

EXHIBIT B

Nadeau Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

HEMATITE HOLDINGS INC., *et al.*,¹

Debtors in a Foreign Proceeding.

Chapter 15

Case No. (20-12387) ()

Joint Administration Requested

**DECLARATION OF JACQUES NADEAU IN SUPPORT OF THE
DEBTORS' CHAPTER 15 PETITIONS AND FIRST-DAY
PLEADINGS IN FOREIGN PROCEEDING**

I, Jacques Nadeau, hereby declare that the following is true and correct to the best of my knowledge, information, and belief.

1. I am the Chief Treasury Officer of Hematite Holdings Inc. ("Hematite Holdings" or the "Foreign Representative"). I am a Chartered Professional Accountant and have been involved in the financial and operational management of Hematite for over 25 years.

2. Hematite Holdings is the duly appointed and authorized foreign representative (the "Foreign Representative") for the above captioned debtors (collectively, "Hematite" or the "Debtors"), which Debtors are the subjects of reorganization proceedings (the "CCAA Proceeding") commenced before the Ontario Superior Court Of Justice (Commercial List) in Canada (the "Canadian Court") under Canada's *Companies' Creditors Arrangement Act* (the "CCAA").

¹ The U.S. Debtors in these chapter 15 cases and the last four digits of their U.S. Federal Employer Identification Numbers are as follows: Pavaco Holdings U.S. Inc. (5569); Hematite, Inc. (3799); and Hematite Automotive Products Inc. (5382). The Canadian Debtors in these chapter 15 cases and the last four digits of their unique identifier are as follows: Hematite Holdings Inc. (8581); Hematite Manufacturing Inc. (4900); Hematite Industrial Products Inc. (7706); and Canadian Pavaco Inc. (5315). The U.S. Debtors and the Canadian Debtors are referred to herein, collectively, as the "Debtors." The Debtors' principal offices are located at 659 Speedvale Avenue West, Guelph, Ontario, N1K 1E6, Canada.

3. On September 18, 2020, the Debtors filed applications under the CCAA to commence restructuring proceedings under the supervision of the Canadian Court. That same day, the Canadian Court entered the Initial Order, a true and correct copy of which is attached hereto as Exhibit 1, appointing KPMG Inc. (“KPMG,” or the “Monitor”) to monitor and assist the Debtors in their business and financial affairs in accordance with section 23 of the CCAA. The Canadian Court also appointed the Foreign Representative to act as a representative in respect of the CCAA Proceeding for the purpose of having the CCAA Proceeding recognized in any other jurisdiction outside Canada, including the United States.

4. Contemporaneously with the filing of this declaration, Hematite Holdings caused to be filed, on behalf of the Debtors as authorized Foreign Representative of the Debtors, petitions for recognition of the CCAA Proceedings in the United States under chapter 15 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing the Debtors’ chapter 15 cases (the “Chapter 15 Cases”). Hematite also caused to be filed the Verified Petition for (I) Recognition of Foreign Main Proceeding, (II) Recognition of Foreign Representative, (III) Recognition of Initial Order and Amended Initial Order and (IV) Related Relief under Chapter 15 of the Bankruptcy Code (together with the chapter 15 petitions, the “Petitions for Recognition”) and the Motion of the Foreign Representative for an Order Granting Certain Provisional Relief (the “Provisional Relief Motion”).

5. This declaration is filed in support of the Petitions for Recognition, the Provisional Relief Motion and other “first day” relief requested by the Foreign Representative. I am making this declaration in accordance with section 1515 of the Bankruptcy Code and Rule 1007(a)(4) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

6. In my role as Chief Treasury Officer of Hematite Holdings, I am familiar with the Debtors' history, day-to-day operations, assets, financial condition, business affairs, and books and records. I am fully aware of, and closely involved in, the financial affairs and overall restructuring of the Debtors. Except as otherwise indicated, all statements in this declaration are based upon my personal knowledge, my review of the Debtors' books and records, relevant documents and other information prepared or filed in connection with the CCAA Proceedings and the Chapter 15 Cases, information supplied to me by one or more of the Debtors' officers, directors, and/or employees or other professionals retained by the Debtors, or my experience and knowledge of the Debtors' operations and financial condition. If called to testify as a witness, I could and would competently testify to each of the facts set forth herein based upon my personal knowledge, review of documents, or opinion. I am authorized to submit this declaration on behalf of the Debtors.

