

**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 WINDSOR MACHINE & STAMPING LIMITED, LIPEL INVESTMENTS LTD., WMSL HOLDINGS LTD., 442260 ONTARIO LTD., WINMACH CANADA LTD., PRODUCTION MACHINE SERVICES LTD., 538185 ONTARIO LTD., SOUTHERN WIRE PRODUCTS LIMITED, PELLUS MANUFACTURING LTD., TILBURY ASSEMBLY LTD., ST. CLAIR FORMS INC., CENTROY ASSEMBLY LTD., PIONEER POLYMERS INC., G&R COLD FORGING INC., WINDSOR MACHINE DE MEXICO, WINMACH INC., WINDSOR MACHINE PRODUCTS, INC., WAYNE MANUFACTURING INC. and 383301 ONTARIO LIMITED**

**AFFIDAVIT OF LIONEL J. PELTIER**  
**(Sworn October 15, 2008)**

I, Lionel J. Peltier, of the City of Windsor, in the Province of Ontario,  
**MAKE OATH AND SAY:**

1. I am the President of Windsor Machine & Stamping Limited, Lipel Investments Ltd., WMSL Holdings Ltd., 442260 Ontario Ltd., Winmach Canada Ltd., Production Machine Services Ltd., 538185 Ontario Ltd., Southern Wire Products Limited, Pellus Manufacturing Ltd., Tilbury Assembly Ltd., St. Clair Forms Inc., Centroy Assembly Ltd., Pioneer Polymers Inc., G&R Cold Forging Inc., Windsor Machine de Mexico, Winmach, Inc., Windsor Machine Products, Inc., Wayne Manufacturing, Inc. and 383301 Ontario Limited (collectively, the "**Companies**"), and as such, I have personal knowledge of the matters to which I hereinafter depose, save and except where I have indicated that I have obtained the facts from other sources, in which case I verily believe those facts to be true.

### **Restructuring Initiatives**

2. The financial circumstances of the Companies that have resulted in the initiation of these proceedings have been the product of a number of factors, which include:

- (a) the appreciation of the Canadian dollar and increased raw material costs (for steel, oil and plastic resins) that have significantly reduced gross margins on the production of component parts for the Companies' customers;
- (b) existing commitments to low margin production that has limited the ability of the Companies' to commit facility capacity to more profitable product lines; and
- (c) the need for the Companies to reduce operating costs at its production facilities.

3. The restructuring initiatives of the Companies have focussed on the following:

- (a) the disposition of non-core real estate and capital equipment;
- (b) the identification of costs associated with, and the implementation of a program for, consolidation of its production facilities, with a view to reduction of overall operating costs;
- (c) the negotiation of price increases (including raw material surcharges) with significant customers, certain of which been implemented in the accommodation agreements which the Companies have entered into;
- (d) the transition of production for a major customer to an alternative supplier or suppliers without interruption, which has been implemented with the transition agreement entered into with General Motors Corporation; and
- (e) the negotiation of terms for continued production of component parts for the Companies' customers under various accommodation agreements.

4. Critical to the implementation of these strategies is the ability of the Companies to secure a commitment from a strategic partner or other source of financing to support the restructuring efforts of the Companies.
5. The preparation of a business plan for the Companies and the implementation of the Companies' consolidation initiatives have been delayed by the need for the Companies' to commit existing production capacities to meet customers' requirements for inventory bank builds to be produced under the accommodation agreements and the transition agreement.
6. Under certain of the accommodation arrangements negotiated with the Companies' major customers, the Companies have committed to proposing a restructuring process (inclusive of a sales process) by October 17, 2008 that outlines the nature, particulars and proposed timing for completion. Certain of those arrangements also commit the Companies to a restructuring or sale of the business as a going concern by November 30, 2008 to assure those customers that the Companies will be in a position to continue production for those customers without interruption.
7. The Companies have pursued a number of initiatives to secure a commitment from a strategic partner and from other sources of financing, and these and other initiatives are being actively pursued by the Companies.
8. The recent decline in the Canadian dollar has provided the Companies with a unique opportunity to improve the gross margins on its production, given that approximately 70% of the Companies' raw materials requirements and the majority of the Companies' other costs operational are paid in Canadian currency, while 70%-80% of payments from customers from production of component parts are remitted in U.S. currency. While there continues to be uncertainty in foreign currency exchange rates, the negotiation of price increases and surcharges with customers, the depreciation of the Canadian dollar and the reduction of overall operational costs for the Companies once plans for consolidation of production facilities have been implemented, will significantly improve the Companies' forecasted margins and profitability.

**Extension of Stay**

9. The Applicants seek to extend the Stay Period from October 17, 2008 to December 5, 2008.
10. The Companies require the extension of the stay of proceedings to permit them to:
  - (a) meet their commitments under the accommodation agreements and the transition agreement that have been entered into by the Companies and that the Companies continue to negotiate with one of its major customers;
  - (b) continue their efforts to secure an alternative to the sales process that will be conducted by RSM Richter Inc., in its capacity as Monitor of the Companies in these proceedings; and
  - (c) permit the Monitor to conclude the sale process and provide customers of the Companies with a going concern option for the continued production of component parts for those customers.
11. The Companies are acting in good faith and with due diligence in their restructuring efforts.
12. I swear this Affidavit in support of the motion of the Applicants for Orders extending the Stay Period and for the other relief set out in the Notice of Motion dated October 10, 2008, and for no other or improper purpose.

SWORN before me at the City of )  
 Toronto in the Province of Ontario this )  
 16th day of October, 2008. )

Commissioner for Taking Affidavits )

*JOSEPH MARIN*

*LIONEL J. PELTIER*

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF WINDSOR MACHINE &  
STAMPING LIMITED AND THE CORPORATIONS LISTED IN SCHEDULE "A"

Court File No: CV-08-7672-00CL

**ONTARIO**

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

Proceeding commenced at Toronto

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