

SCHEDULE "A"

Plan of Compromise, Arrangement and Reorganization

See attached.

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

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
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

PLAN OF COMPROMISE, ARRANGEMENT AND REORGANIZATION

November 18, 2020

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**PLAN OF COMPROMISE, ARRANGEMENT
AND REORGANIZATION**

This is the plan of compromise, arrangement and reorganization of the Hematite Group pursuant to the CCAA and OBCA.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In the Plan:

“**Administration Reserve**” is defined in Section 5.2.

“**Affected Claim**” means any Claim that is not an Unaffected Claim and includes, for greater certainty, a Tooling Claim, a Restructuring Claim and an Equity Claim.

“**Affected Creditor**” means a Creditor with an Affected Claim.

“**Applicable Law**” means:

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, as well as the common law; and
- (ii) any applicable and enforceable rule, regulation, requirement, order, judgment, injunction, award or decree of a Governmental Authority.

“**Articles of Reorganization**” means, as applicable to each of Hematite Holdings and Hematite Industrial:

- (i) the articles of reorganization of Hematite Holdings attached as Schedule A; and
- (ii) the articles of reorganization of Hematite Industrial attached as Schedule B.

“**Assigned TD Loans**” means the loans and other indebtedness assigned to the DIP Lender pursuant to the assignment and assumption agreement dated September 21, 2020 between The Toronto-Dominion Bank, the DIP Lender and certain members of the Hematite Group, among others;

“**Available Cash**” means the aggregate of Cash on Hand and the Plan Funding Amount.

“**BDC**” means BDC Capital Inc.

“**BDC A&R Loan Agreement**” means an amended and restated loan agreement between BDC (as lender), Hematite Manufacturing (as borrower) and certain others, in form and content satisfactory to each, providing for the restructuring of the existing loan by BDC to Hematite Manufacturing on terms consistent with the term sheet attached to the letter agreement between BDC, Hematite Manufacturing and certain others dated September 17, 2020.

“**Business Day**” means a day other than a Saturday, Sunday, statutory or civic holiday in Toronto, Ontario.

“**Cash on Hand**” means the cash on hand of the Hematite Group immediately prior to the Effective Time which, for greater certainty, does not include the Plan Funding Amount.

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada).

“**CCAA Charges**” means all court-ordered charges created by the Initial Order or any subsequent order in the CCAA Proceedings.

“**CCAA Priority Payment Claims**” means claims for amounts required to be paid by sections 6(3), (5) and (6) of the CCAA.

“**CCAA Proceedings**” means the proceedings under the CCAA in respect of the Hematite Group, commenced by the Initial Order.

“**Certificate of Amendment**” means, in the case of the Articles of Reorganization of each of Hematite Holdings and Hematite Industrial, the certificate of amendment to be issued under section 186 of the OBCA in respect of the Articles of Reorganization.

“**Chapter 15 Proceedings**” means the proceedings commenced by the Hematite Group on September 22, 2020 pursuant to Chapter 15 of the U.S. Bankruptcy Code.

“**Claim**” means:

- (i) any right or claim of any Person that may be asserted or made in whole or in part against any member of the Hematite Group, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever and any interest accrued thereon and costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) and, whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, surety, insurance deductible or otherwise, and whether or not such right is executory or anticipatory in nature including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or to be commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Filing Date or relates to a time period prior to the Filing Date, and includes any other claims that would have been claims provable in bankruptcy had such member of the

Hematite Group become bankrupt on the Filing Date and also includes an Equity Claim and a Secured Claim, and

(ii) any Restructuring Claim,

provided, however, that “Claim” does not include any investigation, action, suit, order or proceeding in respect of any member of the Hematite Group by or before a regulatory body (as defined in the CCAA), unless such investigation, action, suit, order or proceeding constitutes a “claim” within the meaning of the CCAA.

“**Claims Procedure Order**” means the claims procedure order of the Court made on October 13, 2020 and any supplemental claims procedure order made in respect of the process governing the proof of claims, in each case as amended from time to time.

“**Convenience Creditor**” is defined in Section 3.4(2)(a).

“**Court**” means the Ontario Superior Court of Justice (Commercial List).

“**Creditor**” means a Person having a Claim and includes the transferee or assignee of a transferred Claim that is recognized as a Creditor by the Monitor in accordance with the Claims Procedure Order, or a trustee, liquidator, receiver, receiver and manager or other Person acting on behalf of such Person.

“**Creditor Distribution Pool**” means \$5.5 million to fund distributions to Affected Creditors with Proven Claims as provided in the Plan, which amount includes the amount to be held in the Unresolved Claims Reserve but does not include the amount to be held in the Administration Reserve.

“**CRO**” means Mr. Blair Davidson.

“**Customers**” means Toyota Motor Engineering & Manufacturing North America, Inc., FCA US LLC, Ford Motor Company and their respective subsidiaries and affiliates.

“**D&O Claim**” is defined in the Claims Procedure Order.

“**DIP Lender**” means Woodbridge Foam Corporation.

“**DIP Loan**” means the loan provided by the DIP Lender to the Hematite Group pursuant to the revolving DIP loan agreement dated as of September 17, 2020, as amended from time to time.

“**Director**” means any Person who, as at the Effective Time, is a former or present director or officer of any member of the Hematite Group or any other Person of a similar position or who by Applicable Law is deemed to be or is treated similarly to a director or officer of a member of the Hematite Group or who currently manages or supervises the management of the business and affairs of a member of the Hematite Group or did so in the past.

“**Distribution Date**” means a Business Day upon which distributions are made by the Hematite Group to Affected Creditors in accordance with the provisions of the Plan.

“**Distribution Record Date**” means the date that is seven (7) Business Days prior to the Plan Implementation Date.

“**Effective Time**” means such time on the Plan Implementation Date as the Hematite Group and the Plan Sponsor may determine.

“**Election Amount**” means \$10,000.

“**Election Notice**” means a duly and timely filed election in the form contemplated by the Meeting Order pursuant to which an Affected Creditor with Proven Claims exceeding in aggregate the Election Amount elects to receive, subject to the terms and implementation of the Plan, payment of the Election Amount as a Convenience Creditor in full satisfaction of such Proven Claims pursuant to Section 3.4(2)(a).

“**Employees**” means all individuals currently or formerly employed by a member of the Hematite Group immediately prior to the Effective Time, whether on a full-time, part-time, salaried, hourly, unionized or non-unionized basis, including current employees on long-term disability or any other leave of absence, but which term, for greater certainty, does not include contractors.

“**Encumbrance**” means any mortgage, charge, pledge, lien (statutory or otherwise), hypothec, security interest (whether contractual, statutory or otherwise), encumbrance, statutory or possessory lien, trust or deemed trust (whether contractual, statutory or otherwise), execution, levy, charge, interest in property, or other financial or monetary claim or lease of personal property that creates a security interest, in respect of any assets that the Hematite Group owns or to which the Hematite Group is entitled or that secures payment or performance of an obligation, or similar charge of any kind.

“**Equity Claim**” means a Claim that constitutes an “equity claim” as that term is defined in section 2 of the CCAA, excluding any Claim by a member of the Hematite Group against another member of the Hematite Group.

“**Existing Agreement**” is defined in Section 8.2(m);

“**Existing Shares**” means, in the case of each of Hematite Holdings and Hematite Industrial, the common shares and any other shares or similar securities in its capital immediately prior to the Plan Implementation Date.

“**Filing Date**” means September 18, 2020.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or Person having jurisdiction in the relevant circumstances.

“**Hematite Group**” means the Applicants in the CCAA Proceedings.

“**Hematite Holdings**” means Hematite Holdings Inc.

“**Hematite Industrial**” means Hematite Industrial Products Inc.

“**Hematite Manufacturing**” means Hematite Manufacturing Inc.

“**Initial Distribution Date**” means the first Distribution Date determined by the Hematite Group, which will be as soon as practicable following the Plan Implementation Date.

“**Initial Order**” means the order obtained from the Court upon application by the Hematite Group on the Filing Date commencing the CCAA Proceedings, as amended and/or amended and restated from time to time.

“**Insured Claims**” is defined in Section 2.3(j).

“**Meeting**” means the meeting of Affected Creditors to consider and vote on the Plan held pursuant to the Meeting Order.

“**Meeting Order**” means the order directing the calling and holding of the Meeting of Affected Creditors to consider and vote on the Plan, as amended from time to time, in form and content satisfactory to the Hematite Group and the Plan Sponsor.

“**Monitor**” means KPMG Inc., in its capacity as the monitor appointed pursuant to the Initial Order, and any successor thereto appointed in accordance with any further order of the Court.

“**New Common Shares**” means, in the case of each of Hematite Holdings and Hematite Industrial, the new common shares contemplated by its Articles of Reorganization and created upon the issuance of the related Certificate of Amendment.

“**New Redeemable Shares**” means, in the case of each of Hematite Holdings and Hematite Industrial, the new redeemable shares to be issued in exchange for the Existing Shares, in accordance with and as contemplated by its Articles of Reorganization and upon the issuance of the related Certificate of Amendment.

“**Non-Released Claims**” means, collectively: (i) the right to enforce against the Hematite Group its obligations under the Plan; (ii) the right to enforce the Unaffected Claims against the Hematite Group; (iii) solely as against a Director in his or her capacity as such, any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA; (iv) any claim against a Released Party, based on facts not known by the claimant prior to the Effective Time nor reasonably capable of being known prior to the Effective Time, if the Released Party is determined by a final order of a court of competent jurisdiction to have committed fraud; (v) any claim against the Hematite Group for the purchase or supply of goods or services delivered after the Filing Date; and (vi) the right to enforce against the Hematite Group any agreement in force on the Plan Implementation Date that was entered into by the Hematite Group between the filing of the Plan and the Plan Implementation Date, or, subject to the terms of the Sanction Order contemplated by Section 8.2(m) of the Plan, that was entered into prior to the Filing Date and not disclaimed during the CCAA Proceedings pursuant to the applicable paragraph of the Initial Order and related provision of the CCAA.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Order**” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

“**Person**” means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity.