A. Hematite Overview

7. Hematite is primarily a tier 1 supplier of component parts to the automotive manufacturing industry and counts Toyota, Fiat Chrysler Automobiles ("FCA") and Ford among its major customers. Hematite reduces the costs and carbon footprint of its customers by utilizing a closed-loop process (known as ReformTM) which takes manufacturing scrap from customers and produces re-useable materials that are used in Hematite's products. Through this process, Hematite has diverted over 10 million pounds of trim scrap waste annually that was destined for landfill sites.

8. Hematite has operated in Canada since 1978, and currently operates from facilities in Brantford and Guelph, Ontario. Over the past several years, Hematite has pursued an expansion of its manufacturing operations into the United States to allow it to better serve

existing and new customers in that market. Hematite has begun production at a facility in Englewood, Ohio and has begun outfitting another facility in Fayetteville, Tennessee.

9. The COVID-19 pandemic and the resulting government-mandated shutdowns, including in the automotive industry, had a significant adverse impact on Hematite's financial position. From March 2020 through May 2020, Hematite's gross sales were approximately 70% below expectations due primarily to the impact of the COVID-19 pandemic and it experienced a significant and unexpected operating loss.

B. Hematite Corporate Structure

10. Hematite Holdings is incorporated and existing under the Ontario Business Corporations Act (the "OBCA"). Hematite Holdings is a holding company that is the direct or indirect parent of each of the Debtors, with the exception of Hematite Industrial Products Inc. ("Hematite Industrial") which is an affiliate of Hematite Holdings. Hematite Holdings is the direct parent of Canadian Pavaco and Hematite Manufacturing (each defined below).

11. Canadian Pavaco Inc. ("Canadian Pavaco") is incorporated and existing under the OBCA. Canadian Pavaco is a holding company that exists between Hematite Holdings and US Pavaco (defined below) in the Hematite organizational structure.

12. Hematite Manufacturing Inc. ("Hematite Manufacturing") is incorporated and existing under the OBCA. Hematite Manufacturing is the primary operating entity for the core businesses of Hematite in Canada, including the supply of component parts for the automotive industry.

13. Hematite Industrial is incorporated and existing under the OBCA. Hematite Industrial is the operating entity for the industrial products business of Hematite.

14. Pavaco Holdings U.S. Inc. ("US Pavaco") is incorporated and existing under the laws of the State of Delaware. US Pavaco is a holding company that is the direct parent of the two entities that operate the Hematite business in the United States, Hematite US and HAPI (each defined below).

15. Hematite, Inc. ("Hematite US") is incorporated and existing under the laws of the State of Ohio. Hematite US is the primary operating entity for the businesses of Hematite in the United States.

16. Hematite Automotive Products Inc. ("HAPI") is incorporated and existing under the laws of the State of Michigan. HAPI operates a small sales office for Hematite's US operations.

17. An organizational chart showing the organization structure of the foregoing entities is attached hereto as **Exhibit 2**.

C. Financial Position

18. As a result of its financial challenges, outlined above, and its inability to obtain further financing from its existing lenders and further advances from its customers, it became clear to Hematite that it would run out of liquidity. Hematite determined that it needed to restructure its business and financial picture if it was to survive. Hematite sought a strategic partner to provide the financial resources and expertise necessary to allow it to complete this restructuring.

19. In August 2020, Hematite Holdings entered into a letter of intent (the "LOI") with Woodbridge Foam Corporation ("Woodbridge"), which LOI summarized the terms and conditions pursuant to which Woodbridge or its affiliate were prepared to sponsor a court supervised financial restructuring of Hematite which would result in Woodbridge or its affiliate

acquiring the post-restructuring equity of Hematite Holdings. Since that time, Hematite and Woodbridge have negotiated with Hematite's key lenders (i.e., The Toronto-Dominion Bank and BDC Capital Inc.), its key customers (Toyota, FCA and Ford), and certain of its key suppliers in order to reach agreements and arrangements necessary to support the restructuring of Hematite contemplated in the LOI.

20. To further memorialize and finalize the terms of Woodbridge's investment in and support of Hematite's restructuring as set out in the LOI, Hematite has entered into a plan sponsor agreement with Woodbridge.

21. Woodbridge has also agreed to provide Hematite Holdings with the DIP Facility in an amount up to \$6 million for the purpose of allowing Hematite to meet its immediate cash needs during the pendency of these CCAA proceedings.

