

**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 GREENING DONALD CO. LTD.
AND 1548735 ONTARIO LIMITED**

BETWEEN:

AUTOLIV ASP, INC.

Applicant

- and -

GREENING DONALD CO. LTD. AND 1548735 ONTARIO LIMITED

Respondents

**AFFIDAVIT OF DAN LEININGER
(Sworn November 15, 2006)**

I, Dan Leininger, of the City of Layton, in the State of Utah, one of the United States of America, MAKE OATH AND SAY AS FOLLOWS:

I. NATURE OF APPLICATION

1. I am the Director of Airbag Purchasing for Autoliv ASP, Inc. ("Autoliv"), which is by far the largest customer of the Respondent, Greening Donald Co. Ltd. ("Greening Donald"), and a guarantor of certain obligations of the Respondent, 1548735 Ontario Limited ("1548735", collectively with Greening Donald, the "GD Companies"). Unless I indicate to the contrary, the following facts are within my personal knowledge and are true. Where I do not possess such

personal knowledge, I have stated the source of my information and, in all such cases, do verily believe it to be true.

2. This Affidavit is sworn in support of an Application by Autoliv for certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), including the granting of a stay of proceedings and the approval of CCAA financing to help facilitate the restructuring of the GD Companies.
3. The paragraphs below describing the GD Companies, their business operations, capital structure, indebtedness and sales initiatives are based on information disclosed by Greening Donald in its public documents, and in various meetings between Greening Donald, Second City Capital Partners I, Limited Partnership ("Second City") and Autoliv (and their respective professional advisors), and as ascertained by Deloitte & Touche Inc. ("D&T"), which was recently granted access to various information and documents by the GD Companies at the request of Autoliv.
4. 1548735 is a holding company which holds 100% of the shares of Greening Donald.
5. It is my understanding that approximately 87% of the shares of 1548735 are owned, directly or indirectly, by Second City, with the balance owned by members of the management of Greening Donald.
6. Due to Greening Donald's current financial position and the irreparable harm that will be suffered by its stakeholders, including Autoliv, if Greening Donald ceases production, as described below, a court-supervised process incorporating a stay of proceedings is required to allow Greening Donald an opportunity to proceed with restructuring initiatives, and to stabilize its business operations.

II. AUTOLIV AND ITS RELATIONSHIP WITH THE GD COMPANIES

7. The Applicant, Autoliv, is a corporation incorporated under the laws of the State of Indiana, and is in the business of developing, marketing and manufacturing automotive safety products, including airbags, seatbelts, safety electronics, steering wheels, anti-whiplash systems, seat components and child seats. Autoliv directly and through its affiliates (collectively, the "Autoliv Group") carries on business worldwide and has more than 80 manufacturing facilities in 30 different countries.
8. In Canada, the Autoliv Group carries on business through VOA Canada Inc. (which operates a manufacturing, design and engineering facility in Collingwood, Ontario and employs approximately 141 personnel), Autoliv Canada Inc. (which operates a manufacturing, design and engineering facility in Tilbury, Ontario and employs approximately 490 personnel) and Autoliv Electronics Canada Inc. (which operates a manufacturing, design and engineering facility in Markham, Ontario and employs approximately 340 personnel.)
9. The Autoliv Group is by far the largest customer of Greening Donald and represents in excess of 90% of Greening Donald's revenues. The Autoliv Group purchases from Greening Donald certain components which are utilized in airbag inflators and/or modules that are subsequently assembled or manufactured by the Autoliv Group for its customers.
10. In a typical month, of Greening Donald's \$2.3 million of sales, \$2.1 million of those sales are to the Autoliv Group.
11. Greening Donald supplies Autoliv under a supply agreement entered into between the parties as of February 1, 2004, as amended by an amendment made effective as of January 1,

2006 (the "Supply Agreement"). A copy of the Supply Agreement is attached hereto as Exhibit "A".

