

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 BURLINGTON TECHNOLOGIES INC.**

MOTION RECORD

(Motion returnable January 30, 2009)

January 27, 2008

FRASER MILNER CASGRAIN LLP

1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2

R. Shayne Kukulowicz

LSUC No. 30729S
Telephone: 416 863-4740
Facsimile: 416 863-4592
E-Mail: shayne.kukulowicz@fmc-law.com

Jane O. Dietrich

LSUC No. 49302U
Telephone: 416 863-4467
Facsimile: 416 863-4592
E-Mail: jane.dietrich@fmc-law.com

Lawyers for the Applicant

TO: SERVICE LIST

SERVICE LIST

TO: ALVAREZ & MARSAL CANADA ULC
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2000
Toronto, Ontario
M5J 2J1

John J. Walker
Senior Director
Tel.: (416) 847-5152
Fax: (416) 847-5201
Email: jwalker@alvarezandmarsal.com

Chief Restructuring Officer of the Applicant

AND TO: AIRD & BERLIS LLP
Brookfield Place
1800-181 Bay Street
Toronto, Ontario
M5J 2T9

Steven L. Graff
Tel.: (416) 865-7726
Fax: 416-863-1515
Email sgraff@airdberlis.com

Sandra Vitorovich
Tel.: 416-865-7722
Fax: 416-863-1515
Email: svitorovich@airdberlis.com

Lawyers for BDO Dunwoody Limited in its capacity as Court-Appointed Monitor

AND TO: BDO DUNWOODY LIMITED
123 Front Street West
Suite 1200
Toronto, Ontario
M5J 2M2

Uwe Manski, FCA, FCIRP
President
Tel: (416) 369-3072
Fax: (416) 865-0904
Email umanski@bdo.ca

Court-Appointed Monitor

AND TO: GOWLING LAFLEUR HENDERSON LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario
M5X 1G5

Clifton P. Prophet
Tel.: (416) 862-3509
Fax: 416-862-7661
Email: clifton.prophet@gowlings.com

Lilly A. Wong
Tel.: (416) 369-4630
Fax: 416-862-7661
Email: lilly.wong@gowlings.com

Dom Glavota
Tel.: (416) 862-3607
Fax: 416-862-7661
Email: dom.glavota@gowlings.com

Lawyers for Royal Bank of Canada

AND TO: CHAITONS LLP
185 Sheppard Avenue West
Toronto, Ontario
M2N 1M9

Harvey G. Chaiton
Tel.: (416) 222-8888
Fax: 416-222-8402
Email: harvey@chaitons.com

George Benchetrit
Tel: 416-222-8888
Fax: 416-222-8402
Email: george@chaitons.com

Lawyers for Export Development Canada

AND TO: COX & PALMER
1100 Purdy's Wharf, Tower One
1959 Upper Water Street
PO Box 2380 Central
Halifax, NS
B3J 3E5

Gavin D.F. MacDonald
Tel.: (902) 491-4464
Fax: 902 421 3130
Email: gmacdonald@coxandpalmer.com

Lawyers for Maple Trade Finance Inc.

AND TO: MILLER CANFIELD PADDOCK & STONE LLP
300-443 Quелlette Avenue
P.O. Box 1390, Stn. A
Windsor, Ontario
N9A 6R4

John Leslie
Tel.: 519-977-1555
Fax: 647-259-6288
Email Leslie@MillerCanfield.com

Lawyers for Ford Motor Company

AND TO: THORNTONGROUTFINNIGAN LLP
Suite 3200, Canadian Pacific Tower
100 Wellington Street West
Toronto-Dominion Centre
Toronto, Ontario
M5K 1K7

James H Grout
Tel.: 416-304-0557
Fax: 416-304-1313
Email: jgrout@tgf.ca

Lawyers for General Motors Corporation

AND TO: HONIGMAN MILLER SCHWARTZ AND COHN LLP
2290 First National Building
660 Woodward
Detroit, MI 48226
U.S.A.

