

TO:

The Honourable Tony Clement  
Industry Canada  
Minister of Industry  
235 Queen Street  
Ottawa, Ontario Canada K1A 0H5  
Delivered via Fax: (613) 992-0302

The Honourable Michael Bryant  
Ministry of Economic Development & Trade  
Minister of Economic Development  
8th Floor, Hearst Block  
900 Bay St. Toronto ON Canada M7A 2E1  
Delivered via Fax: (416) 325-6688.

**Re: A Proposal from Canadian Tool, Die and Mold Companies on Potential Government Automotive Funding**

Dear Honourable Ministers Clement and Bryant:

The vehicle manufacturers have been making their business case for the provision of government loans. The Canadian autoparts makers are lobbying government for: protection of their trade receivables, and for vehicle manufacturers to accelerate payments from 45 days to 20 days, reducing risk to the supply chain.

We - Active Mould & Design, Arlen Tool, B&B Tool & Mold, Canam Tool, ARRK/Omega Tool Corp, Tool Plas and The Valiant Group - of the tool, die and mold (TDM) industry, an important and fragile sector of the Canadian automotive sector, believe our industry has an even more gravely urgent case for acceleration of payments.

We are not asking for charity. We wish to receive payment for the goods we have already delivered, and we wish to carry on business in a manner befitting the current risk and liquidity environment.

Unlike our parts manufacturer clients, we are owed more than the 45 days worth of sales from the vehicle manufacturers. Many of us are forced to carry six-months worth of sales receipts or more. This is a result of the OEM driven payment terms in the TDM industry. After we deliver our tools to the parts company it can take 5-12 months or more for the funds to be released by the OEM and arrive at the tool source. The fact that the most costly borrower in the supply chain and the smallest enterprise — the tool source — has to finance contracts for up to 24-months defies all cost reduction logic. But OEMs are loath to pay for an asset prior to revenue generation, as that would depress their Return On Net Assets, a critical Wall Street measurement.

While waiting up to 24-months from contract award to payment is not the optimum situation for tool sources — going out of business by not accepting these terms was the alternative — it was a reasonable risk when the OEMs were creditworthy and we could obtain accounts receivable insurance.

Should an OEM cancel a vehicle program the tool sources will be in the unenviable position of not only not being able to recoup any additional interest carrying charges – as OEM cancellation policies do not allow for same - but may be forced to sue their Tier 1 clients to get their money. The Tier 1's are likely not in the financial condition to pay for their contracted tools without a like payment from an OEM. There has already been talk

from GM of delaying, and perhaps cancelling, some 2009 launches. Camaro tooling was to be paid this month and we understand approval for payment has been delayed, likely until GM can be assured of receiving government loans.

The impact of one TDM company filing for bankruptcy protection is a costly exercise. When Hallmark Technologies, M2M (a mold manufacturer in Wallaceburg) and most recently BTM filed for bankruptcy protection in 2007 and 2008, significant resources and unscheduled costs to extricate the tooling and re-source the incomplete job were incurred by every Tier 1 and OEM with work on their respective floors. One can only imagine if these isolated events were multiplied ten fold, catalyzed by an OEM payment delay or cancellation.

Tooling & Equipment Capital Solutions of Windsor has delivered a proposal to both Industry Canada and to the Ontario government that proposes:

- A portion of government loan proceeds to the Big Three should be earmarked for tooling that has been completed and accepted by the Tier 1;
- While the government loans are outstanding to the Big Three all OEM production tooling should be fully paid — or at the very least substantially paid — when the Tier 1 buys off the tooling versus 5-12 months later; and
- Any cancelled, or significantly delayed, vehicle launch should require the OEM to immediately reimburse tooling expenditures.

Under the proposal, \$1 dollar loaned by the government to the OEM has a three times leveraging impact:

1. It provides the OEM with liquidity for their investments,
2. Immediately improves the tooler's financial position, as receiving sales proceeds more quickly directly reduces debt and improves liquidity, and
3. Frees up Export Development Canada's accounts receivable insurance capacity, as - with a shorter sales cycle - the tool source would need considerably less insurance coverage to conduct the same amount of annual sales. The liberated EDC capacity is now available to aid more toolers.

The Canadian OEMs have requested \$6 billion in government loans. We would estimate that tooling owed to Canadian parts and tooling companies is well under 10% of their overall figure. With the funds directed the way we propose, a hundred or more small and medium sized companies from Oshawa to Windsor and beyond would directly benefit.

If tooling for any OEM vehicle program currently under development is not paid for, Windsor and the TDM industry will be delivered a crippling blow. Our proposal significantly mitigates the impact of an event of this nature.

December 10, 2008

Just because we are small in comparison to the OEMs and the parts suppliers does not mean we should be overlooked. We encourage the government to put the TDM sector on the agenda, and the proposal offered by T&E is an excellent starting point for dialogue.

Please feel free to contact Craig Wiggins of T&E Capital at 519-979-7477 or any of us at the coordinates below.

Best regards,

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