12. As is typical of long term supply agreements in the automotive industry, the Supply Agreement contemplates that Autoliv will become entitled to price decreases over time. In addition, the Supply Agreement requires that Greening Donald charge prices that are competitive in the marketplace for its products. In 2005, Autoliv, exercising its right to test market, advised Greening Donald that its prices were not competitive and that Autoliv was not willing to continue to pay prices for goods that exceeded the price at which it could source the goods from other competitors. In return for some price concessions sought by Autoliv, Greening Donald required other amendments to the Supply Agreement, including an extension of the term of such agreement from 2006 to 2010. At that time, Autoliv also agreed to accelerate payment terms to "net 15 days". The business terms of the amended Supply Agreement were freely negotiated and agreed upon by the parties.

13. A critical feature of the Autoliv Group's business is "just in time" delivery to its customers, which include nearly every major vehicle manufacturer in the world. If Autoliv does not deliver its products as ordered to its customers "on time", significant operations of these vehicle manufacturers will be delayed and ultimately halted.

14. Greening Donald is currently in breach of the Supply Agreement as, among other things, it does not have at least two weeks of finished stock inventory on hand. Furthermore, to the extent that Greening Donald breaches the Supply Agreement by failing to supply products to Autoliv, Autoliv will incur significant penalties and damages for failure to meet its customers' targets in an amount likely in excess of US\$1 million per day. Therefore, a protracted shut down

of Greening Donald's operations would result in multi-million dollar damages to Autoliv and to its many customers in the supply chain.

15. Autoliv used to own the business that is now run by Greening Donald. Approximately 6 years ago, Autoliv sold the assets of the business and, sometime thereafter, a company controlled by Thyssen Krupp Budd Company (which became 1555208 Ontario Inc. ("1555208")) purchased the business. 1555208, in turn, in early 2004, sold the business to the Respondent, 1548735. In order to assist in accommodating the sale to 1548735, Autoliv, as the major customer of the business, guaranteed up to \$1 million of the indebtedness of 1548735 to 1555208 in respect of a \$5 million vendor-take-back promissory note (the "VTB Note") under a guarantee dated February 1, 2004 (the "Guarantee"). A copy of the Guarantee is attached hereto as Exhibit "B".

16. Given the foregoing, Autoliv, as a contingent creditor of Greening Donald in respect of the Supply Agreement and of 1548735 by way of subrogation rights in respect of the Guarantee (not to mention its position as the largest customer of Greening Donald), is a major stakeholder of the GD Companies and is extremely interested in their affairs.

III. THE BUSINESS OF THE GD COMPANIES

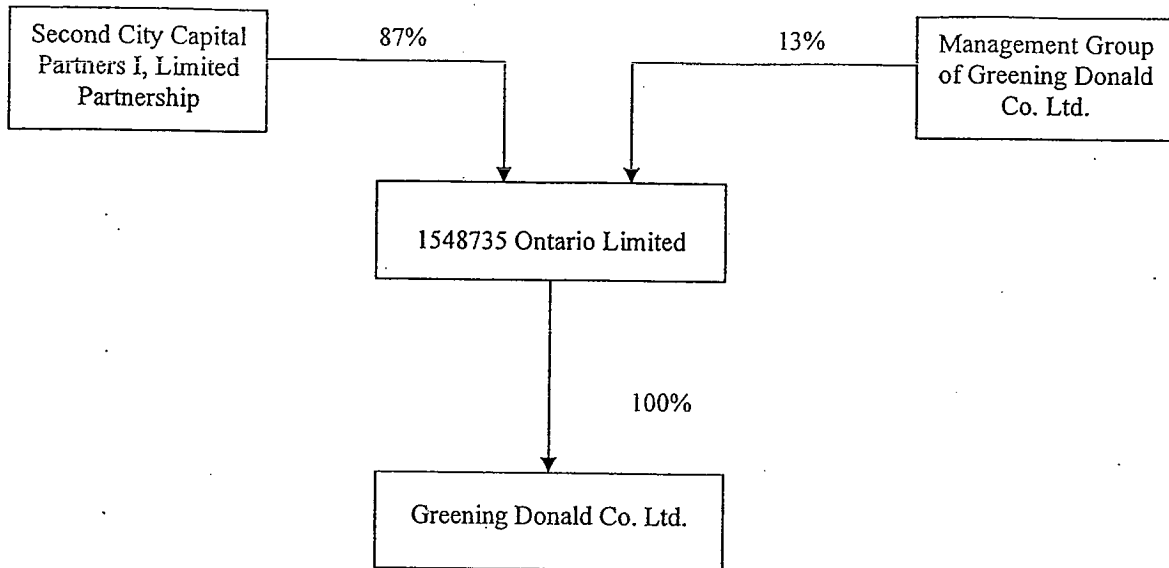
17. The Respondent, Greening Donald, is a corporation incorporated under the laws of the Province of Ontario, and is in the business of manufacturing automotive airbag filtration products. Greening Donald carries on business in North America, Europe and Asia and its head office is located in Orangeville, Ontario.