“**Plan**” means this plan of compromise, arrangement and reorganization of the Hematite Group pursuant to the CCAA and OBCA, including all Schedules.

“**Plan Funding Amount**” means the amount needed by the Hematite Group, in excess of the Cash on Hand at the Effective Time, to fund the Creditor Distribution Pool (including the Unresolved Claims Reserve) in accordance with Article 5, to fund the Administration Reserve, to pay all amounts set out in Section 6.2 to the extent they are not already paid prior to the Effective Time, to make any other payments to be made by the Hematite Group pursuant to or as otherwise contemplated by the Plan, and to leave the Hematite Group with a sufficient amount of cash for working capital purposes immediately after the Effective Time as determined by the Hematite Group and the Plan Sponsor in accordance with the Plan Sponsor Agreement.

“**Plan Implementation Conditions**” is defined in Section 9.1.

“**Plan Implementation Date**” means the date of the Certificate of Amendment.

“**Plan Sponsor**” means Woodbridge Foam Corporation.

“**Plan Sponsor Agreement**” means the plan sponsor agreement between the Hematite Group and the Plan Sponsor made as of September 17, 2020, as amended from time to time.

“**Proof of Claim**” means a proof of claim filed in accordance with the Claims Procedure Order.

“**Proven Claim**” means a Claim (or the portion thereof) that has been finally determined: (i) in the case of an Affected Claim, for voting and distribution purposes; and (ii) in the case of any Unaffected Claim, for the purposes of any payment or performance thereof contemplated by the Plan, in each case in accordance with the Claims Procedure Order or any other Order of the Court.

“**Released Parties**” is defined in Section 7.1.

“**Released Claims**” means any and all demands, claims (including claims for contribution or indemnity), actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature (including for, in respect of or arising out of environmental matters, pensions or post-employment benefits or alleged oppression, misrepresentation, wrongful conduct, fraud or breach of fiduciary duty by any member of the Hematite Group or its Representatives) that any Creditor or other Person has or may be entitled to assert, whether known or unknown, matured or unmatured, contingent or actual, direct, indirect or derivative, at common law, in equity or under

statute, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence existing or taking place at or prior to the Effective Time, or such later time as actions are taken to implement the Plan and the Transaction, that in any way relate to or arise out of or in connection with (i) any Claims, including Claims that are enumerated in section 19(2) of the CCAA and that are compromised under the Plan in accordance with such section as a consequence of the applicable Creditor's vote in favour of or other form of consent to the Plan; (ii) the assets, obligations, business or affairs of each of the members of the Hematite Group; (iii) the CCAA Proceedings or any matter or transaction involving any of the members of the Hematite Group occurring in or in connection with the CCAA Proceedings (including the Plan, the Plan Sponsor Agreement, the Transaction and the development of each); or (iv) any D&O Claims, including Affected Claims and D&O Claims but excluding Non-Released Claims.

“Representatives” means, in relation to a Person, such Person's current and former directors, officers, partners, employees, consultants, legal counsel, actuaries, advisers and agents, including their respective heirs, executors, administrators and other legal representatives, successors and assigns, and each of their respective employees and partners.

“Restructuring Claim” means any right of any Person against any member of the Hematite Group in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the disclaimer, restructuring, repudiation or termination after the Filing Date of any contract, lease, agreement or other arrangement, whether written or oral, including any such right of an employee arising as a result of the termination of employment of such employee on or after the Filing Date, provided that a “Restructuring Claim” does not include any Unaffected Claim.

“Restructuring Steps” is defined in Section 4.2.

“Sanction Order” means the order to be made under the CCAA and OBCA sanctioning the Plan, approving the Articles of Reorganization, and providing for the releases and other relief contemplated in the Plan, as such order may be amended from time to time, in form and content satisfactory to the Hematite Group and the Plan Sponsor.

“Schedules” is defined in Section 1.5.

“Secured Claims” means all Proven Claims of a Creditor to the extent that they are secured by a valid Encumbrance that is duly and properly registered or otherwise perfected in accordance with Applicable Law in the appropriate jurisdiction as of the Filing Date or thereafter to the extent permitted by the Initial Order or a further Order of the Court, to the extent of the value of such Encumbrance as at the Filing Date (having regard to the value of the assets subject to such Encumbrance and the priority of such Encumbrance) and which Claims are entitled to be proven as secured claims pursuant to the provisions of the CCAA.

“Subscription Agreement” means the subscription agreement between the Plan Sponsor, Hematite Holdings and Hematite Industrial, to be entered into prior to the Plan Implementation Date, providing for the subscription by the Plan Sponsor for New Common Shares of each of Hematite Holdings and Hematite Industrial, for an aggregate purchase price equal to the Plan

Funding Amount (to be allocated between Hematite Holdings and Hematite Industrial in the manner contemplated by the subscription agreement), in form and content satisfactory to the Plan Sponsor, Hematite Holdings and Hematite Industrial.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Tooling Claim**” means an Affected Claim or portion thereof that relates to the unpaid purchase price for tooling for a Customer ordered by and delivered to a member of the Hematite Group.

“**Tooling Claim Amount**” means, at the time it is being determined, the original amount of a Tooling Claim that is a Proven Claim, less all Tooling Payments in respect of the Tooling Claim, if any, made to the Affected Creditor up to such time and that were not taken into account in the determination of the original amount of the Tooling Claim.

“**Tooling Payment**” means a payment made by the Hematite Group after the Filing Date on account of a Tooling Claim, whether from a Tooling Receipt or otherwise (including the portion of any distribution in respect of an Affected Claim attributable to a Tooling Payment Amount, as contemplated by Section 3.7).

“**Tooling Receipt**” means a payment received by the Hematite Group from a Customer after the Filing Date for tooling that is the subject of a Tooling Claim.

“**Transaction**” means the restructuring of the obligations of the Hematite Group and the acquisition of Hematite Holdings and Hematite Industrial by the Plan Sponsor (and/or one or more of its affiliates) by way of the Plan, the Plan Sponsor Agreement and the CCAA Proceedings, and all transactions contemplated thereby or as conditions thereto.

“**Unaffected Claim**” is a Claim identified in Section 2.3.

“**Unaffected Creditor**” means a Creditor with an Unaffected Claim.

“**Uncashed Distribution**” is defined in Section 6.6(2).

“**Undeliverable Distribution**” is defined in Section 6.6(1).

“**Unresolved Claim**” means an Affected Claim (or the portion thereof) that at the relevant time is not a Proven Claim and is not barred pursuant to the Claims Procedure Order, but in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order.

“**Unresolved Claims Reserve**” is defined in Section 5.2.

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and

conditions means that such document will be substantially in such form or substantially on such terms and conditions;

- (b) any reference in the Plan to an Order or an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified or supplemented;
- (c) unless otherwise specified, all references to currency are in Canadian dollars;
- (d) the division of the Plan into “Articles” and “Sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “Articles” and “Sections” intended as complete or accurate descriptions of the content thereof;
- (e) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of the Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words “includes” and “including” and similar terms of inclusion will not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather will mean “includes but is not limited to” and “including but not limited to”, so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;
- (g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day means prior to 5:00 p.m. (Toronto time) on such Business Day;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature or Governmental Authority includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (j) references to a specified “Article” or “Section” will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms “the Plan”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions will be deemed

to refer generally to the Plan and not to any particular article, section or other portion of the Plan and includes any documents supplemental hereto; and

- (k) references to “Affected Creditor”, “Secured Creditor” or “Unaffected Creditor” refer to Creditors of the applicable member of the Hematite Group in such capacity.

1.3 **Successors and Assigns**

The Plan will be binding upon and enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in or subject to the Plan.

1.4 **Governing Law and Jurisdiction**

The Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions will be subject to the exclusive jurisdiction of the Court.

1.5 **Schedules**

The following are the Schedules to the Plan (the “**Schedules**”), which are incorporated by reference into the Plan and form a part of it:

- Schedule A – Articles of Reorganization of Hematite Holdings
- Schedule B – Articles of Reorganization of Hematite Industrial
- Schedule C – TD Lease Agreements

ARTICLE 2 **PURPOSE AND EFFECT OF THE PLAN**

2.1 **Purpose**

The purposes of the Plan are to:

- (a) complete a restructuring of the Hematite Group by implementing the Restructuring Steps and filing the Articles of Reorganization of each of Hematite Holdings and Hematite Industrial;
- (b) provide for the compromise of all Affected Claims by providing to holders of the relevant Affected Claims that are Proven Claims a distribution from the Creditor Distribution Pool;
- (c) effect a release and discharge of all Affected Claims and Released Claims;

- (d) implement the acquisition of Hematite Holdings and Hematite Industrial by the Plan Sponsor (and/or one or more of its affiliates); and
- (e) ensure the Hematite Group continues to operate as a going concern,

in the expectation that Affected Creditors generally will derive a greater benefit from implementation of the Plan than they would derive from a bankruptcy or liquidation of the Hematite Group.

2.2 Affected Claims and Released Claims

The Plan provides for a compromise with Affected Creditors and a full, final and irrevocable release and discharge of the Affected Claims and the Released Claims. The Plan will become effective at the Effective Time in accordance with its terms and will be binding on and enure to the benefit of the Hematite Group, the Affected Creditors, the Released Parties, the Plan Sponsor and all other Persons named or referred to in, or subject to, the Plan.

