by such events, Supplier agrees that Customers will be entitled to injunctive relief (both prohibitive and mandatory) in connection with any violations by Supplier of any terms or conditions of this Agreement. Customers agree to provide Comerica notice of any proceeding seeking injunctive relief simultaneously with providing such notice to Supplier.

9. Representations and Warranties. Supplier represents and warrants to Customers that:

(a) Title; No Other Security Interests. Except for: (i) the security interest granted under this Agreement to Customers, (ii) liens and security interests granted to Comerica, (iii) the CCAA Charges, and (iv) all other valid and perfected liens and security interests against the property and assets of Supplier on the date of this Agreement, and all liens created by operation of federal, provincial and municipal law that currently exist (collectively, the "Permitted Liens"), Supplier owns the Collateral free and clear of any and all liens, security interests or claims of others. Except for the liens and security interests granted to Comerica, the CCAA Charges, the Permitted Liens and the security interest granted under this Agreement to the Customers, no other person or entity (including any person or entity holding any lien of record) has a lien or security interest on any material portion of the Operating Assets or Real Estate.

(b) Addresses. The address of Supplier's chief executive office is set forth in Section 22 and will not be changed without prior written notice to Customers, but the Operating Assets, wherever located, are covered by this Agreement. Supplier must immediately advise Customers in writing of any change in its name, trade name, address, or form of organization.

(c) Trade Names. Any and all trade names under which Supplier transacts any part of its business, and all former names of Supplier, are those which have been previously disclosed to Customers in writing or may be obtained from a search of a public registry system.

(d) Accuracy of Information. All information, certificates, or statements given to Customers in connection with this Agreement must be true and complete in all material respects, when given.

10. Covenants. Supplier covenants and agrees with Customers that from and after the date of this Agreement until the Obligations are fully performed:

(a) Further Documentation. At any time and from time to time, upon the written request of any Customer, and at Customers' sole expense, Supplier will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Customer may reasonably request for the purpose of obtaining the full benefits of this Agreement and of the rights and powers herein granted. Further, Supplier hereby grants each Customer a power of attorney to execute on its behalf and file necessary registrations or financing or continuation statements to perfect the security interest granted hereby.

(b) Payment of Obligations. Prior to an exercise of the Right of Access by any one or more Customers, if any, Supplier will pay promptly when due, all taxes, assessments and governmental charges or levies imposed upon the Collateral and the Real Estate or in respect of Supplier's income or profits.

(c) Sales or Dispositions of Operating Assets, Certain Uses Prohibited. During the Term, without the written consent of the Customers, which consent will not be unreasonably withheld, and the consent of Comerica, Supplier shall not: (i) sell or otherwise dispose of any of the Operating Assets or the Real Estate except in the ordinary course of business; (ii) encumber the Operating Assets or the Real Estate (except for liens granted in connection with the CCAA Charges); or (iii) use, or contract for the use of, any of the Operating

Assets or the Real Estate in any way which would materially adversely affect the Customers' Right of Access or the Customers' other rights and remedies under this Agreement. Supplier acknowledges and agrees that it will be reasonable for the Customers to withhold consent if the proposed sale or encumbrance impairs, or may impair, the Customers' rights under this Agreement. Notwithstanding the foregoing, nothing herein shall impair the right of Supplier to market and sell or transfer its business and related assets, including the Operating Assets and the Real Estate in accordance with the Accommodation Agreement and so long as such purchaser agrees not to impair any Customer's Right of Access under this Agreement or right to use the Operating Assets and the Real Estate during the Occupancy Period

(d) Limitations on Modifications of Agreements, etc. Supplier will not, other than in the ordinary course of business (i) amend, modify, terminate or waive any provision of any Contract, or enter into any Contract, which might materially adversely affect Customers' Right of Access, or (ii) fail to exercise promptly and diligently each and every right which it may have under each Contract in any manner which could materially and adversely affect Customers' Right of Access or Customers' other rights and remedies under this Agreement or any other right or agreement between Customers and Supplier or otherwise.

(e) Maintenance of Insurance. Prior to the Occupancy Period, Supplier will, at its expense, keep and maintain insurance on the Operating Assets and Real Estate which insures the Operating Assets and Real Estate against all risk of loss or damage from fire, theft, malicious mischief, explosion, sprinklers, and all other hazards and risks of physical damage included within the meaning of the term "extended coverage" in such amounts as are ordinarily insured against by other owners of similar businesses. Supplier will furnish Customers evidence of said insurance, but Customers will not be named as an additional insured or loss payee.