18. Greening Donald has a manufacturing, design and engineering facility located in Orangeville, Ontario and, in August 2005, engaged an international contractor to produce and assemble a number of products and components in Saltillo, Mexico.

19. Greening Donald is a critical supplier of the majority of airbag filtration systems and components to Autoliv. Like Autoliv, a critical feature of Greening Donald's business is "just in time" delivery to its customers such that if a component part is not delivered as ordered to customers "on time", Greening Donald may incur significant penalties and damages for failure to meet its customers' targets.

20. Greening Donald currently employs approximately 150 personnel at its facility in Orangeville, Ontario. Approximately 100 of these employees are unionized and represented by the United Steelworkers union ("USW").

21. As outlined above, it is my understanding that Greening Donald is a wholly-owned subsidiary of 1548735, which is, in turn, owned, directly or indirectly, by Second City and certain individuals who comprise the management of Greening Donald, which hold approximately 87% and 13%, respectively, of all of the issued and outstanding shares of 1548735. Below is a diagram of my understanding of the corporate structure of the GD Companies:



IV. INDEBTEDNESS OF GREENING DONALD

22. In 2004, Royal Bank of Canada (“RBC”) provided certain credit facilities to Greening Donald (the “RBC Facilities”), which are secured by charges on all of Greening Donald’s personal property in Ontario under a general security agreement. Recently, RBC also provided equipment specific financing to Greening Donald. As of November 8, 2006, Greening Donald was indebted to RBC for approximately \$2.5 million under these facilities.

23. A copy of *Personal Property Security Act* (Ontario) (the “PPSA”) search results current to November 9, 2006 in respect of Greening Donald is attached hereto as Exhibit “C”, and current to October 29, 2006 in respect of 1548735 is attached hereto as Exhibit “D”.

24. In reviewing the PPSA search results noted above, it appears that 1555208, in addition to obtaining security as against the assets of the holding company, 1548735 (likely in respect of the VTB Note), also obtained security as against the assets of the operating company Greening Donald (likely in respect of a guarantee of 1548735’s obligation under the VTB Note).

25. \$5.4 million (inclusive of accrued interest) remains owing under the VTB Note.
26. A copy of a search against the real property municipally known as 16 Commerce Road, Orangeville, Ontario, L9W 2X7 (the "Orangeville Property"), current to November 14, 2006 is attached hereto as Exhibit "E". Greening Donald is the registered owner of the Orangeville Property. RBC registered a charge against the Orangeville Property on November 9, 2006.
27. As of November 13, 2006, Greening Donald owed its unsecured creditors approximately \$1.4 million.
28. Attached hereto as Exhibit "F" are the financial statements for the GD Companies as of December 31, 2005.

V. FINANCIAL DIFFICULTIES AND RECENT DEVELOPMENTS

29. The financial condition of Greening Donald has deteriorated over the past year and appears to be continuing to erode.
30. Recently, Greening Donald's business has been adversely impacted by, among other things: (a) macro-economic forces, including competition from low-cost Mexican and overseas manufacturers; (b) the appreciation in the value of the Canadian dollar versus the U.S. dollar; and (c) unexpected transition and start-up problems with its Mexican contract operations.
31. For the first nine months of 2006, Greening Donald has suffered losses in excess of \$2.5 million.
32. Greening Donald has reduced its workforce in Canada over the last 18 months from approximately 350 employees to approximately 150 employees.