Donald F. Baty, Jr.
Tel.: (313) 465-7314
Fax: 313-465-7315
Email: DBaty@honigman.com

Marcia Boyce
Tel.: 313-465-7330
Fax: 313-465-7315
Email: MBennettBoyce@honigman.com

Lawyers for General Motors Corporation

AND TO: BENDIX COMMERCIAL VEHICLE SYSTEMS LLC
901 Cleveland Street
Elyria, OH 44035
U.S.A.

Scott A. Wolf
Associate General Counsel
Tel.: 440-329-9380
Fax: (440)329-9265
Email: scott.wolf@bendix.com

**AND TO: NATIONAL AUTOMOBILE, AEROSPACE, TRANSPORTATION AND
GENERAL WORKERS UNION OF CANADA (CAW-CANADA)**
205 Placer Court
Toronto, Ontario
M2H 3H9

Barry E. Wadsworth
Associate Counsel
Tel.: 416-495-3776
Fax: 416-495-3786
Email: barry.wadsworth@caw.ca

AND TO: CAW UNION LOCAL 397
Steve Farkas
Douglas Aitchison
Email: farkas@caw.ca; douglasaitchison@hotmail.com

AND TO: CAW UNION LOCAL 504
Jim Mitchell
Email: jimm@caw.ca

AND TO: EVANS LAW FIRM PROFESSIONAL CORPORATION
5500 North Service Road
Suite 209
Burlington, Ontario
L7L 6W6

John R. Evans
Tel.: 905-331-7555
Fax: 905-331-0605
Email: jevans@evanslawfirm.ca

Lawyers for John Albanese, James Anderson, Rich Andres, Peter Barsby, Fred Burnett, Louis D'Souza, Eugene Dupuis, Peter Ferretti, Ronald Hoyle, Eric Klaassen, Vlado Maravech, Mark Saxton, Geoff Stein, Rodney Whitson, Brett Wilmer and John Wilson

AND TO: CASSELS BROCK & BLACKWELL LLP
21 Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3C2

Frank Spizzirri
Tel: (416) 869-5798
Fax: (416) 640-3168
Email: fspizzirri@casselsbrock.com

Lawyers for Bendix Commercial Vehicle Systems LLC

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TAB 1

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 BURLINGTON TECHNOLOGIES INC.**

**NOTICE OF MOTION
(Returnable January 30, 2009)**

Burlington Technologies Inc. (the “**Applicant**”) will make a motion to a Judge presiding over the Commercial List, on Friday the 30th day of January, 2009, at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The Motion is to be heard orally.

THE MOTION IS FOR an order in the form attached as Schedule “A”, hereto (the “**Draft Order**”) *inter alia*:

1. Abridging and validating the timing and method of service of this Motion Record so that this Motion is properly returnable;
2. Further extending the Stay Period, as defined by the Order of the Honourable Mr. Justice Campbell in these proceedings made on December 9, 2008 (the “**Initial Order**”), and as initially extended by the Honourable Mr. Justice Campbell by order of the Court on January 8, 2009 to January 30, 2009, until March 16, 2009;
3. Approving the Second Report to Court of BDO Dunwoody Limited (the “**Monitor**”) dated January 27, 2009 (the “**Second Report**”) and the actions of the Monitor as set out therein;
4. Approving the Second DIP Loan Amendment Agreement dated January 27, 2009, amending the DIP Loan Agreement (as defined in the Initial Order) (the “**Second DIP Loan Amendment Agreement**”) which, among other things:
 - (i) increases the maximum limit of borrowings under the DIP Facility (as defined in the Initial Order) from \$1,500,000 to \$2,500,000;
 - (ii) extends the term of the DIP Loan agreement to March 16, 2009 (subject to certain events of default);
 - (iii) provides that to the extent that the margin position of the Applicant falls below the projected margin calculation as set out in the revised cash flows, attached to the Second Report, the Applicant shall repay pre-filing amounts owing by BTI to RBC by an amount equal to such margin deficiency (and may use amounts available under the DIP Facility to do so); and