D. Recognition as a Foreign Main Proceeding

22. I am informed that in order to be recognized as a "foreign main proceeding," a proceeding must be pending in the country where the debtor has its "center of main interests," which I understand to be the functional equivalent of a headquarters, principal place of business or "nerve center." I believe that the CCAA Proceeding meets this requirement. As described below, all of the Debtors are headquartered in Canada where all of their executive and strategic functions occur and where management of the Debtors is located.

23. Hematite Holdings is duly incorporated under the law of Ontario, its registered office is in Ontario, and its principal place of business is located at 659 Speedvale Avenue West, Guelph, Ontario (the "Head Office").

24. The primary management and business operations of the Debtors were conducted from the Head Office with all of the Debtors' executive and senior management working at the

Head Office. The Head Office acted as the “nerve center” of the business in that all accounting functions, strategic decision-making, communication functions, marketing and pricing decisions, new business development initiatives, negotiations of material contracts and leases, acquisition of equipment, and other key functions were coordinated and/or managed from the Head Office in Ontario.

25. In other words, as set forth below, Canada is where the Debtors’ principal place of business and “nerve center” is located:

- A. The Debtors’ headquarters and the location where general supervision and management of the Debtors takes place is Ontario, Canada;
- B. All strategic and operational decisions for the Debtors, including the Debtors’ U.S. subsidiaries, are made in Canada;
- C. All accounting, purchasing and cash management functions for the Debtors occur in Canada;
- D. The Debtors’ accounting, financing and other operational books and records are located in Canada;
- E. All corporate services for the Debtors, including tax support, legal services (excluding U.S. restructuring counsel), and issuance of checks for accounts payable are rendered in Ontario, Canada;
- F. All terms of employment and related policies and procedures for the Debtors’ employees are established and directed out of the corporate headquarters in Canada;
- G. The Debtors’ operating lender and many of their other largest creditors are located in Canada under loan and other arrangements governed by the laws of Canada; and
- H. The ultimate shareholders of the Debtors are located in Canada.

26. In sum, the business operations of Hematite are carried on principally from its Head Office. The key management of Hematite and all corporate-level decision-making and corporate administrative functions affecting the Debtors are centralized at the Head Office.

Further, Hematite Holdings, the ultimate parent entity of Hematite, is duly incorporated under the laws of Ontario and its registered office is in Ontario.

27. Based on these facts, I believe the Canadian Proceeding is a “foreign main proceeding” as I have been advised that term is defined in Bankruptcy Code sections 101(23) and 1502(4). The Canadian Proceeding is pending in Toronto, Ontario, Canada. Moreover, Ontario is the “center of main interests” for the Debtors.

E. Need for Provisional Relief

28. In addition to seeking recognition on a final basis, the Foreign Representative also requests certain provisional relief. Pending recognition of the CCAA Proceedings, the Foreign Representative seeks provisional relief to enjoin collection efforts against the Debtors and their assets, as well as to protect potentially valuable contractual relationships. This relief is necessary to avoid immediate and irreparable harm to the Debtors and their assets if U.S. creditors and contract parties begin a "race to the courthouse" or resort to other self-help remedies resulting in a piece-meal and preferential liquidation and distribution of assets, rather than an orderly realization and distribution of value according to legal priorities.

29. It is also necessary for all actions against the Debtors' directors and officers, in their capacity as such, to be stayed on a provisional basis. The Debtors' directors and officers are essential to managing the Debtors' business and ability to implement a successful restructuring. Moreover, the Debtors' directors and officers have indemnification rights and have been granted a charge against the Debtors pursuant to the Initial Order, such that any judgment against them would be a *de facto* judgment against the Debtors and their assets-to the detriment of creditors.

30. As indicated by the 13-week cash flow projections, attached hereto as **Exhibit 3**, the Debtors expect to run out of cash to continue operations in the week ending September 25,

2020, and potentially earlier, unless additional, immediate funding is provided through the Interim DIP Facility. The funding provided by the Interim DIP Facility (defined below) is therefore necessary to give vendors, employees and other critical parties who deal with the Debtors confidence that the Debtors have access to funds to meet their post-filing obligations to such parties.