(f) Right of Inspection; Cooperation. In addition to any rights Customers may have under the Purchase Orders or any other agreements with Supplier (including the Accommodation Agreement), each Customer and its representatives will, upon reasonable request and reasonable times, have the right to enter into and upon any premises where any of the Operating Assets and Real Estate are located for the purpose of inspecting the same, observing its use or otherwise protecting the Customer's interests therein. Each Customer will maintain the confidentiality of information obtained by it, and will only disclose such information if required by law to do so.

(g) Notice of Default. Supplier will provide immediate notice to Customers, by way of facsimile transmission and overnight express mail service, of its or its attorneys' or agents' receipt of any notice of default under the Loan Documents from Comerica, or from any other secured creditors including, but not limited to, taxing authorities. Supplier hereby grants to Customer the option, but not the obligation, to exercise whatever rights to cure defaults that Supplier has under such agreements or by law.

11. Secured Party and Lessor Acknowledgments.

(a) Supplier will provide to Customers, commensurately with execution of this Agreement, Comerica's acknowledgment to the rights and interests granted to Customers under this Agreement by providing a copy of the Lender's Acknowledgment and Consent

attached as Schedule 11(a) attached hereto executed by a duly authorized representative of Comerica.

(b) If subsequent to the execution of this Agreement, Supplier intends to grant additional or further security interests, liens or mortgages in any of the Collateral to any party other than Customers, five (5) business days prior to granting such liens, security interests, mortgages, or leaseholds, Supplier must deliver to Customers an acknowledgment from such secured creditors, mortgagees, and/or lessees in a form substantially similar to Schedule 11(a) attached hereto.

(c) Supplier shall seek, commensurately with execution of this Agreement, acknowledgments from any lessor(s) of the Real Estate and the Operating Assets (to the extent leased) to Customers' rights hereunder, in the form of Schedule 11(b) attached hereto.

12. Effect on Purchase Orders. The purpose of this Agreement is to preserve the rights and interests of the parties under the Purchase Orders and, by entering into this Agreement, no party is waiving or limiting any rights it may have under the Purchase Orders. This Agreement will be deemed to be incorporated by reference into, and will constitute an amendment to all existing and future Purchase Orders regardless of whether any specific reference to this Agreement is made in any such Purchase Orders. To the extent that any term or provision in this Agreement is inconsistent with any term or condition of any such Purchase Order, the terms and conditions of this Agreement will control.

13. Term. The rights granted to Customers under this Agreement shall continue until the date that is the earlier of: (a) fifteen (15) days after notice is given by Comerica that it intends to exercise its rights in relation to the Operating Assets or the Real Estate, unless the Occupancy Period with respect to the Exercising Customer in relation to the Facility or Facilities where Operating Assets are located commences prior to the end of that fifteen (15) day period, and (b) March 15, 2009 (the resulting period being referred to as the "Term") at which time such rights will terminate and, without limiting the generality of the foregoing, the Customers' Security will be released and discharged and of no further force or effect, and any interest in the Collateral will be automatically reconveyed to Supplier, unless:

(a) any one or more Customers, following the occurrence of a Default, have exercised the Right of Access prior to the expiration of the Term, in which case the Term is extended to the expiration of the Occupancy Period in relation to such Exercising Customer only, and at the end of the Occupancy Period in relation to such Exercising Customer the rights granted to Customers under this Agreement will terminate and, without limiting the generality of the foregoing, the Customers' Security will be released and discharged and of no further force or effect, and any interest in the Collateral will be automatically reconveyed to Supplier; or

(b) with respect to any Facility, there has been a sale of the Operating Assets in relation to such Facility to a "Qualified Buyer" as that term is defined in the Accommodation Agreement, in which case the Term will expire on the effective date of such sale.

Notwithstanding the termination of this Agreement, all indemnification obligations in this Agreement shall survive termination of this Agreement.

14. Discharges. Upon the release of the security interest pursuant to Section 13 above, each Customer will, at such Customer's expense, promptly execute and deliver all such discharges, releases, reassignments and further assurances as may be reasonably required to record the discharge of the security interest or charge.

15. Payments by Customers. All payments to be made by Customers to Supplier hereunder shall be without setoff, recoupment or deduction, including in relation to any special, consequential or incidental damages that a Customer may suffer or incur giving rise to any Customer's exercise of a Right of Access.