(iv) that all amounts received by the Applicant:

- (1) as net proceeds from the sale of the Redundant Assets (as defined in the Second Report); and
- (2) as payments received from Ford Motor Company (or any of its affiliates) in connection with the Applicant's equipment cancellation claim relating to the 14 Engine IS7G-8K556-AJ/3S4G-8K556-AB/4M5G-8K556-EB shall, at the option of RBC,

be paid by the Applicant to RBC in reduction of pre-filing amounts owing by BTI to RBC pursuant to a credit agreement dated January 11, 2008, as amended, between BTI and RBC.

2. Such further and other relief as this Honourable Court may deem to be just.

THE GROUNDS FOR THE MOTION ARE:

1. The Applicant obtained protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c.C-36 (the "CCAA"), as amended pursuant to the Initial Order;

2. The facts as set out in the Second Report and the affidavit of Erwin Overmeyer, sworn January 27, 2009 (the "**Overmeyer Affidavit**");

3. The Applicant has acted and is continuing to act in good faith and with due diligence;

4. The provisions of the CCAA;

5. Rules 2.03, 3.02 and 16 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194;
and

6. Such further and other grounds as counsel may advise and this Honourable Court permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE TIME OF THE HEARING OF THE MOTION:

1. The Second Report;
2. The Overmeyer Affidavit; and
3. Such further and other evidence as counsel may advise and this Honourable Court may admit.

January 27, 2009

FRASER MILNER CASGRAIN LLP
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2

R. Shayne Kukulowicz

LSUC No. 30729S
Telephone: 416 863-4740
Facsimile: 416 863-4592
E-Mail: shayne.kukulowicz@fmc-law.com

Jane O. Dietrich

LSUC No. 49302U
Telephone: 416 863-4467
Facsimile: 416 863-4592
E-Mail: jane.dietrich@fmc-law.com

Lawyers for the Applicant

To: SERVICE LIST

Court File No: 08-CL-7888-00-CL
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 BURLINGTON TECHNOLOGIES INC.

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION
(returnable January 30, 2009)

FRASER MILNER CASGRAIN LLP
1 First Canadian Place
100 King Street West,
Toronto, Ontario
M5X 1B2

Lawyer: R. Shayne Kukulowicz / Jane Dietrich
LSUC: 30729S / 49302U
Email: shayne.kukulowicz@fmc-law.com /
jane.dietrich@fmc-law.com
Telephone: 416 863-4740 / 416-863-4467
Facsimile: 416 863-4592

*Lawyers for the Applicant Burlington
Technologies Inc.*

TAB A

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ◇) FRIDAY, THE 30TH DAY OF
◇)
◇) JANUARY, 2009

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 BURLINGTON TECHNOLOGIES INC.

ORDER

THIS MOTION, made by Burlington Technologies Inc. (the "**Applicant**"), for an order in the form attached as schedule "A" to the notice of motion of the Applicant dated January 27, 2009 (the "**Notice of Motion**") *inter alia*: (i) abridging and validating the timing and method of service of this Motion Record so that this Motion is properly returnable; (ii) further extending the Stay Period, as defined by the Order of the Honourable Mr. Justice Campbell in these proceedings made on December 9, 2008 (the "**Initial Order**") until March 16, 2009; (iii) approving the Second Report to Court of BDO Dunwoody Limited the Monitor dated January 27, 2009 (the "**Second Report**") and the activities of the Monitor as set out therein; and (iv) approving the DIP Loan Amending Agreement dated January 27, 2009, amending the DIP Loan Agreement (as defined in the Initial Order) (the "**Second DIP Loan Amendment Agreement**"); was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report and the affidavit of Erwin Overmeyer, sworn January 27, 2009 and on hearing the submissions of counsel for the Applicant, Royal Bank of Canada and the Monitor, no one else appearing although duly served as appears from the affidavit of service of \diamond sworn January \diamond , 2009;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF STAY OF PROCEEDINGS

2. **THIS COURT ORDERS** that the terms of the Initial Order including, without limitation, the "Stay Period" as defined in paragraph 15 to the Initial Order, be and are hereby extended to March 16, 2009, subject to the terms of this Order.