2.3 Unaffected Claims

Subject to the express provisions hereof providing for the payment or restructuring by separate arrangement of certain Unaffected Claims and the treatment of Insured Claims and Tooling Claims, the Plan does not compromise the following (collectively, the “**Unaffected Claims**”):

- (a) Claims secured by the CCAA Charges;
- (b) Claims that are accepted as or determined to be Secured Claims pursuant to the Claims Procedure Order;
- (c) CCAA Priority Payment Claims;
- (d) Claims of a member of the Hematite Group against another member of the Hematite Group;
- (e) any Claim pursuant to, or related to, the master lease agreements, as amended, supplemented or otherwise modified from time to time, between Hematite Manufacturing and TD Equipment Finance Canada, a division of The Toronto-Dominion Bank, listed in Schedule C hereto;
- (f) any Claim by Woodbridge Foam Corporation or its affiliates against any member of the Hematite Group, including a Claim for or related to:
 - (i) the Assigned TD Loans;
 - (ii) the Plan Sponsor Agreement;
 - (iii) the DIP Loan; and
 - (iv) the services agreement between Woodbridge Foam Corporation and the Hematite Group dated September 18, 2020;

- (g) any Claim pursuant to, or related to, the letter of offer of financing no. 076542-03 dated December 21, 2017, as amended, supplemented and otherwise modified from time to time, between BDC, Hematite Manufacturing and certain others;
- (h) any Claim by a Customer in relation to any warranty, recall, product liability or other obligation of a member of the Hematite Group to such Customer pursuant to the purchase agreements, purchase orders, and/or other contracts set out in the arrangements entered into between such Customer, Hematite Holdings and Woodbridge Foam Corporation;
- (i) Claims of Employees and Directors that are unrelated to the cessation of employment for all amounts owing to them in their capacity as such by statute or otherwise for or in connection with accrued salary, accrued wages, accrued bonuses, fees and expenses, reimbursement obligations, accrued vacation leave and accrued vacation pay;
- (j) subject to and solely as provided in Section 3.6, that portion of a Claim arising from a cause of action for which the Hematite Group is covered by insurance, only to the extent of such coverage and limited to the actual recovery received from the applicable insurer(s) by the Hematite Group (“**Insured Claims**”);
- (k) subject to and solely as provided in Section 3.7, Tooling Claims but only to the extent of Tooling Payments, if any, made after the Distribution Record Date;
- (l) Claims by any Director under any directors’ or officers’ indemnity policy or agreement with the Hematite Group to the extent not otherwise covered by the CCAA Charges; and
- (m) Claims by the Monitor, counsel to the Monitor, the CRO, or counsel to the Hematite Group.

Nothing in the Plan will affect the Hematite Group’s rights and defences, both legal and equitable, with respect to any Unaffected Claims including all rights or entitlements to set-offs or recoupments against such Unaffected Claims.

2.4 **Equity Claims**

At the Effective Time, the Plan will be binding on all holders of Equity Claims. Holders of Equity Claims will not receive a distribution or other consideration under the Plan and will not be entitled to vote on the Plan in respect of their Equity Claims. On the Plan Implementation Date all Equity Claims will be fully, finally, irrevocably and forever compromised, released, discharged and barred without any compensation of any kind whatsoever.

ARTICLE 3**CLASSIFICATION AND TREATMENT OF CREDITORS AND RELATED MATTERS****3.1 Claims Procedure**

The procedure for determining the validity and quantum of the Affected Claims for the purposes of the Plan will be governed by the Claims Procedure Order, the Meeting Order, the CCAA, the Plan and any further Order of the Court. For the avoidance of doubt, the Claims Procedure Order will remain in full force and effect from and after the Plan Implementation Date.

3.2 Classification of Creditors

In accordance with the Meeting Order, Affected Creditors will form a single class for the purposes of considering and voting on the Plan.

3.3 Meeting of Affected Creditors

The Meeting will be held in accordance with the Meeting Order and any further Order of the Court. The only Persons entitled to attend the Meeting are those specified in the Meeting Order and any further Order of the Court.

3.4 Treatment of Affected Claims

(1) At the Effective Time, all Affected Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred subject only to the right of Affected Creditors with Proven Claims (other than Equity Claims) to receive distributions pursuant to this Section 3.4.

(2) On the Initial Distribution Date (or such later date in accordance with Section 6.4 in respect of any Unresolved Claim that becomes a Proven Claim, if any),

(a) each Affected Creditor with:

(i) Proven Claims (other than Equity Claims) not exceeding in aggregate the Election Amount, or

(ii) Proven Claims (other than Equity Claims) exceeding the aggregate of the Election Amount but who has duly filed an Election Notice with the Monitor,

will receive, in full satisfaction of such Proven Claims (in each case, a “**Convenience Creditor**”), payment in an amount equal to the lesser of the Election Amount and the actual amount of such Proven Claims; and

(b) each Affected Creditor with Proven Claims (other than Equity Claims) that exceed in aggregate the Election Amount and who has not duly filed an Election Notice will receive, in full satisfaction of such Proven Claims, its *pro rata* share of the balance of the Creditor Distribution Pool after deducting (i) the amount

held in the Unresolved Claims Reserve, and (ii) the amounts paid to Convenience Creditors in accordance with Section 3.4(2)(a).

- (3) For greater certainty, an Affected Creditor with a Proven Claim will receive distributions as set forth in this Section 3.4 only to the extent that such Proven Claim is not an Equity Claim and has not been paid, released or otherwise satisfied prior to the Effective Time.

3.5 **Unaffected Claims**

Unaffected Creditors will not be entitled to vote on the Plan. Unaffected Claims will be paid in accordance with Section 6.2 or otherwise satisfied in accordance with the applicable agreements and other arrangements between Unaffected Creditors and the Hematite Group.

3.6 **Insured Claims**

Notwithstanding anything to the contrary herein, from and after the Effective Time, any Person having an Insured Claim will be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable insurance policies, and any Person with an Insured Claim will have no right to, and will not, directly or indirectly, make any claim or seek any recoveries from any Person, other than enforcing such Person's rights to be paid by the applicable insurer(s) from the proceeds of the applicable insurance policies. This Section 3.6 may be relied upon by the Hematite Group and any other Released Party in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section. Nothing in the Plan will prejudice, compromise, release or otherwise affect any right or defence of any insured or insurer in respect of an Insured Claim. Notwithstanding the forgoing, an Affected Claim that includes an Insured Claim may still receive a distribution in respect of the portion of the Affected Claim, if any, that is not an Insured Claim.

3.7 **Tooling Claims**

Notwithstanding anything to the contrary herein, from and after the Effective Time, any Person having a Tooling Claim will be irrevocably limited to recovery in respect of such Tooling Claim solely from Tooling Receipts that relate specifically to such Tooling Claim, and any Person with a Tooling Claim will have no right to, and will not, directly or indirectly, make any claim or seek any recoveries from the Hematite Group or any other Person, other than enforcing such Person's right to be paid from time to time the Tooling Claim Amount from any Tooling Receipts. This Section 3.7 may be relied upon by the Hematite Group and any other Released Party in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this Section. Nothing in the Plan will prejudice, compromise, release or otherwise affect any right or defence in respect of a Tooling Claim. Notwithstanding the foregoing, an Affected Claim that includes a Tooling Claim may still receive a distribution in respect of (i) the portion of the Affected Claim, if any, that is not a Tooling Claim, and (ii) the Tooling Claim Amount as of the Distribution Record Date, provided that the portion of such distribution attributable to the Tooling Claim Amount will be treated as a Tooling Payment for the purposes of determining the Tooling Claim Amount at any time after the Distribution Record Date.

3.8 Unresolved Claims

No Affected Creditor will be entitled to receive any distribution hereunder with respect to an Unresolved Claim or any portion thereof unless and until, and then only to the extent that, such Unresolved Claim is finally resolved in the manner set out in the Claims Procedure Order and becomes a Proven Claim entitled to the treatment described in Section 3.4.

3.9 Extinguishment of Claims

At the Effective Time and in accordance with the terms of the Plan and Sanction Order, the treatment of Affected Claims (including Unresolved Claims) and Released Claims, in each case as set forth herein, will be final and binding on the Hematite Group, Affected Creditors and any Person holding a Released Claim. All Affected Claims and all Released Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred and the Hematite Group will thereupon have no further obligation whatsoever in respect of the Affected Claims and the Released Claims, as applicable; provided that (i) nothing herein releases the Hematite Group from the obligation to make distributions or provide entitlements in the manner and to the extent provided for in the Plan; and (ii) such discharge and release of the Hematite Group will be without prejudice to the right of an Affected Creditor in respect of an Unresolved Claim to prove such Unresolved Claim in accordance with the Claims Procedure Order.

3.10 Guarantees and Similar Covenants

No Person who has a claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim that is compromised or released under the Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim that is compromised or released under the Plan will be entitled to any greater rights as against the Hematite Group than the Person whose Claim is compromised or released under the Plan.

3.11 Set-Off

The law of set-off applies to all Claims in accordance with Applicable Law. Without limiting the generality of the foregoing, the Hematite Group will be entitled to set-off from any payments or distributions to be made to a Creditor hereunder, any amounts that became due and owing to the Hematite Group after the Filing Date from such Creditor.

ARTICLE 4 RESTRUCTURING STEPS AND REORGANIZATION

4.1 Articles of Reorganization

Upon satisfaction or waiver of each of the Plan Implementation Conditions in accordance with Section 9.1, each of Hematite Holdings and Hematite Industrial will file its Articles of Reorganization. Subject to and without limitation to their terms, in each case the Articles of Reorganization will:

- (a) create an unlimited number of New Common Shares and set out the rights, privileges, restrictions and conditions attaching thereto; and

- (b) create an unlimited number of New Redeemable Shares and set out the rights, privileges, restrictions and conditions attaching thereto; and
- (c) change each Existing Share into 0.000001 of a New Redeemable Share and automatically redeem each New Redeemable Share in accordance with the terms thereof.