16. Confidential Information and Data. Without limiting Customers' rights under this Agreement, to the extent the Operating Assets include, or Customers or their respective designee(s) otherwise come into possession of or become aware of, Supplier's trade secrets or proprietary information during a Customer's exercise of the Right of Access, Customers and their respective designees must, (a) except as required by applicable law, keep the information, data, and trade secrets confidential; and (b) only use the information, data, and trade secrets during the Occupancy Period in connection with producing Component Parts. The provisions of this Section will survive termination of this Agreement.

17. Severability. Should any provision of this Agreement be held invalid, prohibited or unenforceable in any one jurisdiction it will, as to that jurisdiction only, be ineffective to the extent of such holding without invalidating the remaining provisions of this Agreement, and any such holding does not invalidate or render unenforceable that provision in any other jurisdiction wherein it would be valid and enforceable.

18. Authorization. The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation that they represent and that their signatures bind said corporations to the terms of this Agreement.

19. Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation of this Agreement. All references to Sections, Schedules, and Exhibits are to Sections, Schedules, and Exhibits in or to this Agreement unless otherwise specified.

20. No Waiver; Cumulative Remedies. The Customers will not by any act, delay, indulgence, omission, or otherwise be deemed to have waived any right or remedy under this Agreement or of any breach of the terms and conditions of this Agreement. A waiver by the Customers of any right or remedy under this Agreement on any one occasion will not be construed as a bar to any right or remedy which the Customers would otherwise have had on a subsequent occasion. No failure to exercise nor any delay in exercising on the part of the Customers any right, power, or privilege under this Agreement, will operate as a waiver, nor will any single or partial exercise of any right, power or privilege under this Agreement preclude any

other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies under this Agreement are cumulative, may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by any other agreements or applicable law or at equity.

21. Accommodation Agreement. Nothing in this paragraph or this Agreement, shall be deemed to amend, modify or supersede any agreements by the Customers under the Accommodation Agreement and, to the extent of any conflict or inconsistency between the terms of this Agreement and the Accommodation Agreement, the Accommodation Agreement shall govern.

22. Waivers and Amendments; Successors and Assigns. No term or provision of this Agreement may be waived, altered, modified, or amended except by a written instrument, duly executed by Supplier and the Customers. This Agreement and obligations under this Agreement are binding upon the successors and assigns of Supplier, and together with the rights and remedies of the Customers under this Agreement, inure to the benefit of the Customers and their respective successors and assigns. This Agreement and obligations under this Agreement are binding upon the successors and assigns of Customer, and together with the rights and remedies of the Supplier under this Agreement, inure to the benefit of the Supplier and its successors and assigns. Supplier and Customers may not assign or transfer any right or obligation under this Agreement without the prior written consent of the other.

23. Governing Law and Forum. This Agreement is made in Province of Ontario and will be governed by, and construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to conflicts of law principles, and each of the parties hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Ontario.

24. Notices. All notices, requests, and other communications that are required or may be given under this Agreement must be in writing, and will be deemed to have been given on the date of delivery, if delivered by hand, facsimile or courier, or three (3) days after mailing, if mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as set forth below (which addresses may be changed, from time to time, by notice given in the manner provided in this Section):

If to Supplier:

SKD Automotive Group
1450 W. Long Lake Rd., Suite 210
Troy, Michigan 48098
Attention: John P. Chen
Facsimile: (248) 267-9669

with a copy to: Lang Michener LLP
Brookfield Place, 181
Bay Street, Suite 2500
Toronto, Ontario M5J 2T7
Attention: Sheryl E. Seigel
Facsimile:(416)365-1719
Email: sseigel@langmichener.ca

If to Chrysler: Chrysler LLC
800 Chrysler Drive
CIMS 485-14-78
Auburn Hills, MI 48326
Attention: Sigmund Huber
Director, Supplier Relations
Facsimile: (248) 512-1771

With a copy to: Chrysler LLC
CIMS 485-13-32
1000 Chrysler Drive
Auburn Hills, MI 48326-2766
Attention: Kim R. Kolb,
Senior Staff Counsel
Facsimile: (248) 512-4885

And: Dickinson Wright PLLC
500 Woodward Ave., Suite 4000
Detroit, MI 48226
Attention: James A. Plemmons
Facsimile: (313) 223-3598

If to Ford: Ford Motor Company
One America Road
World Headquarters
Suite 416
Dearborn, Michigan 48126
Attention: Daniella Saltz
Facsimile: (313) 322-3804