APPROVAL OF MONITOR'S REPORT

3. **THIS COURT ORDERS** that the Second Report and the activities of the Monitor as set out therein, be and are hereby approved.

APPROVAL DIP LOAN AMENDMENT AGREEMENT

4. **THIS COURT ORDERS** that the Second DIP Loan Amendment Agreement, substantially in the form attached to the Second Report, be and is hereby approved and that the maximum amount of the borrowings under the DIP Facility (as defined in the Initial Order) be and is hereby increased from \$1,500,000 to \$2,500,000.

5. **THIS COURT ORDERS** that to the extent that the margin position of the Applicant falls below the projected margin calculation as set out in the Second Updated Projected Cash Flow, the Applicant shall repay pre-filing amounts owing by BTI to RBC by an amount equal to such margin deficiency (and may use amounts available under the DIP Facility to do so).

6. **THIS COURT ORDERS** that all amounts received by the Applicant:

- (a) as net proceeds from the sale of the Redundant Assets (as defined in the Second Report); and
- (b) payments received from Ford Motor Company (or any of its affiliates) in connection with the Applicant's equipment cancellation claim relating to the 14 Engine IS7G-8K556-AJ/3S4G-8K556-AB/4M5G-8K556-EB shall, at the option of RBC,

be paid by the Applicant to RBC in reduction of pre-filing amounts owing by BTI to RBC pursuant to a credit agreement dated January 11, 2008, as amended, between BTI and RBC.

Court File No: 08-CL-7888-00-CL
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 BURLINGTON TECHNOLOGIES INC.

ONTARIO

SUPERIOR COURT OF JUSTICE

**PROCEEDING COMMENCED AT
TORONTO**

ORDER

FRASER MILNER CASGRAIN LLP

1 First Canadian Place
100 King Street West,
Toronto, Ontario
M5X 1B2

Lawyer: R. Shayne Kukulowicz / Jane Dietrich
LSUC: 30729S / 49302U
Email: shayne.kukulowicz@fmc-law.com /
jane.dietrich@fmc-law.com
Telephone: 416 863-4740 / 416-863-4467
Facsimile: 416 863-4592

*Lawyers for the Applicant Burlington
Technologies Inc.*

TAB 2

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 BURLINGTON TECHNOLOGIES INC.**

AFFIDAVIT OF ERWIN A. OVERMEYER
(Sworn January 27, 2009)

I, **ERWIN A. OVERMEYER**, of the City of St. Catharines, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the Chief Financial Officer of Burlington Technologies Inc. ("**BTI**" or the "**Company**"), a position I have held for the last seven months and, as such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not possess such personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, do verily believe it to be true.
2. Unless otherwise defined herein, all capitalized terms shall have the meaning as set out in the Initial Order (as defined below).
3. This affidavit is sworn in support of a motion by BTI for an extension of the Stay Period and related relief.

OVERVIEW

4. On December 9, 2009, BTI obtained an order (the “**Initial Order**”) for protection pursuant to the provisions of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
5. On January 8, 2009, BTI obtained an order, which among other things, extended the stay of proceedings contained in the Initial Order until January 30, 2009.
6. Since the granting of the Initial Order, the Company, with the assistance of John Walker of Alvarez & Marsal Canada ULC (the “**CRO**”) and the Court-appointed monitor, BDO Dunwoody Limited (the “**Monitor**”), has had constructive negotiations with its primary stakeholders including Royal Bank of Canada (“**RBC**”), Export Development Canada, Maple Trade Finance Inc., various suppliers and major customers.
7. Details of the arrangements, negotiations and financial status of BTI are set out in the Monitor’s Second Report to the Court (the “**Second Report**”). I have reviewed a draft of the Second Report and agree with and adopt the statements of the Monitor.