4.2 **Restructuring Steps**

At the Effective Time on the Plan Implementation Date, the following will occur, and be deemed to have occurred, in the order set out below unless otherwise specified in this Section 4.2 and become effective, without any further act or formality:

- (a) the Articles of Reorganization of each of Hematite Holdings and Hematite Industrial will be effective and the New Common Shares and New Redeemable Shares of each to be issued pursuant to or in connection with the Plan will be validly issued and, in connection therewith, the Plan Funding Amount will be paid to Hematite Holdings and Hematite Industrial (as allocated by them in accordance with the Subscription Agreement);
- (b) the New Redeemable Shares of each of Hematite Holdings and Hematite Industrial will be redeemed and cancelled in accordance with their terms;
- (c) to the extent not already paid, the Hematite Group will set aside (pursuant to arrangements satisfactory to the Monitor) or deliver to the Monitor, in trust, an amount required to satisfy the CCAA Priority Payment Claims and all Claims secured by the CCAA Charges, in full, which Unaffected Claims will be paid by the Hematite Group or Monitor, for and on behalf of the Hematite Group, to the respective Unaffected Claim holders from such funds within five (5) Business Days after the Plan Implementation Date (unless otherwise agreed with an Unaffected Claim holder);
- (d) the Hematite Group will set aside (pursuant to arrangements satisfactory to the Monitor) or deliver to the Monitor, in trust (i) the Creditor Distribution Pool (including the amount thereof to be held in the Unresolved Claims Reserve) in accordance with Article 5, and (ii) the Administration Reserve in accordance with Article 5;
- (e) the Hematite Group will pay any other amounts that it is required to pay on or before the Effective Time in accordance with the Plan Sponsor Agreement, the Plan or other applicable agreement;
- (f) all Affected Claims and Released Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred in accordance with Section 3.9 and Article 7, and all notes, certificates and other instruments evidencing Affected Claims (and all guarantees associated with each of the foregoing) will be deemed cancelled and extinguished and be null and void in accordance with Section 6.8;

- (g) the arrangements between the DIP Lender and the Hematite Group contemplated by Section 9.1(g) in respect of the DIP Loan and the Assigned TD Loans will be effective; and
- (h) the term of office of those individuals who are Directors of the Hematite Group immediately prior to the Effective Time will terminate and the Plan Sponsor will appoint replacement directors and officers as of the Effective Time,

(collectively, the “**Restructuring Steps**”). The failure of the Plan to incorporate any provision of a document evidencing a Restructuring Step will not derogate from the enforceability of such provision.

4.3 **Stated Capital**

In the case of each of Hematite Holdings and Hematite Industrial, the aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Plan Sponsor (and/or to one or more of its affiliates as it may direct) pursuant to the Plan and the Subscription Agreement will be as determined by the directors of Hematite Holdings or Hematite Industrial, as applicable, in consultation with the Plan Sponsor.

4.4 **Corporate Approvals**

The execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate action of the Hematite Group, including the Restructuring Steps and filing of Articles of Reorganization by each of Hematite Holdings and Hematite Industrial, will be authorized and approved under the Plan and by the Court as part of the Sanction Order in all respects and for all purposes without any requirement of further action by any Person.

ARTICLE 5 **CASH POOL AND UNRESOLVED CLAIMS RESERVE AND ADMINISTRATION** **RESERVE**

5.1 **Creditor Distribution Pool**

At or before the Effective Time, the Hematite Group will set aside (pursuant to arrangements satisfactory to the Monitor) or deliver to the Monitor, in trust, the amount of the Creditor Distribution Pool (less the amount of the Unresolved Claims Reserve, which amount will be set aside or delivered to the Monitor pursuant to Section 5.2), from which cash distributions will be made to Affected Creditors with Proven Claims on and subject to the terms of Article 6. The Monitor will oversee the distribution of funds from the Creditor Distribution Pool in accordance with the provisions of Article 6.

5.2 **Unresolved Claims Reserve and Administration Reserve**

- (1) At or before the Effective Time, the Hematite Group will set aside (pursuant to arrangements satisfactory to the Monitor) or deliver to the Monitor:

- (a) the amount approved by the Court in the Sanction Order to be held as a reserve for Unresolved Claims (the “**Unresolved Claims Reserve**”), in an amount to be agreed by the Monitor, the Hematite Group and the Plan Sponsor, and from which distributions required by the Plan in respect of Unresolved Claims will be made if such Unresolved Claims (or parts thereof) are determined to be Proven Claims in accordance with the Claims Procedure Order; and
 - (b) the amount approved by the Court in the Sanction Order to be held as a reserve (the “**Administration Reserve**”), in an amount to be agreed by the Monitor, the Hematite Group and the Plan Sponsor, to pay the fees and expenses of the Monitor and its counsel in administering the resolution of Unresolved Claims in accordance with the Claims Procedure Order and performing such other activities as may be required of the Monitor after the Effective Time.
- (2) The Unresolved Claims Reserve will be held by the Hematite Group or the Monitor, as the case may be, for those entitled to a payment from it under the Plan (and for the Hematite Group to the extent of any surplus), and the Monitor will oversee the distribution of funds from the Unresolved Claims in accordance with the provisions of Section 6.4.
 - (3) The Monitor and its counsel shall be entitled to payment from the Administration Reserve of their fees and expenses in connection with administering the resolution of Unresolved Claims in accordance with the Claims Procedure Order and performing any other work required of the Monitor after the Effective Time. Any amount remaining in the Administration Reserve after completion of such work will no longer be required to be set aside by the Hematite Group and, if held by the Monitor, will be returned to the Hematite Group.

ARTICLE 6

PROVISIONS REGARDING DISTRIBUTIONS, PAYMENTS AND CURRENCY

6.1 Distributions Generally

All distributions to Affected Creditors and other payments to be effected pursuant to the Plan will be made pursuant to this Article 6. For greater certainty, all payments and distributions pursuant to this Article 6 will be subject to satisfaction or waiver of the conditions specified in Article 9 and the occurrence of the Effective Time, will occur or be deemed to occur in accordance with the timing set out in Section 4.2.

6.2 Payments of Certain Unaffected Claims

At or before the Effective Time, the Hematite Group will make the following payments from Available Cash by wire transfer of immediately available funds in full satisfaction and discharge of the following:

- (a) payment to each holder of a CCAA Priority Payment Claim of all amounts required to satisfy such holder’s CCAA Priority Payment Claim in full;

- (b) payment in full of all Claims secured by the CCAA Charges, other than the DIP Lender's Charge (as defined in the Initial Order); and
- (c) payment of any other amounts required to be paid in accordance with the Plan Sponsor Agreement, the Plan or the CCAA at or before the Effective Time.

6.3 **Distribution Mechanics for Affected Claims**

In accordance with Section 3.4, the Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute to each Affected Creditor with a Proven Claim (other than an Equity Claim) its share of the Creditor Distribution Pool by way of (in the sole discretion of the Hematite Group or Monitor, as applicable): (i) cheque sent by prepaid ordinary mail to the address on file with the Hematite Group on the Distribution Record Date; or (ii) wire transfer of immediately available funds to an account designated in writing by the Affected Creditor to the Hematite Group and the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount). No distribution will be made for an amount less than \$10. The Hematite Group's liability to an Affected Creditor for any distribution in an amount less than \$10 will be forever discharged and extinguished.

6.4 **Distributions in Respect of Unresolved Claims**

- (1) The Unresolved Claims Reserve (as may be reduced from time to time as Unresolved Claims are ultimately resolved) will be set aside by the Hematite Group (pursuant to arrangements satisfactory to the Monitor) or held by the Monitor, in trust, until the final determination of all Unresolved Claims in accordance with the Claims Procedure Order.
- (2) To the extent that an Unresolved Claim becomes a Proven Claim, the Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute to the holder thereof an amount from the Unresolved Claims Reserve equal to the share of the Creditor Distribution Pool that such Creditor would have been entitled to receive in respect of its Proven Claim on the Initial Distribution Date had such Unresolved Claim been a Proven Claim on the Initial Distribution Date.
- (3) After all Unresolved Claims have been finally resolved in accordance with the Claims Procedure Order and any required distributions have been made with respect to Proven Claims, the Hematite Group, with oversight of and assistance from the Monitor, or the Monitor, for and on behalf of the Hematite Group, will distribute the amount remaining in the Unresolved Claims Reserve *pro rata* to each Affected Creditor with a Proven Claim, other than the Convenience Creditors and holders of Equity Claims, provided that the amount remaining in the Unresolved Claims Reserve makes such a distribution economically practical (having regard to the funds to be distributed and the cost of such distribution), as determined by the Monitor, acting reasonably. If the Monitor is of the view that the amount remaining in the Unresolved Claims Reserve would not make such a distribution economically practical, then the amounts remaining in the Unresolved

Claims Reserve will no longer be required to be set aside by the Hematite Group and, if held by the Monitor, will be returned to the Hematite Group.

6.5 **Allocation of Distributions**

All distributions made pursuant to the Plan to Affected Creditors will be allocated first towards the repayment of the amount of the Affected Claim attributable to principal and, if greater than the amount of principal, then second towards the repayment of any amount of such Claim attributable to unpaid interest.