With a copy to: Ford Motor Company
Building 3
20100 Rotunda Drive
Number 3A041
Dearborn, Michigan 48124
Attention: Bill Strong
Facsimile: (313) 206-7044

And: Miller Canfield Paddock and Stone, PLC
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Attention: Stephen S. LaPlante
Facsimile: (313) 496-8478

If to Honda: Honda of America Mfg., Inc.
North American Purchasing Office
21001-A State Route 739
Raymond, Ohio 43067
Attention: Bryan Clay
Facsimile: (937) 645-7401

With a copy to: Joseph F. LaFleur, Esq.
Honda of America Mfg., Inc.
24000 Honda Parkway
Marysville, Ohio 43040-9251
Facsimile: (937) 644-6583

And: Robert A. Bell, Jr.
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
Columbus, Ohio 43216-1008
Facsimile: (614) 719-5196

If to Comerica: Comerica Bank
One Detroit Center
500 Woodward Avenue, 4th Floor
Detroit, MI 48226
Attention: James L. Embree
Facsimile: (313) 222-1244

With a copy to: Bodman LLP
6th Floor at Ford Field
1901 St. Antoine Street
Detroit, Michigan 48226
Attention: Ralph E. McDowell
Facsimile: (313) 393-7579

25. No Intended Third Party Beneficiary. The parties hereto acknowledge and agree that the rights and interests of the parties under this Agreement are intended to benefit solely the parties to this Agreement, Comerica and the beneficiaries of the CCAA Charges.

26. Counterparts. This Agreement may be executed in any number of counterparts and by each party hereto on separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same instrument, and it

will not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. Facsimile copies of signatures will be treated as originals for all purposes.

27. Entire Agreement; Conflicts. This Agreement together with the Accommodation Agreement and any other agreements and schedules executed in connection with this Agreement constitutes the entire understanding of the parties in connection with the subject matter hereof. This Agreement may not be modified, altered, or amended except by an agreement in writing signed by Customers and Supplier. Although this Agreement constitutes an amendment to the Purchase Orders, the terms and conditions of the Purchase Orders will be unaffected by this Agreement except to the extent that an inconsistency or conflict exists between the express terms of the Purchase Orders and this Agreement in which event the terms of this Agreement will govern and control. To the extent any term or condition of this Agreement is inconsistent or in conflict with the terms of any other agreements between the parties, the terms of this Agreement will govern and control.

28. CONSULTATION WITH COUNSEL. THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE BEEN GIVEN THE OPPORTUNITY TO CONSULT WITH COUNSEL BEFORE EXECUTING THIS AGREEMENT AND ARE EXECUTING SUCH AGREEMENT WITHOUT DURESS OR COERCION AND WITHOUT RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR COMMITMENTS OTHER THAN THOSE REPRESENTATIONS, WARRANTIES AND COMMITMENTS SET FORTH IN THIS AGREEMENT.

29. WAIVER OF JURY TRIAL. THE PARTIES HERETO ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL RIGHT, BUT THAT THIS RIGHT MAY BE WAIVED. THE PARTIES EACH HEREBY KNOWINGLY, VOLUNTARILY AND WITHOUT COERCION, WAIVE ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES ARISING OUT OF OR IN RELATION TO THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THE PARTIES. NO PARTY WILL BE DEEMED TO HAVE RELINQUISHED THE BENEFIT OF THIS WAIVER OF JURY TRIAL UNLESS SUCH RELINQUISHMENT IS IN A WRITTEN INSTRUMENT SIGNED BY THE PARTY TO WHICH SUCH RELINQUISHMENT WILL BE CHARGED.

[signatures on next page]

[signature page to Access and Security Agreement]

HONDA OF AMERICA MFG., INC.

By: _____
I have authority to bind the Corporation

print name

FORD MOTOR COMPANY

By: _____
I have authority to bind the Corporation

print name

CHRYSLER CANADA INC.