FINANCIAL AND OPERATIONAL STATUS

8. As described in my affidavit sworn on January 5, 2009 (the “**First Extension Affidavit**”), following the date of the Initial Order, BTI has taken steps to consolidate operations of two of its divisions in order to reduce overhead costs with the ultimate goal of returning BTI to a cash flow positive position. A copy of the First Extension Affidavit is attached hereto as Exhibit “A”.
9. The movement of equipment discussed in the First Extension Affidavit was substantially completed on January 16, 2009. The customer approvals of relocated parts manufacturing have started and will substantially be complete by March 15, 2009.
10. Due to the general slow down in the automotive industry over December and January, production at BTI has been below previously forecast levels. As a consequence of the reduction in future forecast production, on January 19, 2009 BTI temporarily laid off

approximately 25 employees. This temporary layoff is expected to last approximately three weeks.

11. BTI has also had various meetings with its employees and with union representatives to discuss the Company's restructuring plans.

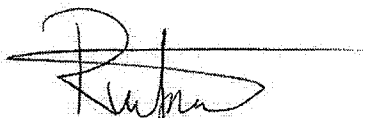
STATUS OF THE RESTRUCTURING

12. BTI has also been in discussions with its major customers including, Ford Motor Company, General Motors, Bendix Commercial Vehicle Systems LLC, TRW Automotive Inc., Gates Canada Inc., Schaeffler Canada Inc., Getrag Corporation with a view to entering into arrangements with each of these parties which will allow BTI to operate in the ordinary course as the restructuring proceeds. These discussions are on-going.
13. BTI has also had various discussions with RBC, its DIP lender. As described in the Second Report, RBC has agreed to extend the DIP Facility until March 16, 2009 and increase the maximum availability to \$2.5 million, based on the terms and conditions contained in the Second DIP Loan Amendment Agreement attached to the Second Report.
14. The Second Report also provides a status update in respect of the Marketing and Sales Process which was previously approved by the Court. As described in the Second Report, BTI is in the process of offering for sale the Alumetco Division property and other redundant assets and has continued to work with Trenwith Group, LLC to progress efforts to secure refinancing for the core business and to canvass the market regarding a sale of some or all of the remaining BTI operations.

CONCLUSION

15. As a result of the actions described above and in the Second Report, I verily believe that the Company has made good progress in its restructuring efforts and negotiations with its primary stakeholders. BTI has acted and is acting in good faith and with due diligence.

Exhibit "A" to the affidavit of Erwin A. Overmeyer
sworn January 27, 2009.

A handwritten signature in black ink, appearing to read "Ruhia", written over a horizontal line.

Commissioner for Taking Affidavits, etc.

Ruhia Raza Jochio,
a Commissioner, etc.,
Province of Ontario,
while a Student-at-Law.
Expires May 4, 2010.

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 BURLINGTON TECHNOLOGIES INC.

AFFIDAVIT OF ERWIN A. OVERMEYER
(Sworn January 5, 2009)

I, **ERWIN A. OVERMEYER**, of the City of St. Catharines, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the Chief Financial Officer of Burlington Technologies Inc. ("**BTI**" or the "**Company**"), a position I have held for the last six months and, as such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not possess such personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, do verily believe it to be true.
2. Unless otherwise defined herein, all capitalized terms shall have the meaning as set out in the Initial Order (as defined below).

OVERVIEW

3. On December 9, 2009, BTI obtained an order (the "**Initial Order**") for protection pursuant to the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

4. In the three weeks following the granting of the Initial Order, the Company, with the assistance of John Walker of Alvarez & Marsal Canada ULC (the “CRO”) and the Court-appointed monitor, BDO Dunwoody Limited (the “Monitor”), has had constructive negotiations with its primary stakeholders including Royal Bank of Canada (“RBC”), Export Development Canada (“EDC”), Maple Trade Finance Inc. (“Maple Trade”), various suppliers and major customers. In addition, BTI has commenced the consolidation of two of its divisions to reduce overhead costs with the goal of returning the Company to a cash flow positive position.
5. This affidavit is sworn in support of a motion by BTI for an extension of the Stay Period as defined in the Initial Order and related relief.