6.6 **Treatment of Unclaimed Distributions**

- (1) If any distribution to an Affected Creditor under this Article 6 is returned as undeliverable (an “**Undeliverable Distribution**”), then neither the Hematite Group nor the Monitor will be required to make further efforts to deliver the distribution to such Creditor unless and until the Hematite Group and Monitor are notified in writing by such Creditor of such Creditor’s current address at which time all such distribution will be made to such Creditor. The obligations of the Hematite Group and Monitor to an Affected Creditor with an Undeliverable Distribution will expire on the second anniversary of the Plan Implementation Date, after which date any entitlement with respect to any Undeliverable Distributions will be forever discharged and forever barred, without any compensation therefor, notwithstanding any Applicable Laws to the contrary. For greater clarity, nothing herein will require the Hematite Group or the Monitor to attempt to locate any Creditor or other Person with respect to an Undeliverable Distribution. No interest will be payable in respect of an Undeliverable Distribution. On the second anniversary of the Plan Implementation Date, the amount of any Undeliverable Distributions will be released to the Hematite Group.
- (2) If any cheque in payment of a distribution to an Affected Creditor under this Article 6 is not cashed within six (6) months after the date of the applicable distribution (an “**Uncashed Distribution**”): (i) such cheque may be cancelled by the Hematite Group or the Monitor, as applicable, after which date any entitlement with respect to such distribution will be forever discharged and forever barred and the obligations of the Hematite Group and Monitor with respect thereto will expire, without any compensation therefor, notwithstanding any Applicable Laws to the contrary; and (ii) the amount otherwise payable pursuant to such cancelled cheque will be released to the Hematite Group. For greater clarity, nothing herein will require the Hematite Group or the Monitor to attempt to locate any Creditor or other Person with respect to an Uncashed Distribution.

6.7 **Withholding Rights**

The Hematite Group and any other Person facilitating payments pursuant to the Plan will be entitled to deduct and withhold from any such payment to any Person such amounts as may be required to be deducted or withheld under any Applicable Law and to remit such amounts to the appropriate Governmental Authority or other Person entitled thereto. To the extent that amounts are so withheld or deducted and remitted to the appropriate Governmental Authority or other

Person, such withheld or deducted amounts will be treated for all purposes hereof as having been paid to such Person as the remainder of the payment in respect of which such withholding or deduction was made. Without in any way limiting the generality of the foregoing, the Hematite Group (or the Monitor on its behalf) will deduct from any distribution to a Creditor hereunder any amounts as indicated by Employment and Social Development Canada in a Notice of Debt, and remit such amounts to Employment and Social Development Canada pursuant to the *Employment Insurance Act* (Canada). Any Creditor whose address on file with the Hematite Group on the Distribution Record Date is not a Canadian address will be treated as a non-resident of Canada for purposes of any applicable non-resident withholding tax on all payments hereunder, subject to receipt by the Hematite Group of information satisfactory to it (in its sole discretion) that such Creditor is not a non-resident. No gross-up or additional amount will be paid on any payment hereunder to the extent the Hematite Group or any other Person deducts or withholds amounts pursuant to this Section 6.7. Notwithstanding any withholding or deduction, each Person receiving a payment will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Authority (including income and other tax obligations on account of such distribution).

6.8 **Cancellation of Certificates and Notes, etc.**

At the Effective Time, all debentures, notes, certificates, indentures, guarantees, agreements, invoices and other instruments evidencing Affected Claims (and all guarantees associated with each of the foregoing) and Existing Shares will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be deemed cancelled and extinguished and be null and void.

6.9 **Calculations**

All amounts to be paid by the Hematite Group hereunder will be calculated by the Hematite Group, with the assistance of the Monitor. All calculations made by the Hematite Group will be conclusive, final and binding upon the Affected Creditors, the Hematite Group and all other Persons, absent manifest error.

6.10 **Currency Matters**

Distributions to Affected Creditors with Proven Claims will be paid in Canadian dollars and any such Claims that are denominated in a currency other than the lawful money of Canada will be converted to the equivalent thereof in the lawful money of Canada at the noon rate of exchange as quoted by the Bank of Canada on the Filing Date, in accordance with the Claims Procedure Order.

ARTICLE 7 **RELEASES**

7.1 **Plan Releases**

At the Effective Time, each of (i) the members of the Hematite Group, (ii) the CRO, (iii) the Monitor, (iv) the Plan Sponsor, and (v) their respective Representatives (collectively, the “**Released Parties**”), will be fully, finally and irrevocably released and discharged from all

Released Claims which will be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties. Notwithstanding the foregoing, nothing in this Section 7.1 will release Non-Released Claims.

7.2 **Injunctions**

From and after the Effective Time, all Persons are permanently and forever barred, estopped, stayed and enjoined with respect to any and all Released Claims from: (i) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property; (iii) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of the Plan. All Persons who have previously commenced a Released Claim in any court, which Released Claim has not been finally determined, dismissed or discontinued prior to the Effective Time, shall forthwith after the Effective Time take steps to discontinue and/or dismiss, without costs, such Released Claim.

ARTICLE 8 **COURT SANCTION**

8.1 **Application for Sanction Order**

If the Plan is approved by the majority of Affected Creditors required by the CCAA, the Hematite Group will apply for the Sanction Order on or before the date set for the Sanction Order hearing or such later date as the Court may set.

8.2 **Sanction Order**

The Hematite Group will apply for a Sanction Order that will, among other things:

- (a) declare that (i) the Plan has been approved by the required majorities of Affected Creditors in conformity with the Meeting Order and the CCAA; (ii) the Hematite Group has complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects; (ii) neither the Hematite Group nor Monitor has done or purported to do anything that is not authorized by the CCAA; and (iii) the Plan and the transactions contemplated thereby are fair and reasonable;

- (b) declare that the Plan and all associated steps, compromises, arrangements, releases, transactions and reorganizations effected thereby are sanctioned and approved;
- (c) declare that the articles of Hematite Holdings and Hematite Industrial will be amended as set out in the applicable Articles of Reorganization as of the Effective Time;
- (d) declare that all warrants, options and agreements to purchase Existing Shares are of no further force or effect as of the Effective Time;
- (e) declare that the New Common Shares and New Redeemable Shares of each of Hematite Holdings and Hematite Industrial issued pursuant to or in connection with the Plan will be validly issued and outstanding as fully paid and non-assessable as of the Effective Time;
- (f) approve and authorize the Restructuring Steps;
- (g) order that, as of the Effective Time, any and all Affected Claims are and are deemed to be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, and the ability of any Person to proceed against any of the Applicants in respect of or relating to any Affected Claims, whether directly, indirectly, derivatively or otherwise is forever discharged, enjoined and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims are permanently stayed, excepting only any proceeding to enforce the obligation of the Hematite Group to make distributions in respect of such Affected Claims in the manner and to the extent provided for in the Plan and the Sanction Order;
- (h) order that, as of the Effective Time, any and all Released Claims are and are deemed to be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, and the ability of any Person to proceed against any of the Released Parties in respect of or relating to any Released Claims, whether directly, indirectly, derivatively or otherwise is forever discharged, enjoined and restrained, and all proceedings with respect to, in connection with or relating to such Released Claims are permanently stayed;
- (i) order that any Person that did not file a proof of claim in respect of a Claim by the applicable bar date in accordance with the Claims Procedure Order, and any Person with an Affected Claim that is not a Proven Claim or Unresolved Claim, is fully, finally, irrevocably and forever barred from making any such Claim and is not be entitled to any consideration under the Plan, and such Person's Claim is fully, finally, irrevocably and forever barred and extinguished;
- (j) authorize the Hematite Group and the Monitor to take all steps and actions, and to do all things, necessary or appropriate to implement the Plan in accordance with and subject to its terms and conditions, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions,

payments, deliveries, allocations, instruments and agreements contemplated by, and subject to the terms and conditions of, the Plan;

- (k) declare that each of the CCAA Charges will be terminated, discharged, expunged and released at the applicable time set out in the Sanction Order;
- (l) declare that, notwithstanding: (i) the pendency of the CCAA Proceedings; (ii) any applications for a bankruptcy, receivership or other order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada), the CCAA or otherwise in respect of the Hematite Group and any bankruptcy, receivership or other order issued pursuant to any such applications; and (iii) any assignment in bankruptcy made or deemed to be made in respect of the Hematite Group, the transactions contemplated by the Plan will be binding on any trustee in bankruptcy or receiver that may be appointed in respect of the Hematite Group or their assets and will not be void or voidable by creditors of the Hematite Group, nor will the Plan, or the payments and distributions contemplated pursuant thereto constitute nor be deemed to constitute a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada), CCAA or any other applicable federal or provincial legislation, nor will the Plan constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation;
- (m) declare that all contracts, leases and other agreements and arrangements to which any of the Applicants is a party, whether written or oral (each, including any and all amendments or supplements thereto, an “**Existing Agreement**”) that have not been terminated or disclaimed pursuant to the applicable paragraph of the Initial Order and related provision of the CCAA will be and remain in full force and effect, unamended as of the Effective Time, and no Person who is a party to any such Existing Agreement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such Existing Agreement and no automatic termination will have any validity or effect, by reason of:
 - (i) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events or default arising as a result of the insolvency of the Hematite Group);
 - (ii) the insolvency of the Hematite Group or the fact that the Hematite Group sought or obtained relief under the CCAA;
 - (iii) any compromises or arrangements effected pursuant to the Plan or any action taken or transaction effected pursuant to the Plan; or

- (iv) any change in the control of the Hematite Group arising from the implementation of the Plan and the transactions contemplated by the Plan Sponsor Agreement;
- (n) declare that the stay of proceedings under the Initial Order continues until the Effective Time;
- (o) approve the conduct of the CRO and Director of the Hematite Group during the CCAA Proceedings;
- (p) approve all conduct the Monitor and the Monitor's Representative in relation to the Hematite Group and bar all claims against them arising from or relating to the services provided to the Hematite Group up to and including the date of the Sanction Order;
- (q) declare that the Hematite Group and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or in relation to the Plan; and
- (r) approve the Unresolved Claims Reserve and Administration Reserve amounts.