By: _____
I have authority to bind the Corporation

print name

**CHRYSLER LLC on behalf of itself and
CHRYSLER MOTORS LLC**

By: _____
I have authority to bind the Corporation

print name

**SKD COMPANY, by its partners, NMC
CANADA, INC. and 2515080 NOVA
SCOTIA COMPANY**

By: _____
I have authority to bind the NMC Canada,
Inc.

print name

By: _____
I have authority to bind the 2515080 Nova
Scotia Company

print name

Schedules and Exhibits:

Exhibit A: Facilities
Schedule 11(a): Lender's Acknowledgment and Consent
Schedule 11(b): Lessor's Acknowledgment and Consent

**EXHIBIT A
FACILITIES**

Facility	Monthly Access Fee (USD)
A. Owned Real Property	
1. 40 Holtby Avenue, Brampton, Ontario	\$76,000
2. 375 Wheelabrator Way, Milton, Ontario	\$62,000
B. Leased Real Property	
1. 7345 East Danbro Crescent, Mississauga, Ontario	\$4,000
2. 6495 Tomken Road, Mississauga, Ontario	\$8,000

SCHEDULE 11(a)
LENDER'S ACKNOWLEDGMENT AND CONSENT

While not a party to the Access and Security Agreement ("Access Agreement") between _____ (the "Customers") and _____ ("Supplier") dated as of January __, 2009, Comerica Bank (the "Lender") and Supplier are parties to various loan and/or security agreements and Lender has security interests in Supplier's assets. In such capacity, and in consideration of Customers' undertakings in favor of Supplier, Lender acknowledges, consents to, and agrees that the exercise of its rights and remedies with respect to its liens and security interests is subject to all applicable terms of the Access Agreement. The fact that Lender is executing this Acknowledgment and Consent will not in any way make Lender a guarantor or surety for Supplier's performance under the Access Agreement. Further, except as provided in the Access Agreement, Lender reserves its rights under its agreements with Supplier and applicable law.

WITNESSED

COMERICA BANK

Name

By: _____

Name: _____

Name

Title: _____

Date: _____

STATE OF _____)
)ss
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 2008 by _____, the duly authorized _____ of _____ on behalf of such corporation.

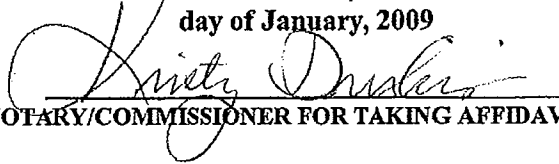
Notary Public

_____ County, _____

My commission expires: _____

Tab M

**This is Exhibit "M" referred to in the
affidavit of John Chen
sworn before me, this 20th
day of January, 2009**

A handwritten signature in cursive script, appearing to read "Kristy Duster", written over a horizontal line.

A NOTARY/COMMISSIONER FOR TAKING AFFIDAVITS, etc.

Additional Participations and Allocation Agreement

his Additional Participations and Allocation Agreement dated as of January 20, 2009 (the "Letter Agreement") is being delivered in connection with the Subordinated Participation Agreement dated January 12, 2009, as amended and restated on January 20, 2009 (the "Participation Agreement"), among General Motors Corporation ("GM"), Ford Motor Company ("Ford"), Chrysler LLC ("Chrysler"), Honda of America Mfg., Inc., for itself and on behalf of Honda Canada Mfg., a division of Honda Canada, Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, "Honda") (Honda, collectively with GM, Ford, and Chrysler, the "Participants," and each individually, a "Participant"). This Letter Agreement is contemplated by the Participation Agreement, as amended and restated, and is among the Participants, the Borrowers and the Guarantors (each as defined below) and sets forth certain requirements for the purchase of additional Participations (as defined below) and the distribution of the proceeds of the Borrowers' (as defined below) collateral. With respect to the parties to this Letter Agreement, to the extent of any discrepancy between the Participation Agreement and this Letter Agreement, this Letter Agreement shall control.

Background. Comerica Bank (the "Lender") has various loans and other financial accommodations outstanding to SKD Automotive Group, Limited Partnership ("Automotive") and SKD Company (together with Automotive, the "Borrowers"), all or part of which loans are guaranteed by 2515080 Nova Scotia Company; NMC Canada, Inc.; Eassa Mexico, S. De R.L. De C.V.; SKD De Mexico, S. De R.L. De C.V.; SKD, L.P.; and SKD Holdings, L.P. (collectively, the "Guarantors"), under a forbearance agreement and various other loan and collateral documents, as amended (the "Loan Documents"). References to Borrowers include Borrowers as debtors in any Canadian or U.S. CCAA or bankruptcy proceedings. Participants have agreed in accordance with the terms and conditions of the Participation Agreement to purchase from the Lender for cash, at par, undivided subordinated interests (each a "Participation") in the Loans (as defined in the Participation Agreement) as more fully set forth in the Participation Agreement. The Lender, SKD Company, and the Participants also intend to enter into an accommodation agreement (the "Accommodation Agreement"), whereby the parties would agree to certain funding and operational terms, among other things. The Lender, SKD, L.P., SKD De Mexico, D. De R.L. De C.V., and the Participants also expect to enter into an agreement substantially similar to the Accommodation Agreement. Capitalized terms not defined in this Letter Agreement are defined in the Participation Agreement.