33. The collective bargaining agreement affecting the unionized employees at the Orangeville manufacturing facility expired in July 2006. Greening Donald advises that it has been in discussions with the USW since that time, although a settlement has yet to be reached.

34. At the request of Greening Donald, Autoliv, commencing on or about October 13, 2006, accelerated its payments for products to Greening Donald in an attempt to assist Greening Donald in attempting to maintain sufficient working capital and liquidity. This acceleration, coupled with previous payment term accommodations, amounts effectively, to a working capital injection of approximately \$1 million by Autoliv into Greening Donald.

35. Unfortunately, Greening Donald continues to experience significant financial problems such that it is now imminent that it will not have sufficient funds to operate.

36. Attached hereto as Exhibit "G" is a 30-day cash flow forecast provided to Autoliv by Greening Donald on or about November 8, 2006. This cash flow forecast makes it clear that Greening Donald will run out of necessary funds by November 23, 2006.

37. Greening Donald defaulted on an interest payment due under the VTB Note on October 31, 2006 and will not be in a position to make a principal repayment of \$0.7 million under the VTB Note due on January 31, 2007.

38. In addition, Greening Donald has two pension plans in place: a defined contribution plan for non-unionized workers and a defined benefit plan for unionized workers.

39. Based on an actuarial valuation dated September 28, 2006, the defined benefit plan was determined to be in a deficit position of \$1,069,000 as of December 31, 2005 based on a solvency valuation. As such, Greening Donald is to contribute an additional solvency

contribution of \$230,000 on or before November 27, 2006 and thereafter make four additional annual solvency contributions of \$238,600.

40. As evidenced by the 30-day cash flow forecasts provided by Greening Donald to Autoliv, Greening Donald will not be in a position to make the November 27, 2006 statutory contribution to the defined benefit pension plan as required.

41. Greening Donald has advised Autoliv that RBC will not make further funds available to Greening Donald and that the equity holders of the GD Companies are not willing to inject additional funds. As discussed below, the GD Companies have instead requested that Autoliv provide necessary funding on an unsecured basis above and beyond the already significant accommodations made by Autoliv via its acceleration of payments.

VI. RECENT DISCUSSIONS BETWEEN GREENING DONALD AND AUTOLIV

42. Autoliv, as a key economic stakeholder of Greening Donald, has engaged in discussions with Greening Donald and Second City, its indirect majority shareholder, regarding potential restructuring and strategic alternatives.

43. The GD Companies have advised Autoliv that they are insolvent and cannot continue to pay liabilities as they generally become due, which liabilities are in excess of \$5,000,000.

44. Greening Donald has also advised Autoliv that it has no further committed financing for its ongoing operations and that it will have to cease its business operations in the upcoming few days.

45. Despite Greening Donald's insolvency, its Chairman and director, Christopher Wallace, also Managing Partner of Second City (the indirect major shareholder of Greening Donald), has

only put forward "restructuring proposals" to Autoliv which include all of : (a) Autoliv injecting fresh funds into Greening Donald by funding all losses of Greening Donald going forward on an unsecured basis; (b) an indemnity to the directors of Greening Donald for claims against them (save and except only claims arising out of their negligence), irrespective of when incurred; and (c) a \$3 million payment to the equity holders of Greening Donald. Autoliv has rejected these "restructuring proposals" as it believes that the terms proposed are inappropriate under the circumstances and also oppressive.

46. These "restructuring proposals" advanced by Greening Donald's majority shareholder ignore the interests of the creditors of Greening Donald and the priorities of payment in the circumstances, and call into question the fiduciary obligations owed by Mr. Wallace as an officer and director of Greening Donald.

