

### Tab 3

**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 RENIN CORP., RENIN CORP. US and KINGSTAR PRODUCTS (WESTERN) INC.

**AFFIDAVIT OF STEVEN M. FRIEDMAN  
(sworn December 8, 2011)**

I, Steven M. Friedman, of the City of New York, in the State of New York, **MAKE OATH AND SAY AS FOLLOWS:**

**Introduction**

1. I am the Director of Eco Master Fund Limited ("**EOS**"). Accordingly, I have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This affidavit is sworn in support of an application by Renin Corp. ("**Renin**"), Renin Corp. US ("**Renin US**") and Kingstar Products (Western) Inc. ("**Kingstar**" and collectively with Renin and Renin US, the "**Applicants**" or the "**Renin Group**") for protection from their respective creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and implementation of the Plan as proposed in the affidavit of Kevin Campbell, sworn December 8, 2011 (the "**Campbell Affidavit**").
3. All capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Campbell Affidavit.

4. EOS is a fund managed by ECO Management, L.P. of New York, New York. ECO Management, L.P. invests in a wide variety of credit-oriented assets across several geographic markets. ECO Management L.P.'s investments are primarily comprised of bonds and bank debt, both performing and non-performing or defaulted, as well as trade claims, preferred securities and related equities in various reorganization situations.

5. EOS has been a lender under the 2<sup>nd</sup> Lien Loans since 2008. In the past, EOS has engaged, along side Fortelus, to attempt to restructure the 2<sup>nd</sup> Lien Loans.

6. Based upon its area of business and its position as a 2<sup>nd</sup> Lien Lender to the Applicants, EOS is uniquely positioned to be able to evaluate the potential value of the assets of the Applicants and the best return available to the 2<sup>nd</sup> Lien Lenders.

7. EOS operates at arm's length with the Applicants.

8. As of November 30, 2011, EOS was owed \$10,837,638.18 under the 2<sup>nd</sup> Lien Loans.

9. In May of 2011, a restructuring proposal for the 2<sup>nd</sup> Lien Loans was presented to the 2<sup>nd</sup> Lien Lenders which would have resulted in a debt-for-equity conversion.

10. Three of the five 2<sup>nd</sup> Lien Lenders were supportive of a debt-for-equity conversion. For its part, EOS preferred a continuation of the PIK Interest Arrangements because it was the least costly and most time efficient solution and because EOS wanted to retain its contractual debt relationship with the Applicants in contrast to minority equity ownership.

11. I understand that Fortelus would only support a restructuring proposal that involved a sales process. EOS would not support a sales process, either in May of 2011 or currently, for the following reasons:

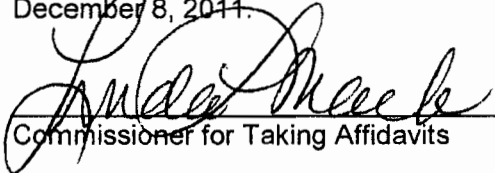
- (a) EOS understands from the Applicants' reports to the 2<sup>nd</sup> Lien Lenders that as of October 2011 the GE loans accounted for over \$10 million of debt and the 2<sup>nd</sup> Lien Loans accounted for well over \$50 million of debt. EOS understands from those same reports that EBITDA of the Applicants over the course of the 12 month period ending in October of 2011 was negative \$481,282 (even adjusted to remove certain non-operating costs, EBITDA was only in the range of \$800,000). Based upon these figures and EOS' view of the EBITDA multiples reflected in other sales of businesses similar to the Applicants', EOS

does not believe that a sale of the Applicants' assets would generate sufficient value to allow for a payment in full of amounts owed to the 2<sup>nd</sup> Lien Lenders, whether on a going concern basis or in a liquidation.

- ~~(b) EOS does not believe that any strategic acquirers for the Applicants' assets are available, particularly in the current economic climate.~~
- (c) In a liquidation scenario, EOS believes that negligible recoveries would be available to the 2<sup>nd</sup> Lien Lenders, who stand behind GE in priority to recoveries from all assets of the Applicants with the exception of fixed assets, believed to have a liquidation value of less than \$3 million according to the Appraisal, and the Excluded Cash in the amount of approximately \$2.7 million.
- (d) EOS is concerned that a sales process of any significant length would result in the complete depletion of any remaining liquidity that the Applicants have, particularly since no third party has agreed to fund such process. If a sales process were not successful before the Applicants' liquidity was fully depleted, the only available alternative would be bankruptcy, which is an eventuality that EOS would like to avoid.

12. By contrast, EOS will support the Restructuring Proposal. The Restructuring Proposal provides EOS with the opportunity to benefit from any future improvements of the Applicants' businesses during future profitable business cycles that would arise if the building products market were to rebound. The extensions of the maturity date of the 2<sup>nd</sup> Lien Loans and the continuation of pay-in-kind interest is intended to provide the Applicants with sufficient runway to continue operations until the next profitable business cycle.

SWORN BEFORE ME at the City of New York, in the State of New York, on December 8, 2011.

  
 Commissioner for Taking Affidavits

LINDA L. MACK  
 Notary Public, State of New York  
 No. 01MA5061961  
 Qualified in New York County  
 Commission Expires July 20, 2014



Steven M. Friedman

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Court File No: CV-11-9509-00CL

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SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF STEVEN M. FRIEDMAN  
(SWORN DECEMBER 8, 2011)**

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and Kingstar Products (Western) Inc.