Use of Proceeds for Employee Retention. Each Participant agrees to purchase additional Participations (the "Non-Go Forward Employee Participations" and together with the Participations, the "Senior Participations") under the terms of the Participation Agreement and the Borrowers will use the proceeds of the Non-Go Forward Employee Participations to fund payments under the existing employee retention plan for employees who will not maintain continued employment (the "Non-Go Forward Employees") in accordance with the per-employee allocation under the existing retention program as set forth on Exhibit 1 attached hereto, in an aggregate amount not to exceed \$ 1,475,831.00. For the avoidance of doubt, the Non-Go Forward Employee Participations are amounts in excess of the \$200,000 allotment for retention payments for Non-Go Forward Employees included in the budget attached to the Accommodation Agreement and will be purchased as the corresponding obligations to the Non-

Go Forward Employees are incurred. For clarity, GM will not fund any portion of the employee retention relating to Canadian operations. In addition to the Non-Go Forward Employees, Exhibit 1 includes employees that may be offered continued employment by a going concern sale (the "Go-Forward Employees"). The Participants have no obligation to fund any retention payments for the Go-Forward Employees (the "Go-Forward Payments"). However, the Participants hereby acknowledge and agree that the Borrowers may request that a purchaser fund and/or assume the Go-Forward Payments in connection with any acquisition of assets of any Borrower and/or any of their affiliates.

Allocation of Loans and Proceeds from Collateral. The Borrowers and the Participants have requested that the Lender allocate the outstanding amounts under the Revolving Facility (as defined in the Loan Documents) between the Borrowers in accordance with the Loans actually made to each respective Borrower and that, in furtherance thereof, the Lender would recover (a) amounts loaned to SKD Company, first from proceeds of the collateral owned by SKD Company and the Guarantors organized in Canada (the "Canadian Collateral") and (b) amounts loaned to Automotive, first from proceeds of the collateral owned by Automotive and the Guarantors organized in the United States or Mexico (the "U.S. Collateral"); provided that, if the Lender receives payment from or attributable to proceeds of U.S. Collateral that exceeds the amount outstanding under the Revolving Facility that was attributable or loaned to Automotive (including interest and other Liabilities related thereto), the Lender may hold such excess amounts in a segregated cash collateral account without applying such amounts to reduce the loans to SKD Company (including interest and other Liabilities related thereto). In the event that the Lender does not agree to the allocation of the Loans and proceeds of collateral between Automotive and SKD Company as described in this paragraph, and if the Lender is repaid with proceeds from U.S. Collateral to satisfy loans to SKD Company, then Automotive and each U.S. Guarantor under the Loan Documents, including but not limited to SKD, L.P., shall be subrogated to the rights of the Lender to collect from SKD Company the amounts that were paid to the Lender from proceeds of U.S. Collateral to satisfy the loans to SKD Company (including interest and other Liabilities related thereto).

To the extent that the Participants are entitled to receive any payment on account of the Senior Participations under the Participation Agreement after satisfaction of the senior obligations of the Borrowers to the Lender (as described in the immediately preceding paragraph), such payment shall be paid, pursuant to section 7 of the Participation Agreement, to a disbursing agent to be distributed in the following manner:

- (i) First, to each Participant in accordance with the Respective Percentages (as defined in the Participation Agreement) of the Senior Participations; provided that (x) with respect to the portion of the Respective Percentages of the Senior Participation of each Participant that was used to fund loans to Automotive (the "U.S. Participant Portion"), each Participant shall be limited to recovering their U.S. Participant Portion amounts from proceeds of U.S. Collateral and (y) with respect to the portion of the Respective Percentages of the Senior Participation of each Participant that was used to fund loans to SKD Company (the "Canadian Participant Portion"), each Participant shall be limited to recovering their Canadian Participant Portion amounts from proceeds of Canadian Collateral;