ARTICLE 9
PLAN CONDITIONS PRECEDENT AND IMPLEMENTATION

9.1 Conditions Precedent to Plan Implementation

The Plan is subject to the satisfaction of the following conditions (the “**Plan Implementation Conditions**”), which may be waived (except in the case of Sections 9.1(a) and (b) below which may not be waived) only by the mutual agreement, in writing, of the Hematite Group and the Plan Sponsor:

- (a) the Plan will have been approved by the Affected Creditors;
- (b) the Sanction Order will have been issued by the Court, consistent with the terms of Section 8.2, with such minor amendments as may be approved by the Hematite Group, the Monitor and the Plan Sponsor;
- (c) the Sanction Order will have been recognized and given full force and effect in the United States by an order of the U.S. Bankruptcy Court in the Chapter 15 Proceedings;
- (d) the Subscription Agreement will have been executed, delivered and become effective in accordance with its terms, subject only to the occurrence of the Plan Implementation Date, and the Plan Sponsor will have paid the Plan Funding Amount to Hematite Holdings and Hematite Industrial in accordance with and as allocated by the Subscription Agreement;

- (e) the BDC A&R Loan Agreement and all guarantees and security required pursuant thereto will have been executed, delivered and become effective in accordance with their terms, subject only to the occurrence of the Plan Implementation Date, on terms and conditions satisfactory to BDC and the Hematite Group;
- (f) arrangements satisfactory to the DIP Lender and the Hematite Group in respect of the repayment of, and the terms governing, the DIP Loan and the Assigned TD Loans from and after the Plan Implementation Date have become effective, subject only to the occurrence of the Plan Implementation Date;
- (g) each of the conditions precedent to the closing of the Transaction provided in the Plan Sponsor Agreement will have been satisfied or waived in accordance with the terms of the Plan Sponsor Agreement;
- (h) all relevant Persons will have executed, delivered and filed all documents and other instruments that, in the opinion of the Hematite Group and Plan Sponsor, acting reasonably, are necessary to implement the provisions of the Plan and the Sanction Order;
- (i) no action or proceeding will be pending by any third party to enjoin or prohibit the Transaction; and
- (j) all applicable approvals and orders of, and all applicable submissions and filings with, Governmental Authorities having jurisdiction for the completion of the steps and transactions contemplated by the Plan (including the steps and transactions which are Plan Implementation Conditions) will have been obtained or made, as the case may be, in each case to the extent deemed necessary or advisable by the Hematite Group and Plan Sponsor, in form and substance satisfactory to the Hematite Group and Plan Sponsor.

9.2 **Hematite Group's Certificate – Plan Implementation**

Upon receipt of the Certificate of Amendment for each of Hematite Holdings and Hematite Industrial, the Hematite Group will deliver to the Monitor and the Plan Sponsor, and file with the Court, a copy of a certificate (i) stating that each of the Plan Implementation Conditions has been satisfied or waived and that the Articles of Reorganization for each of Hematite Holdings and Hematite Industrial have been filed and have become effective as of the date set out in the applicable Certificate of Amendment, and (ii) designating an Effective Time on the Plan Implementation Date.

9.3 **Monitor's Certificate – Plan Implementation**

As soon as practicable following the occurrence of the Effective Time, the Monitor will serve on the service list in the CCAA Proceedings and post on the Monitor's Website a certificate confirming that the Plan Implementation Date has occurred and the time of the Effective Time, and will file such certificate with the Court as soon as practicable after it has been delivered.

ARTICLE 10
GENERAL

10.1 Binding Effect

At the Effective Time and in accordance with the sequence of steps set out in Section 4.2, the Plan will become effective and binding on and enure to the benefit of the Hematite Group, the Affected Creditors, the Released Parties, the Plan Sponsor and any other Person named or referred to in or subject to the Plan and their respective heirs, executors, successors and assigns. Without limiting the generality of the foregoing, at the Effective Time:

- (a) the treatment of Affected Claims and Released Claims under the Plan will be final and binding for all purposes upon and enure to the benefit of the Hematite Group, the Released Parties, all Affected Creditors, the Plan Sponsor and all other Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (b) all Affected Claims will be forever discharged and released, excepting only with respect to any distribution thereon in the manner and to the extent provided for in the Plan;
- (c) all Released Claims will be forever discharged, released, enjoined and barred;
- (d) each Affected Creditor and each Person holding a Released Claim will be deemed to have consented and agreed to all of the provisions of the Plan in its entirety; and
- (e) each Affected Creditor and each Person holding a Released Claim (to the extent that contractual releases have not been executed and delivered by such Person) will be deemed to have:
 - (i) executed and delivered to the Hematite Group and to the other Released Parties, as applicable, all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety;
 - (ii) waived any default by or rescinded any demand for payment against the Hematite Group that has occurred on or prior to the Effective Time pursuant to, based on or as a result of any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Affected Creditor or Person holding a Released Claim and the Hematite Group with respect to an Affected Claim or Released Claim, respectively; and
 - (iii) agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing as at the moment before the Effective Time between such Affected Creditor or Person holding a Released Claim and the Hematite Group with

respect to an Affected Claim or Released Claim, respectively, and the provisions of the Plan, then the provisions of the Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

10.2 **Deeming Provisions**

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.3 **Modification of the Plan**

- (1) The Hematite Group reserves the right, at any time and from time to time, to amend, restate, modify and/or supplement the Plan (including to address or further address the treatment of claims subject to the Claims Procedure Order), provided that any such amendment, restatement, modification or supplement is on terms satisfactory to the Plan Sponsor and must be contained in a written document which is filed with the Court and (i) if made prior to or at the Meeting, communicated to Affected Creditors in the manner contemplated by the Meeting Order; and (ii) if made following the Meeting, approved by the Court.
- (2) Notwithstanding Section 10.3(1), after the Meetings and before the Plan Implementation Date the Hematite Group may amend, restate, modify and/or supplement the Plan with the consent of the Plan Sponsor and the Monitor, without the consent of the Affected Creditors or approval of the Court, provided that any such amendment, restatement, modification and/or supplement (i) is filed with the Court; (ii) is posted on the website maintained by the Monitor and notice thereof is provided to the Service List maintained by the Monitor for the CCAA; (iii) does not materially decrease the anticipated recovery of Affected Creditors under the Plan and is otherwise not materially adverse to the financial or economic interests of Affected Creditors, in each case as determined by the Monitor; and (iv) does not amend the Plan Implementation Conditions.
- (3) Notwithstanding Sections 10.3(1) and (2), any amendment, restatement, modification or supplement to the Plan may be made by the Hematite Group at any time and from time to time with the consent of the Monitor and the Plan Sponsor, without the consent of the Affected Creditors or approval of the Court, provided that any such amendment, restatement, modification and/or supplement (i) is filed with the Court; (ii) is posted on the website maintained by the Monitor and notice thereof is provided to the Service List maintained by the Monitor for the CCAA; and (iii) (A) concerns a matter which is of an administrative nature required to better give effect to the implementation of the Plan, or (B) is to cure any errors, omissions or ambiguities, and in either case is not materially adverse to the financial or economic interests of the Affected Creditors as determined by the Monitor.
- (4) Any amended, restated, modified or supplementary Plan filed with the Court and, if required by this Section, approved by the Court, will for all purposes be and be deemed to be a part of and incorporated in the Plan.

10.4 **Paramountcy**

From and after the Effective Time, any conflict between:

- (a) the Plan or the Sanction Order; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Hematite Group as at the moment before the Effective Time,

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which will take precedence and priority.

10.5 **Severability of Plan Provisions**

If, prior to the Plan Implementation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Hematite Group and with the consent of the Monitor and the Plan Sponsor, will have the power to either (a) sever such term or provision from the balance of the Plan and provide the Hematite Group with the option to proceed with the implementation of the balance of the Plan, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as so altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that the Hematite Group proceed with the implementation of the Plan, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

10.6 **Protections of the Monitor**

The Monitor is acting and will continue to act in all respects in its capacity as Monitor in the CCAA Proceedings with respect to the Hematite Group (and not in its personal capacity). The Monitor will not be responsible or liable for any obligations of the Hematite Group. The Monitor will have the powers and protections granted to it by the Plan, the CCAA and any other Order made in the CCAA Proceedings. KPMG Inc. will incur no personal liability whatsoever whether on its own part or in respect of any failure on the part of the Hematite Group to observe, perform or comply with any of its obligations under the Plan. Any release, discharge or other benefit conferred upon the Monitor pursuant to the Plan will enure to the benefit of KPMG Inc. The Monitor in its personal capacity will be a third party beneficiary to the Plan entitled to enforce such releases, discharges and benefits in accordance with the terms of the Plan.

10.7 **Plan Sponsor**

The Plan Sponsor's obligations are limited to the obligations of the Plan Sponsor expressly set out in the Plan Sponsor Agreement and this Plan. In no event will the Plan Sponsor assume, be

deemed to assume or otherwise be liable for any obligations of, or Claims against, any member of the Hematite Group or any other Person. In the event of any conflict between the Plan Sponsor Agreement and the terms of this Plan, the terms of this Plan shall govern.

10.8 Different Capacities

Persons who are affected by the Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless otherwise provided in the Meeting Order expressly agreed by the Hematite Group and the Person in writing or unless its Claims overlap or are otherwise duplicative.