47. These "restructuring proposals" are simply an attempt by Greening Donald's majority stakeholder, wearing its hat as an officer and director of Greening Donald, to attempt to lever Autoliv (knowing the importance of uninterrupted supply to Autoliv,) to pay equity holders \$3 million for equity in priority to other creditors and for equity which was acquired for \$2.3 million, and which now appears likely to be worthless if Greening Donald were to cease operations and liquidate its assets.

48. Mr. Wallace has indicated to me that absent an acceptance by Autoliv of such a "restructuring proposal", Greening Donald will cease operations. Mr. Wallace has also indicated that Greening Donald is not interested in receiving CCAA financing to assist the company while it pursues restructuring options, including a potential sale, preferring rather to shut down the business.

49. The most recent "restructuring proposal" advanced by Mr. Wallace to Autoliv is attached hereto as Exhibit "H".

VII. RECENT EFFORTS OF GREENING DONALD TO MARKET ITS BUSINESS

50. The GD Companies have opened discussions with a couple of potentially interested third parties regarding a sale of their business.

51. In light of the magnitude of revenue of Greening Donald that is represented by Autoliv, it is to be expected that any potential purchaser will want to talk to Autoliv and most, I expect, will want an assurance of revenue by way of a revised long term supply agreement. However, the negotiation of any such arrangement will take weeks or months and certainly will not occur prior to Greening Donald running out of cash on November 23, 2006.

52. With the consent of Greening Donald, I did have a preliminary discussion with a prospective bidder of its business. The potential purchaser did seek to have Autoliv agree to guarantee payment of substantial future expenses on behalf of Greening Donald. There is currently no agreement between Autoliv and the potential bidder and one is not possible before November 23, 2006.

VIII. NEED FOR A COURT-SUPERVISED PROCESS

53. In the circumstances, Autoliv is of the view that a court-supervised process is required. It does not appear as though Greening Donald (or, at the very least, its majority equity holder) has the best interests of all stakeholders in mind in rejecting the notion of a CCAA proceeding including the provision of necessary CCAA financing. Autoliv is ready, willing and able to provide the necessary CCAA funding to Greening Donald. A CCAA proceeding with necessary debtor-in-possession funding provided by Autoliv would enable Greening Donald to continue

operations, keep jobs for its employees, keep a customer for its suppliers, and keep supplying Autoliv and others in a just-in-time auto industry which is already facing serious challenges, while Greening Donald pursues restructuring alternatives, including a potential sale.

54. Autoliv is of the view that a court-supervised process is essential to create a stable environment for Greening Donald's customers (including Autoliv), suppliers and employees, and to allow Greening Donald to attempt to explore restructuring options for the benefit of all of its stakeholders.

A. IRREPARABLE HARM

55. As described above, a cessation of production by Greening Donald would cause irreparable harm as Greening Donald is the critical supplier of the component parts that it produces for Autoliv, which in turn Autoliv uses in manufacturing parts for the original equipment manufacturers ("OEMs"), thereby adding risk and damages throughout the OEM supply chain in North America and abroad. Of note, in Ontario, at least three OEM facilities would likely experience assembly line shut-downs as a result of a stoppage of supply from Greening Donald to Autoliv. Such a stoppage would result in Autoliv being exposed to not only in excess of US\$1 million in penalties and damages per day, but also exponentially larger losses and damages throughout the supply chain in North America.

56. It is critical that Greening Donald seek protection under the CCAA to ensure that production by Greening Donald for Autoliv and its other customers is not interrupted and the OEM supply chain is not stressed further.

B. PRESERVATION OF VALUE

57. Greening Donald has not taken the appropriate and responsible steps to seek protection under the CCAA nor to seek CCAA financing. In these circumstances, Autoliv is of the view that a court-supervised process will preserve value for all of Greening Donald's stakeholders.

58. Autoliv seeks the assistance of this Honourable Court to ensure that Greening Donald's restructuring efforts will be focused on maximizing value for all of its stakeholders.

59. Autoliv also seeks the assistance of this Honourable Court to ensure that efforts focussing on maximizing value for all stakeholders of Greening Donald respect the legal priorities among such stakeholders.