BACKGROUND

6. BTI is a privately owned corporation that produces high pressure aluminium die-castings, supplying the global automotive market. Through the operation of its four manufacturing divisions in Southwestern Ontario, BTI is able to provide high volume, vertically integrated service and supply of aluminium automotive die castings to the global automotive market, historically shipping over 30 million parts each year.
7. Although, the vast majority of BTI’s contracts are profitable, the severe slowdown in the automotive industry as a whole has resulted in a substantially reduced volume of sales for BTI. In the past two years BTI has also expended significant capital to establish new product lines which relate to ‘green initiatives’ including components for new 4 cylinder engine products, hybrid engine products, 6 speed transmissions products, and 3 cylinder diesel engine products. These new ‘green initiatives’ are not scheduled to come into full production until spring of 2009 and beyond. As a result of reduced sales and the fact that the ‘green initiatives’ are still in the ramp up stages, BTI’s facilities are operating significantly under capacity. Consequently, overhead costs have caused BTI to incur losses in the last three years. As such, a significant restructuring of BTI’s operations was the only viable option.

8. BTI is a supplier to various OEMs and other Tier 1 manufacturers. For many of the parts which BTI supplies to its customers, BTI is the sole supplier. On-going production from BTI is critical to the automotive supply chain. BTI provides value added machining, assembly and pressure testing with BTI owned equipment that would take between nine months to one year to duplicate.
9. Ford Motor Company ("Ford") is BTI's largest customer, and accounts for approximately 40% of BTI's sales. Other significant customers include Bendix CVX ("Bendix") (approximately 12-15% of sales), General Motors Corporation ("GM") (approximately 10-12% of sales) and Getrag Corporation (approximately 10-12% of sales).
10. Prior to the Initial Order, BTI had approximately 500 employees and operated out of four divisions and a head office, each of which location is summarized below:
 - (a) The Alumetco Division operated out of an 115,006 square foot facility located at 150 Garden Ave. in Brantford, Ontario on land owned by BTI. The Alumetco Division was a die casting facility, which employed approximately 90 hourly employees and 20 salary employees. The hourly employees at the Alumetco Division were certified on May 5, 2008 as members of the Canadian Auto Workers Union local 397 (the "Alumetco CAW"). In the months prior to the Initial Order, the Alumetco Division was operating at approximately 45% capacity. As discussed below, the Alumetco Division has been closed, operations of the Alumetco Division are being consolidated into the Burlington Division and the employment of the Alumetco Division employees has been terminated.
 - (b) The Burlington Division operates out of a 126,000 square foot facility at 3267 Mainway in Burlington, Ontario on land owned by BTI. Like the Alumetco Division, the Burlington Division is a die casting facility. The Burlington Division employs approximately 160 hourly employees and 30 salary employees. The hourly employees at the Burlington Division are members of the Canadian Auto Workers Union local 504 (the "Burlington CAW"). The Burlington

Division has been operating at approximately 50% capacity. The consolidation of the operations of the Alumetco Division operations into the Burlington Division is expected to be completed by the end of the week commencing January 12, 2009.

- (c) The Centennial Division operates out of a 40,000 square foot facility located at 920 Century Drive in Burlington, Ontario on land owned by Burlington Group Inc. ("BGI"), a company related to BTI. The Centennial Division is a tool design, tool sourcing and manufacturing facility. The Centennial Division employs approximately 30 hourly (non-unionized) employees and 20 salary employees.
- (d) The Dexcam Division operates out of a 60,000 square foot facility located at 1670 Bishop Street in Cambridge, Ontario on land owned by BGI. The Dexcam Division is a machining and assembly facility and employs approximately 100 hourly (non-unionized) and 20 salary employees.
- (e) The Head Office operates out of a 27,200 square foot facility located at 2380 South Service Road in Oakville, Ontario on land owned by BGI. The Head Office includes the accounting/administration, information systems, sales & marketing, and program management departments. The Head Office employs approximately 45 salary employees. As described below, I understand that BGI has entered into an agreement to sell the property which is occupied by the Head Office and BTI intends to consolidate the Head Office administration into the Burlington Division.