10.9 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

If to the Hematite Group:

Hematite Group
659 Speedvale Avenue West
Guelph, Ontario
N1K 1E6

Attention: John Pavanel

Tel: (519) 823-8350

With copies to (which will not constitute notice)

McCarthy Tétrault LLP
66 Wellington Street West
Suite 5300
Toronto, Ontario Canada
M5K 1E6

Fax No: 416-868-0673

Attention: James D. Gage and Trevor Courtis

Email: jgage@mccarthy.ca and tcourtis@mccarthy.ca

If to an Affected Creditor: to the mailing address, facsimile number or email address provided on such Affected Creditor's Proof of Claim or such more recent address particulars of an Affected Creditor as noted in the files of the Hematite Group or the Monitor;

If to the Monitor:

KPMG Inc.
Bay Adelaide Centre
Suite 4600, 333 Bay Street
Toronto, Ontario
M5H 2S5

Attention: Katherine Forbes
Email: katherineforbes@kpmg.ca

With copies to (which will not constitute notice)

Gowlings WLG
First Canadian Place
100 King Street West
Suite 1600
Toronto, Ontario
M5X 1G5

Attention: David Cohen and Cliff Prophet
Email: David.cohen@gowlingwlg.com and Clifton.prophet@gowlingwlg.com

If to the Plan Sponsor:

Woodbridge Foam Corporation
4240 Sherwoodtowne Blvd.
Mississauga, Ontario
L4Z 2G6

Attention: Roland Deschamps
Email: RolandDeschamps@woodbridgegroup.com

With copies to (which will not constitute notice)

Bennett Jones LLP
Suite 3400
One First Canadian Place
P.O. Box 130
Toronto, Ontario
M5X 1A4

Attention: Raj Sahni and Ian Michael
Email: sahnir@bennettjones.com and michaeli@bennettjones.com

or to such other address as any party may from time to time notify the others in accordance with this section, or, in the case of an address change for the Hematite Group or the Monitor, by posting notice of such address change on the Monitor's website

posting notice of such address change on the Monitor's website (home.kpmg/ca/en/home/services/advisory/deal-advisory/creditorlinks/hematite-group.html) Any such communication so given or made will be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 4:00 p.m. (Toronto time) on such day. Otherwise, such communication will be deemed to have been given and made and to have been received on the next following Business Day.

10.10 **Further Assurances**

Each of the Persons named or referred to in, or subject to, the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the Restructuring Steps and the Transaction notwithstanding any provision of the Plan that deems any event or transaction to occur without further formality.

10.11 **Language**

This Plan, as well as any notices, schedules or other documents related thereto has been and will be prepared in the English language only. To the extent a French language or other translation is prepared, any such translation will be for informational purposes only, it being intended that the English language version will govern and prevail in all respects.

10.12 **Acts to Occur on Next Business Day**

If any distribution, payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such distribution, payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date.

10.13 **Non-Consummation of the Plan**

If the Plan is revoked at any time prior to the Effective Time, it will be null and void in all respects. Nothing contained in the Plan and no act taken in preparation for the implementation of the Plan will (a) constitute or be deemed to constitute a waiver or release of any Claims by or against the Hematite Group or any other Person; (b) prejudice the rights of the Hematite Group or any other Person in any further proceeding involving the Hematite Group; or (c) constitute an admission of any sort by the Hematite Group or any Person.

DATED as of the 18th day of November, 2020.

SCHEDULE A
ARTICLES OF REORGANIZATION
HEMATITE HOLDINGS

6. The terms and conditions to which the reorganization is made subject by the Order have been complied with.
Les conditions que l'ordonnance impose à la réorganisation ont été respectées.

These articles are submitted under section 186 of the *Business Corporations Act* and are signed in duplicate.
Les présents statuts sont déposés en vertu de l'article 186 de la Loi sur les sociétés par actions. Ils sont signés en double exemplaire.

Hematite Holdings Inc.

Name of Corporation / *Dénomination sociale de la société*

By/
Par :

Signature / *Signature*

Description of Office / *Fonction*

SCHEDULE "1"

The Articles of the Corporation are amended as follows:

1. to replace the authorized share capital of the Corporation with the following:
 - (a) an unlimited number of common shares;
 - (b) an unlimited number of New Common Shares; and
 - (c) an unlimited number of New Redeemable Shares;
2. to delete the existing rights, privileges, restrictions and conditions attaching to the authorized share capital of the Corporation and substituting therefor Schedule "A-1" annexed hereto; and
3. to change each issued common share into 0.000001 of a New Redeemable Share and automatically redeem each New Redeemable Share in accordance with the terms of such New Redeemable Shares.

SCHEDULE "A-1"

1. The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Voting.** The holders thereof shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote.
 - (b) **Dividends.** The holders thereof shall be entitled to receive dividends, subject to the rights of holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with holders of the common shares, if, as and when declared by the directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends.
 - (c) **Distribution Rights.** Subject to the rights of the holders of any other class of shares of the Corporation, to receive the remaining property of the Corporation upon liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

2. The New Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Voting.** The holders thereof shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote.
 - (b) **Dividends.** The holders thereof shall be entitled to receive dividends, subject to the rights of holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with holders of the New Common Shares, if, as and when declared by the directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends.
 - (c) **Distribution Rights.** Subject to the rights of the holders of any other class of shares of the Corporation, to receive the remaining property of the Corporation upon liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

3. The New Redeemable Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Fractional Interests.** No holder of a fractional interest in a New Redeemable Share will be entitled to be registered on the books of the Corporation in respect of such fraction of a New Redeemable Share.
 - (b) **Redemption by the Corporation.** All the outstanding New Redeemable Shares and fractional interests therein as at the Effective Time (as defined in the Plan of Compromise, Arrangement and Reorganization of the Corporation and certain of its subsidiaries dated November 18, 2020 (the "**Plan**")) on the Plan Implementation

Date (as defined in the Plan) will be automatically redeemed by the Corporation as at such time, without notice to the holders of such New Redeemable Shares, on payment of \$0.01 for each whole New Redeemable Share, such amount being herein referred to as the "**Redemption Price**". The Corporation will pay or cause to be paid to each holder of New Redeemable Shares or fractional interests therein to be redeemed the Redemption Price by cheque, provided that if the aggregate Redemption Price payable to any particular holder is less than \$10, the aggregate Redemption Price payable to such holder will be deemed to be \$0.00 and the New Redeemable Shares or fractional interests therein held by such holder will be redeemed as at the close of business of the Plan Implementation Date without any payment or further act or formality.

- (c) **Voting Rights.** The holders of the New Redeemable Shares or fractional interests therein will not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and will not be entitled to vote any such meeting.

**SCHEDULE B
ARTICLES OF REORGANIZATION
HEMATITE INDUSTRIAL**

6. The terms and conditions to which the reorganization is made subject by the Order have been complied with.
Les conditions que l'ordonnance impose à la réorganisation ont été respectées.

These articles are submitted under section 186 of the *Business Corporations Act* and are signed in duplicate.
Les présents statuts sont déposés en vertu de l'article 186 de la Loi sur les sociétés par actions. Ils sont signés en double exemplaire.

Hematite Industrial Products Inc.

Name of Corporation / *Dénomination sociale de la société*

By/
Par :

Signature / *Signature*

Description of Office / *Fonction*

SCHEDULE "1"

The Articles of the Corporation are amended as follows:

1. to replace the authorized share capital of the Corporation with the following:
 - (a) an unlimited number of common shares;
 - (b) an unlimited number of voting Class A Special shares;
 - (c) an unlimited number of New Common Shares; and
 - (d) an unlimited number of New Redeemable Shares;
2. to delete the existing rights, privileges, restrictions and conditions attaching to the authorized share capital of the Corporation and substituting therefor Schedule "A-1" annexed hereto;
3. to change each issued common share into 0.000001 of a New Redeemable Share and automatically redeem such New Redeemable Shares in accordance with the terms of such New Redeemable Shares; and
4. to change each issued voting Class A Special share into 0.000001 of a New Redeemable Share and automatically redeem such New Redeemable Shares in accordance with the terms of such New Redeemable Shares.

SCHEDULE "A-1"

1. The common shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Voting.** The holders thereof shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote.
 - (b) **Dividends.** The holders thereof shall be entitled to receive dividends, subject to the rights of holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with holders of the common shares, if, as and when declared by the directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends.
 - (c) **Distribution Rights.** Subject to the rights of the holders of any other class of shares of the Corporation, to receive the remaining property of the Corporation upon liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

2. The Class A Special shares ("**Class A shares**") shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Interpretation.** Where used in this section:
 - (i) "**Redemption Amount**" in respect of the Class A shares is the amount which is equal to the fair market value of the property transferred to or exchanged with the Corporation on the first issuance of Class A shares, less the amount of non-share consideration, if any, paid, assumed or delivered by the Corporation as partial consideration for the purchase, acquisition or exchange of such property, divided by the number of such Class A shares issued by the Corporation as consideration or partial consideration for the purchase, acquisition or exchange of such property. In the event that Canada Revenue Agency ("**CRA**") determines that the fair market value of any property transferred to or exchanged with the Corporation in exchange for non-share consideration, if any, and the Class A shares is greater or less than the amount agreed and determined by the Corporation and the holders of the Class A shares, the Redemption Amount of the Class A shares so issued shall be increased or decreased to reflect the value as ultimately determined. The adjustment to the Redemption Amount per share shall be equal to the total increase or decrease ultimately determined, divided by the number of the Class A shares so issued. The Redemption Amount of the Class A shares so adjusted shall be deemed, retroactively to the date of first issuance, to have been their Redemption Amount. In the event that any of the Class A shares have been redeemed prior to the date of any such ultimate determination, cash settlements shall be made by the prior holder of such shares so redeemed or the Corporation, as the case may be, together with interest thereon calculated on a daily basis at the prime commercial lending rate charged by the Corporation's bankers from time to time for the relevant

period. Reference to value as ultimately determined herein shall have the following meaning:

- A. such amount as may be agreed upon by CRA, the Corporation and the holders of such shares to have been the fair market value of the property transferred or exchanged for such shares; or
 - B. in the absence of such agreement, such amount shall be determined by a Court having competent jurisdiction in the matter (after all appeal rights have been exhausted or all times for appeal have expired without appeals having been taken) to be the fair market value of the property transferred or exchanged for such shares.
- (ii) **"Act"** means the Business Corporations Act (Ontario), as amended, revised or replaced from time to time
- (b) **Redemption.** The Corporation may, upon giving notice as hereinafter provided, redeem the whole or any part of the Class A shares on payment for each share to be redeemed of the Redemption Amount thereof plus all dividends declared thereon but unpaid. Not less than thirty (30) days' notice in writing of such redemption shall be given by mailing such notice to the registered holder or holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Corporation in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada as specified in the notice on or before the date fixed for redemption, dividends on the Class A shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Corporation in respect thereof except, upon the surrender of certificates for such shares, to receive payment therefor out of the moneys so deposited.
- (c) **Retraction.** A holder of Class A shares shall be entitled to require the Corporation to redeem at any time or times all or any of the Class A shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office a share certificate representing the Class A shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying:
- (i) that the registered holder desires to have some or all of the Class A shares represented by such certificate redeemed by the Corporation; and
 - (ii) the business day (in this paragraph referred to as the **"Redemption Date"**) on which the holder desires to have the Corporation redeem such Class A shares.