- (ii) Second, in the event there are insufficient proceeds from Canadian Collateral to satisfy the amounts owed to the Participants as described in clause (i)(y) above thereby leaving certain Canadian Participant Portion amounts unpaid to the Participants (the "Canadian Participants Deficiency"), 50% of the Canadian Participants Deficiency shall be paid to the Participants in accordance with their Respective Percentages from proceeds of U.S. Collateral;
- (iii) Third, to holders of unsecured, third-party vendor claims against SKD, L.P. (excluding (x) any unpaid Canadian Participants Deficiency, if applicable and (y) holders of unsecured intercompany claims discussed in (iv)(y) below) from proceeds of U.S. Collateral in the aggregate amount not to exceed \$4 million;
- (iv) Fourth, with respect to proceeds from any remaining U.S. Collateral, pro rata amounts shall be distributed between (x) holders of unsecured intercompany claims against SKD, L.P., described on Exhibit 2 attached hereto as of December 31, 2008, and (y) Participants in their Respective Percentages of any unpaid Canadian Participants Deficiency if applicable, as if the unpaid Canadian Participants Deficiency were unsecured; and
- (v) Fifth, to holders of all remaining intercompany claims against SKD, L.P.

This Letter Agreement shall be construed in accordance with the laws of the State of Michigan (without reference to its conflict of laws principles). Whenever possible, each provision of this Letter Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Letter Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Letter Agreement.

PARTICIPANTS:

GENERAL MOTORS CORPORATION

By: _____

Its: _____

FORD MOTOR COMPANY

By: _____

Its: _____

CHRYSLER LLC

By: _____

Its: _____

**HONDA OF AMERICA MFG., INC. for itself
and on behalf of HONDA CANADA MFG., a
division of HONDA CANADA, INC., HONDA
MANUFACTURING OF INDIANA, LLC and
HONDA MANUFACTURING OF ALABAMA,
LLC**

By: _____

Its: _____

Each of undersigned consents and agrees to all terms and conditions of the foregoing Letter Agreement. In addition, each of the undersigned Guarantors consents to the foregoing and acknowledges and agrees that: (i) the Loan Documents, this Letter Agreement, and every other document executed or delivered in connection with the transactions contemplated hereby, and all the terms and conditions thereof, shall be and remain in full and force and effect with the changes effected by this Letter Agreement deemed to be incorporated therein; (ii) neither the validity, priority and enforceability of the Loan Documents, nor its guaranty of the Borrowers' obligations thereunder shall be affected or impaired by the consummation of the transactions contemplated hereby; and (iii) as of the date hereof, its guaranty of the Borrowers' obligations under the Loan Documents is its valid obligation, enforceable in accordance with its terms without defense or setoff by or on behalf of such Guarantor.

"BORROWERS"

**SKD AUTOMOTIVE GROUP,
LIMITED PARTNERSHIP**

By: PL International Corporation
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

SKD COMPANY

By: 2515080 Nova Scotia Company
Its: General Partner

By: _____
John Chen
Its: Vice President

"GUARANTORS"

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

SKD HOLDING, L.P.

By: SKD Holding, Inc.
Its: General Partner

By: _____
John Chen
Its: Vice President/Treasurer

SKD, L.P.

By: Quincy Holdings, Inc.
Its: General Partner

By: _____
Vytas Ambutas
Its: Secretary

2515080 NOVA SCOTIA COMPANY

By: _____
John Chen
Its: Vice President

EASSA MEXICO, S. DE R.L. DE C.V.

By: _____
John Williams
Its: Treasurer

SKD DE MEXICO, S. DE R.L. DE C.V.

By: _____
John Chen
Its: Treasurer

NMC CANADA INC.

By: _____
Vytas Ambutas
Its: Secretary

Exhibit 1

**SKDAG
Summary
Estimated Retention Bonuses
USD**

Location	Functional Currency			Total USD
	USD	CND	MXP	
HQ Troy	\$ 439,207			\$ 439,207
HQ Canada		225,092		180,073
Brampton		177,018		141,614
Milton		248,204		198,563
Mississauga		186,177		148,942
Jonesville	275,483			275,483
Mexico	-	-	1,241,302	91,948
Total	\$ 714,690	\$ 836,491	\$ 1,241,302	\$ 1,475,831

Exchange Rates

CND
MXP

vs USD

CND	1.08
MXP	0.50

inputs for all
worksheets. Do not
change elsewhere.