FINANCIAL AND OPERATIONAL STATUS

- 11. In the period following the granting of the Initial Order, BTI with the assistance of the CRO and the Monitor, has had numerous discussions with its primary stakeholders. As a result, BTI has entered into arrangements, subject to Court approval, including the following:
 - (i) an arrangement with Maple Trade for the on-going financing of certain BTI accounts receivable;

- (ii) arrangements with various suppliers for on-going supply of critical products;
 - (iii) an arrangement with the DIP Lender to extend the DIP Loan Agreement until January 30, 2009; and
 - (iv) arrangements to retain key employees.
12. The Company has also had positive discussions with EDC and its primary customers, namely Ford, GM, Bendix and others, with a view to entering into arrangements with each of these parties which will allow BTI to operate in the ordinary course as the restructuring proceeds. These discussions are on-going.
13. BTI has also had various meetings with its employees and with union representatives to discuss the Company's restructuring plans.
14. Details of the arrangements, negotiations and financial status of BTI are set out in the Monitor's First Report to the Court (the "**First Report**"). I have reviewed a draft of the First Report and agree with and adopt the statements of the Monitor.

STATUS OF THE RESTRUCTURING

15. As noted in my affidavit sworn on December 9, 2008 in support of the CCAA application, BTI's restructuring plan involves two stages. The initial stage involves consolidation of operations to reduce overhead costs and to return BTI to a cash neutral position. The second stage involves BTI seeking and obtaining refinancing in order to formulate a plan of arrangement and/or a sale of the business or portions thereof.
16. During the initial stage and prior to the granting of the Initial Order, BTI terminated the employment of approximately 150 employees (the "**Surplus Employees**"). The Company provided written notices to the Surplus Employees of the termination of their employment on the afternoon of December 8, 2008 and the morning of December 9, 2008. The Surplus Employees have been paid their outstanding wages and vacation pay.
17. The termination of employees was tied to plans to consolidate the Alumetco Division into the Burlington Division such that two facilities which were previously operating at

approximately 45% capacity would merge their operations into the Burlington Division which would then be operating at approximately 80-90% capacity.

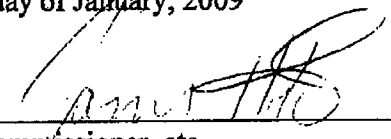
18. This consolidation was commenced during the extended holiday shut down which BTI scheduled both to facilitate the movement of equipment and to reduce costs (to coincide with extended OEM holiday shutdowns).
19. During the holiday shutdown, preparations were made to move a furnace and various other pieces of equipment from the Alumetco Division property to the Burlington Division property in order to ensure sufficient production capability in January at the Burlington Division following the holiday shutdown. The relocation of equipment is expected to be completed the week of January 12, 2009.
20. BTI is in the process of offering for sale the Alumetco Division property and other redundant assets.
21. BTI also intends to consolidate its Head Office administration into the Burlington Division to further reduce overhead (lease payments). BGI has entered into an agreement to sell the Head Office real property which is expected to close on June 30, 2009.
22. As noted in the First Report, BTI has retained Trenwith Group, LLC to assist in efforts to secure refinancing for the core business and to canvass the market regarding a sale of some or all of the remaining BTI operations.

CONCLUSION

23. As a result of the actions described above and in the First Report, I verily believe that the Company has made good progress in its restructuring efforts and negotiations with its primary stakeholders. BTI has acted and is acting in good faith and with due diligence.
24. BTI continues to believe that its core business and operations are viable and that, if it is provided with a reasonable period of protection, it will be in a position to refine and implement a restructuring plan for BTI so as to maximize value for its stakeholders and preserve jobs for its employees.