All requests for redemption shall specify a Redemption Date which shall be not less than thirty (30) days after the day on which the request in writing is given to the Corporation. Upon receipt of a share certificate representing the Class A shares which the registered holder desires to have the Corporation redeem together with such request the Corporation shall on the Redemption Date, redeem

such Class A shares by paying to such registered holder the Redemption Amount of such shares plus all dividends declared thereon but unpaid. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. The said Class A shares shall be redeemed on the Redemption Date and from and after the Redemption Date such shares shall cease to be entitled to dividends and the holder or holders thereof shall not be entitled to exercise any of the rights of holders of Class A shares in respect thereof unless payment is not made in accordance with the provisions hereof, in which event the rights of the holders of the said shares shall remain unaffected.

- (d) **Non-Cumulative Dividends.** The holders of Class A shares in priority to the holders of all other classes of shares, shall be entitled to non-cumulative cash dividends, as and when declared by resolution of the directors and in the discretion of the directors, out of monies of the Corporation properly applicable to the payment of dividends, at a rate not to exceed 8% per annum of the Redemption Amount in respect of the Class A shares. The directors, when declaring any dividends on Class A shares, or any other class of shares of the Corporation, may, in their sole discretion, elect to declare dividends on the said Class A shares in priority to or to the exclusion of any other class or classes of shares.
 - (e) **Voting.** Each holder of Class A shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Class A share held by such holder.
 - (f) **Distribution Rights.** In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purposes of winding-up its affairs, the holders of the Class A shares shall be entitled to receive from the assets of the Corporation a sum equivalent to the aggregate Redemption Amount of all the Class A shares held by them, plus all dividends declared thereon but unpaid, before any amount shall be paid or any assets of the Corporation distributed to the holders of any common shares or any other shares ranking junior to the Class A shares. After payment to the holders of the Class A shares of the amount so payable to them as provided above, they shall not be entitled to share in any further distribution of the assets of the Corporation.
3. The New Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
- (a) **Voting.** The holders thereof shall be entitled to receive notice of, to attend and vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote.
 - (b) **Dividends.** The holders thereof shall be entitled to receive dividends, subject to the rights of holders of any other class of shares of the Corporation entitled to receive dividends in priority to or rateably with holders of the New Common Shares, if, as and when declared by the directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends.

- (c) **Distribution Rights.** Subject to the rights of the holders of any other class of shares of the Corporation, to receive the remaining property of the Corporation upon liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.
- 4. The New Redeemable Shares shall have attached thereto the following rights, privileges, restrictions and conditions:
 - (a) **Fractional Interests.** No holder of a fractional interest in a New Redeemable Share will be entitled to be registered on the books of the Corporation in respect of such fraction of a New Redeemable Share.
 - (b) **Redemption by the Corporation.** All the outstanding New Redeemable Shares and fractional interests therein as at the Effective Time (as defined in the Plan of Compromise, Arrangement and Reorganization of the Corporation dated November 18, 2020 (the "**Plan**")) on the Plan Implementation Date (as defined in the Plan) will be automatically redeemed by the Corporation as at such time, without notice to the holders of such New Redeemable Shares, on payment of \$0.01 for each whole New Redeemable Share, such amount being herein referred to as the "**Redemption Price**". The Corporation will pay or cause to be paid to each holder of New Redeemable Shares or fractional interests therein to be redeemed the Redemption Price by cheque, provided that if the aggregate Redemption Price payable to any particular holder is less than \$10, the aggregate Redemption Price payable to such holder will be deemed to be \$0.00 and the New Redeemable Shares or fractional interests therein held by such holder will be redeemed as at the close of business of the Plan Implementation Date without any payment or further act or formality.
 - (c) **Voting Rights.** The holders of the New Redeemable Shares or fractional interests therein will not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation and will not be entitled to vote any such meeting.

SCHEDULE C
TD LEASE AGREEMENTS

1. Master equipment lease no. T000000658 dated April 5, 2018 between Pavaco Plastics Inc. (now named Hematite Manufacturing Inc.), as lessee, and TD Equipment Finance Canada, a division of the Toronto-Dominion Bank, as lessor, and the schedules thereto (being Schedule No. 18003130 dated April 5, 2018, and Schedule No. 18003120 dated April 5, 2018).

2. Master equipment lease no. 23296 dated February 22, 2013 between Pavaco Products Inc. (now named Hematite Manufacturing Inc.), as lessee, and TD Equipment Finance Canada, a division of the Toronto-Dominion Bank, as lessor, and the schedules thereto (being Schedule No. 10 dated April 25, 2016, and Schedule No. 12 dated August 22, 2016 and Schedule No. 13 dated November 23, 2016)

SCHEDULE "B"

Monitor's Plan Implementation Certificate

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

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

MONITOR'S PLAN IMPLEMENTATION CERTIFICATE

WHEREAS pursuant to the Order of this Court dated September 18, 2020, KPMG Inc. was appointed as the monitor (the "**Monitor**") of the Applicants in the within CCAA proceedings (the "**CCAA Proceedings**");

AND WHEREAS pursuant to the Order of this Court dated November 18, 2020, the Applicants filed the plan of compromise, arrangement and reorganization pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Ontario) (as may be amended or restated in accordance with its terms, the "**Plan**") with the Court;

AND WHEREAS the Plan has been sanctioned by this Honourable Court by Order dated December 18, 2020 (the "**Sanction Order**");

AND WHEREAS section 9.3 of the Plan and paragraph 15 of the Sanction Order require the Monitor to serve on the service list in the CCAA Proceedings and post on the website established by the Monitor in respect of the CCAA Proceedings a certificate, signed by the Monitor, certifying that the Plan Implementation Date has occurred;

AND WHEREAS the Applicants have delivered to the Monitor a copy of a certificate stating that each of the Plan Implementation Conditions have been satisfied or waived and the Articles of Reorganization of Hematite Holdings Inc. and Hematite Industrial Products Inc. have

been filed and have become effective as of the date set out in the applicable Certificate of Reorganization;

AND WHEREAS the Plan Implementation Date has occurred;

AND WHEREAS all capitalized terms used but not defined herein shall have the meanings given to them in the Plan;

THE MONITOR HEREBY CERTIFIES that:

1. The Plan Implementation Date has occurred; and
2. This Certificate is delivered by the Monitor on _____, 2020.

KPMG INC., solely in its capacity as court appointed monitor of the Applicants, and not in its personal capacity or in any other capacity

Per: _____

Name:

Title:

SCHEDULE "C"

Monitor's Discharge Certificate

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

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

MONITOR'S DISCHARGE CERTIFICATE

WHEREAS pursuant to the Order of this Court dated September 18, 2020, KPMG Inc. was appointed as the monitor (the "**Monitor**") of the Applicants in the within CCAA proceedings (the "**CCAA Proceedings**");

AND WHEREAS pursuant to the Order of this Court dated November 18, 2020, the Applicants filed the plan of compromise, arrangement and reorganization pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Ontario) (as may be amended or restated in accordance with its terms, the "**Plan**") with the Court;

AND WHEREAS the Plan has been sanctioned by this Honourable Court by Order dated December 18, 2020 (the "**Sanction Order**");

AND WHEREAS paragraph 37 the Sanction Order requires that, upon (i) fulfillment of the Monitor's duties under the Claims Procedure Order, the Meeting Order and the Sanction Order; and (ii) the Monitor receiving an acknowledgement of payment in full of the claims secured by the Administration Charge, the Monitor shall serve on the service list in the CCAA Proceedings and post on the website established by the Monitor in respect of these proceedings a certificate, signed by the Monitor, certifying same;

AND WHEREAS the Monitor has completed its duties under the Claims Procedure Order, the Meeting Order and the Sanction Order and has received an acknowledgement of payment in full of the claims secured by the Administration Charge;

AND WHEREAS all capitalized terms used but not defined herein shall have the meanings given to them in the Plan;

THE MONITOR HEREBY CERTIFIES that:

1. The Monitor has completed its duties under the Claims Procedure Order, the Meeting Order and the Sanction Order;
2. The Monitor has received an acknowledgement of payment in full of the claims secured by the Administration Charge;
3. Upon the filing of this Monitor's Discharge Certificate:
 - (a) the CCAA Proceedings shall be terminated;
 - (b) KPMG Inc. shall be discharged and released from its duties, obligations and responsibilities as Monitor of the Applicants and shall be forever released, remised and discharged from any claims against it relating to its activities as Monitor; and
 - (c) the Administration Charge (as provided for and defined in the Initial Order and any subsequent Orders in the CCAA Proceedings) shall be terminated, discharged, expunged and released.
4. This Certificate is delivered by the Monitor on _____, 2020.

KPMG INC., solely in its capacity as court appointed monitor of the Applicants, and not in its personal capacity or in any other capacity

Per: _____
Name:
Title:

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. ET AL

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

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

Proceeding Commenced at Toronto

SANCTION ORDER

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