C. NEED FOR A STAY OF PROCEEDINGS

60. A stay of proceedings is essential for creating the stable environment required to allow for the continued operation of Greening Donald's business while it addresses its financial difficulties. Stability is also necessary to facilitate on-going customer, supplier and employee support, which are central to a successful restructuring, including a sale. Furthermore, a stay will preserve the *status quo*, and protect the rights of all creditors and stakeholders pending the development of a restructuring strategy.

D. NEED FOR SUPER-PRIORITY CCAA FINANCING

61. To address Greening Donald's short-term operational and working capital requirements, Autoliv is ready, willing and able to provide CCAA financing to Greening Donald on a priority, secured basis in the context of CCAA proceedings, on substantially those terms outlined in the form of the DIP commitment letter attached as Exhibit "I" hereto (the "DIP Facility").

62. Autoliv is seeking the implementation of the DIP Facility as part of the granting of the Initial Order in the within proceedings.

63. The DIP Facility provides funding in the maximum amount of \$2 million at a prime rate of interest with no fees or penalties.

64. I am advised by D&T, which was provided access to certain books and records of the GD Companies at Autoliv's request, and is the proposed monitor hereunder, that the DIP Facility is not only commercially reasonable, but is in fact more favourable to Greening Donald than other available financing options.

65. D&T, following its review of books and records of the GD Companies and of Greening Donald's 30-day cash flow and following discussions with management and advisors of the GD Companies, has prepared a 5-week CCAA cash flow for Greening Donald, a copy of which is attached hereto as Exhibit "J" (the "5-Week CCAA Cash Flow").

66. The 5-Week CCAA Cash Flow indicates a cash need of approximately \$500,000 over the next five weeks.

67. It is contemplated that once the GD Companies obtain protection under the CCAA and the DIP Facility is approved, the proposed monitor, with the assistance of Greening Donald, will develop further cash flow statements to demonstrate the need and use of funding.

IX. PLAN GOING FORWARD

68. It is contemplated that once the GD Companies obtain protection under CCAA, the monitor will spend time with the GD Companies in developing and pursuing restructuring options.

69. It is anticipated that a dual track process will be pursued which will include, on the one hand, evaluating a financial/operational restructuring of Greening Donald and, on the other, a sale of the business of Greening Donald.

70. It is anticipated that the Monitor will return to this Honourable Court and seek approval of a sales process which, if approved by this Honourable Court, the Monitor would then implement.

71. Autoliv is of the view that the granting of the requested Order provides Greening Donald an opportunity to proceed down this dual track process for the benefit of all stakeholders.

X. PROPOSED MONITOR ARRANGEMENTS

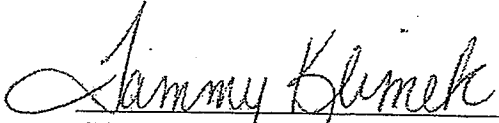
72. The monitor that Autoliv proposes the Court appoint as required by the CCAA is D&T. As discussed above, D&T has been involved with the recent restructuring efforts of the GD Companies and, through such involvement, has gained knowledge of the GD Companies and their operations.

XI. CONCLUSION


73. Autoliv believes that a better and more equitable result for all stakeholders of the GD Companies will be achieved through a restructuring (including a potential sales scenario) under the CCAA than would be the case under other alternatives. The order sought by Autoliv is better for employees, suppliers, customers, creditors and generally all stakeholders of the GD Companies as compared to an immediate shutdown scenario. The order sought also protects Autoliv and other customers and OEMs from suffering irreparable harm and will provide the necessary time and opportunity for the GD Companies to explore restructuring options, including a potential sale.

74. I swear this Affidavit in support of the subject Application and for no improper purpose.

SWORN before me at Auburn Hills,
in the State of Michigan, on
November 15, 2006.



Notary Public



Dan Leininger

GOODMANS\5375868.3

TAMMY KLIMEK
Notary Public, State of Michigan
County of Oakland
My Commission Expires Oct. 06, 2012
Acting in the County of AVLND