

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) WEDNESDAY, THE 18TH  
 )  
MADAM JUSTICE CONWAY ) DAY OF NOVEMBER, 2020  
 )

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  
HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC., HEMATITE  
INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC., PAVACO HOLDINGS U.S.  
INC., HEMATITE, INC. AND HEMATITE AUTOMOTIVE PRODUCTS INC.

Applicants

**ORDER  
(Flow-Through Payments to Tooling Suppliers)**

**THIS MOTION**, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order authorizing the Applicants to continue certain flow-through payment arrangements involving OEM customers and tooling suppliers, including the payment of certain pre-filing amounts owing to tooling suppliers, was heard this day by way of judicial videoconference via Zoom in Toronto, Ontario due to the COVID-19 pandemic.

**ON READING** the Notice of Motion, the affidavit of Jacques Nadeau sworn November 11, 2020 and the Exhibits thereto (the "**Nadeau Affidavit**"), and the Third Report of KPMG Inc. in its capacity as monitor of the Applicants (the "**Monitor**") dated November 16, 2020 (the "**Third Report**"), and on hearing the submissions of counsel for the Applicants, the Monitor and those other parties that were present as listed on the counsel slip, no other party appearing although duly served as appears from the affidavit of service, filed.

## **INTERPRETATION**

1. **THIS COURT ORDERS** that capitalized terms used herein but not otherwise defined shall have the meanings given to them in the Nadeau Affidavit.

## **FLOW THROUGH PAYMENTS**

2. **THIS COURT ORDERS** that, subject to paragraph 5, the Applicants are authorized to pay amounts owing to tooling suppliers for the production and supply of tooling delivered prior to September 18, 2020 (the “**Initial Filing Date**”) that has or will become the property of the Applicants’ OEM customers and is being, or will be, used in the production of parts for such OEM customers (“**Pre-Filing Tooling Payables**”), provided that the Applicants have received payment of those amounts from such OEM customers on or after the Initial Filing Date in respect of the specific tooling supplied.

3. **THIS COURT ORDERS** that, subject to paragraph 5, the Applicants are authorized to pay amounts owing to tooling suppliers for the production and supply of tooling delivered on or after the Initial Filing Date that has or will become the property of the Applicants’ OEM customers and is being, or will be, used in the production of parts for such OEM customers (“**Post-Filing Tooling Payables**” and together with the Pre-Filing Tooling Payables, the “**Tooling Payables**”), provided that the Applicants have received payment of those amounts from such OEM customers on or after the Initial Filing Date in respect of the specific tooling supplied.

4. **THIS COURT ORDERS** that, in the case of the Tooling Payables in respect of any specific tooling, the Applicants are hereby directed to use any funds received from an OEM customer prior to the implementation date of the Plan on account of such Tooling Payables to pay the applicable tooling supplier on a “flow-through” basis (but only up to 100% of the amount owing to the tooling supplier in respect of the specific tool at the relevant time), and may only use any such funds received by the applicable OEM customer for any other purpose after the tooling supplier has been paid 100% of the amount owing in respect of the specific tool. All funds received from OEM customers and paid to tooling suppliers on account of Tooling Payables shall be recorded on the books and records of the Applicants in a traceable manner.

5. **THIS COURT ORDERS** that nothing in this Order shall affect the claims of the tooling suppliers or the treatment thereof by the Applicants in these CCAA Proceedings in respect of amounts owed to the tooling suppliers which are not paid pursuant to this Order.

6. **THIS COURT ORDERS** that nothing herein impacts or derogates from the rights of the OEM customers including, without limitation, the OEM customers' rights to assert set off, claims for recoupment or otherwise in the event that they are entitled to under the terms of their contracts or pursuant to applicable law.

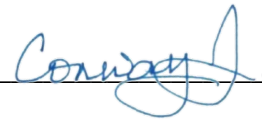
### **MISCELLANEOUS**

7. **THIS COURT ORDERS** that this order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all persons against whom it may be enforceable.

8. **THIS COURT ORDERS** that this order is effective from the date that it is made, and is enforceable without any need for entry and filing.

9. **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, or abroad, to give effect to this order and to assist the Applicants, 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 Hematite Holdings Inc. in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this order.

10. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are 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.

A handwritten signature in blue ink, appearing to read "Conway J.", is written over a horizontal line.

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COMPROMISE OR ARRANGEMENT OF HEMATITE HOLDINGS INC. ET AL.

Court File No: CV-20-00647824-00CL

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

Proceedings commenced at Toronto

**ORDER**  
**(Flow-Through Payments to Tooling Suppliers)**

**McCarthy Tétrault LLP**  
Suite 5300, Toronto Dominion Bank Tower  
Toronto ON M5K 1E6  
Fax: 416-868-0673

**James Gage** LSO#: 34676I  
Tel: 416-601-7539  
Email: [jgage@mccarthy.ca](mailto:jgage@mccarthy.ca)

**Trevor Courtis** LSO#: 67715A  
Tel: 416-601-7643  
Email: [tcourtis@mccarthy.ca](mailto:tcourtis@mccarthy.ca)

Lawyers for the Applicants

DOC#: 20908640