31. To provide the necessary funding to sustain operations, the Debtors have entered into an interim facility (the “Interim DIP Facility”) pursuant to the terms of that certain DIP Loan Agreement, dated September 17, 2020 (the “DIP Loan Agreement”) between the Debtors, as borrowers, and Woodbridge as the lender (in such capacity, the “Interim DIP Lender”). The Interim DIP Lender has agreed to provide the Interim Facility upon the terms outlined in the DIP Loan Agreement attached hereto as **Exhibit 4**. The terms of the DIP Loan Agreement were negotiated, proposed and entered into by the Debtors and the Interim DIP Lender without collusion, in good faith and at arm's length.

32. The Foreign Representative further requests provisional relief to grant the Interim DIP Lender certain protections under the Bankruptcy Code. This relief is necessary to prevent the Interim DIP Lender from refusing the Debtors access to the interim financing approved by the Canadian Court. Without the protections afforded to Interim DIP Lender under the Bankruptcy Code, there is a material risk that the Debtors will be unable to obtain the requisite financing to continue their business operations and fund their restructuring proceedings, which will significantly impair and potentially result in irreparable damage to the value of the Debtors' assets.

33. This provisional relief is consistent with the Initial Order, which, among other things, stays all creditor collection actions against the Debtors, their assets and their directors and

officers (paragraph 16), prohibits contract counterparties from terminating contracts with the Debtors (paragraph 14), authorizes the Debtors to enter into and perform under the Interim DIP Facility and grants the Interim DIP Lender a charge in connection therewith (paragraph 32), grants the Debtors' directors and officers a charge against the Debtors' assets for the Debtors' indemnification obligations owed to the directors and officers (paragraph 18), and grants the Monitor, the Monitor's professionals and the Debtors' (including the Foreign Representative's) professionals and advisors a charge for professional fees and expenses incurred in connection with the CCAA Proceedings and Chapter 15 Cases (paragraph 28).

34. For the foregoing reasons, I believe that the provisional relief requested is necessary and appropriate and is in the best interests of the Debtors, their creditors, and other parties in interest.

E. Noticing Procedures

35. The Foreign Representative has also filed a motion requesting that the Court schedule a final recognition hearing and approval of related noticing procedures (the "Notice Procedures Motion"). I can attest that the Debtors have hundreds and potentially thousands of creditors, potential creditors, and other parties in interest, all of whom need to be provided with, among other things, notice of the entry of the provisional order, the proposed final order, the recognition objection deadline, and the recognition hearing. The Foreign Representative has prepared a form of notice advising of these and related matters (the "Recognition Hearing Notice"), a copy of which is annexed to the Notice Procedures Motion.

36. Under the facts and circumstances of the Debtors' Chapter 15 Cases, I submit that service of the Recognition Hearing Notice in the manner proposed in the Notice Procedures Motion will provide those parties identified as the Notice Parties in the Notice Procedures

Motion with due and sufficient notice of the relief requested in the Recognition and Relief Motion and associated objection deadlines and hearing dates.

37. Therefore, I believe that the relief requested in the Notice Procedures Motion is necessary and appropriate and is in the best interests of the Debtors, their creditors, and other parties in interest.

B. Joint Administration and Consolidated Rule 1007(a)(4) List

38. The Foreign Representative has also filed, contemporaneously herewith, a motion seeking entry of an order directing joint administration of these Chapter 15 Cases for procedural purposes only and authorizing the Foreign Representative to consolidate and maintain a list (the "Consolidated 1007(a)(4) List") of foreign proceeding administrators, parties to litigation pending in the United States involving the Debtors, if any, and all persons and entities against whom the Debtors seek provisional relief pursuant to section 1519 of the Bankruptcy Code.


39. I believe that joint administration of these Chapter 15 Cases is warranted because the Debtors' financial affairs and business operations are closely related, and because it will ease the administrative burden of these cases on the Court and interested parties. I can confirm that the Foreign Representative anticipates that the various notices, motions, hearings, orders, and other pleadings in these cases will affect all of the Debtors.

40. I believe that the relief requested with respect to the Consolidated 1007(a)(4) List is also necessary and appropriate and is in the best interests of the Court, the Debtors, their creditors, and other parties in interest. As the provisional and final relief sought in each of these cases is substantially similar, and any additional relief sought is likely to impact most or all of the Debtors, most, if not all, motions, notices, hearings, orders and other papers filed in these cases will likely affect most or all of the Debtors. Under these circumstances, filing and

maintaining separate lists under Bankruptcy Rule 1007(a)(4) would result in unnecessary confusion and wasteful duplication of effort and service.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: September 21, 2020



Jacques Nadeau
Chief Treasury Officer
Hematite