SKD Troy

Troy Headquarters

NAME	Retention Bonus	Months
Employee 1	\$ 137,952	8
Employee 2	38,450	3
Employee 4	18,000	3
Employee 8	9,613	2
Employee 15	33,977	3
Employee 18	23,189	3
Employee 22	21,250	3
Employee 27	22,125	3
Employee 29	26,433	3
Employee 37	31,215	3
Employee 43	38,451	3
Employee 50	38,550	3
	\$ 439,207	

SKD Canada Admin

Canadian Administration

NAME	Retention Bonus	
	CND	Months
Employee 3	\$36,225	3
Employee 4	\$23,751	3
Employee 7	\$127,890	10
Employee 8	<u>\$37,226</u>	5
Total SKD Admin Cdn.\$	\$225,092	

Milton Division

No.	Name	Amount	Months
3	Employee 3	29,374.98	3
8	Employee 8	11,898.18	3
9	Employee 9	18,180.00	3
11	Employee 11	14,125.02	3
19	Employee 19	16,825.02	3
39	Employee 39	41,553.78	3
40	Employee 40	17,796.90	3
42	Employee 42	16,377.42	3
43	Employee 43	29,374.98	3
44	Employee 44	21,996.00	3
53	Employee 53	15,101.70	3
55	Employee 55	15,600.00	3
Totals		248,203.98	

Brampton Division

<u>Name</u>	<u>CND</u>	<u>Months</u>
Employee 4	24,000.00	3
Employee 10	15,654.96	3
Employee 24	22,500.00	3
Employee 25	25,375.02	3
Employee 26	36,874.98	3
Employee 33	19,999.98	3
Employee 36	17,496.42	3
Employee 38	15,116.46	3
Totals	177,017.82	

Mississauga Division

<u>Name</u>	<u>CND</u>	<u>Months</u>
Employee 1	28,749.96	3
Employee 2	-	
Employee 3	-	
Employee 4	-	
Employee 5	-	
Employee 6	-	
Employee 7	20,992.02	3
Employee 8	-	
Employee 9	-	
Employee 10	-	
Employee 11	-	
Employee 12	-	
Employee 13	13,866.54	3
Employee 14	-	
Employee 15	-	
Employee 16	-	
Employee 17	-	
Employee 18	-	
Employee 19	33,124.98	3
Employee 20	-	
Employee 21	-	
Employee 22	-	
Employee 23	-	
Employee 24	-	
Employee 25	-	
Employee 26	-	
Employee 27	-	
Employee 28	-	
Employee 29	-	
Employee 30	-	
Employee 31	-	
Employee 32	-	
Employee 33	-	
Employee 42	16,412.46	3
Employee 47	19,999.98	3
Employee 49	16,246.14	3
Employee 52	10,580.46	3
Employee 56	12,654.06	3
Employee 61	13,550.70	3
Totals	186,177.30	

SKD LP Jonesville

NAME	Retention Bonus	<u>Months</u>
Employee 2	\$22,081	3
Employee 7	\$23,625	3
Employee 12	\$35,310	3
Employee 22	\$14,608	3
Employee 24	\$13,515	3
Employee 25	\$18,545	3
Employee 30	\$26,250	3
Employee 42	\$27,574	3
Employee 74	\$26,107	3
Employee 78	\$16,720	3
Employee 89	\$14,396	3
Employee 94	\$21,781	3
Employee 95	\$14,972	3
Total Employees	\$275,483	

SKD de Mexico

Name	Retention		Months
	USD	MXP	
Employee 7	6,666.67	90,000.00	3
Employee 16	12,648.44	170,754.00	3
Employee 24	5,642.00	76,167.00	3
Employee 25	9,731.80	131,379.30	3
Employee 26	4,243.13	57,282.30	3
Employee 43	10,346.20	139,673.70	3
Employee 48	7,201.13	97,215.30	3
Employee 55	7,691.11	103,830.00	3
Employee 79	27,777.78	375,000.00	3
Totals	91,948.27	1,241,301.60	

**SKD LP
INTERCOMPANY BALANCES
AT DECEMBER 31, 2008**

EXHIBIT 2

SKD LP - Notes Payable

USD

-- SKDAG Admin

\$ 36,500,000

Intercompany Notes Payable

\$ 36,500,000

Tab 3

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

**IN THE MATTER OF *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 NMC CANADA, INC. AND
2515080 NOVA SCOTIA COMPANY**

Applicants

CONSENT

RSM Richter Inc. hereby consents to act as the court-appointed monitor of the Applicants in accordance with an order substantially in the form of the draft order annexed hereto.

Dated at Toronto this 12th day of January, 2009.

By: 

Name: Robert Kotman

Title: Senior Vice-President

**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 NMC CANADA, INC.
AND 2515080 NOVA SCOTIA COMPANY**

Applicants

Court File No. 09-CL-7960

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

APPLICATION RECORD

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Lawyers for the Applicants