25. I swear this Affidavit in support of BTI's motion for an order extending the Stay Period and for related relief and for no other or improper purpose.

SWORN before me at the Town of
Oakville in the Province of Ontario this
5th day of January, 2009



A Commissioner, etc.



ERWIN A. OVERMEYER

Jarvis Hector Héту,
a Commissioner, etc.,
Province of Ontario,
while a Student-at-Law.
Expires May 4, 2010.

Court File No: 08-CL- 7888-00CL
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 BURLINGTON TECHNOLOGIES INC.

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF ERWIN A. OVERMEYER
(Sworn January 27, 2009)

FRASER MILNER CASGRAIN LLP
1 First Canadian Place
100 King Street West,
Toronto, Ontario
M5X 1B2

Lawyer: R. Shayne Kukulowicz / Jane O. Dietrich
LSUC: 30729S / # 49302U
Email: shayne.kukulowicz@fmc-law.com
jane.dietrich@fmc-law.com
Telephone: 416 863-4740 / 416-863-4467
Facsimile: 416 863-4592

LAWYERS for the Applicant Burlington
Technologies Inc.

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 BURLINGTON TECHNOLOGIES INC.**

SECOND REPORT OF THE MONITOR

(January 26, 2009)

INTRODUCTION

1. On December 9, 2008, Burlington Technologies Inc. ("**BTI**" or the "**Company**") filed for and obtained protection from its creditors by Order of this Honourable Court (the "**Initial Order**") made pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, BDO Dunwoody Limited ("**BDO**") was appointed as monitor (the "**Monitor**") of BTI during these CCAA proceedings (the "**CCAA Proceedings**"). A copy of the Initial Order is attached as **Exhibit "A"**.
2. By Order of this Honourable Court on January 9, 2009 (the "**Extension Order**"), the stay of proceedings was extended from January 8, 2009 to January 30, 2009. A copy of the Extension Order is attached as **Exhibit "B"**.
3. The purpose of this second report of the Monitor (the "**Second Report**") is to advise this Honourable Court with respect to:
 - (a) the activities of the Monitor and the Company since the First Report of the Monitor dated January 5, 2009 and the Supplement Report to the First Report of the Monitor dated January 7, 2009 (collectively, the "**First Report**");

- (b) ongoing discussions with BTI's customers including Automotive Components Holdings, LLC ("ACH"), Bendix Commercial Vehicle Systems LLC ("Bendix"), Ford Motor Company ("Ford"), Gates Canada Inc. ("Gates"), General Motors Corporation ("GM"), Getrag Corporation ("Getrag"), Schaeffer Group USA Inc. ("Schaeffer") and TRW Automotive Systems Inc. ("TRW") and collectively with ACH, Bendix, Ford, Gates, GM, Getrag and Schaeffer, the ("Key Customers") regarding entering into accommodation agreements;
 - (c) the marketing and sale process of the core assets and operations of BTI (the "Core Assets");
 - (d) the proposed bidding and auction procedure in respect of BTI's Redundant Assets (as such term is defined in the First Report);
 - (e) BTI's actual cash-flow for the period ending January 17, 2009;
 - (f) the DIP Loan and cash flow projections to March 27, 2009; and
 - (g) the Monitor's comments and recommendations in connection with BTI's motion to extend the Stay of Proceedings until March 16, 2009.
4. This Second Report contains the Monitor's conclusions and recommendations to this Honourable Court in connection with BTI's motion seeking approval of:
- (a) the Second Report and the Monitor's activities outlined therein;
 - (b) an extension of the Stay Period contained in the Initial Order from January 30, 2009 to March 16, 2009 ;
 - (c) a Second DIP Loan Amendment Agreement dated January 27, 2009, which, among other things:
 - (i) increases the maximum limit of borrowings under the DIP Facility (as defined in the Initial Order) from \$1,500,000 to \$2,500,000;

- (ii) extends the term of the DIP Loan agreement to March 16, 2009 (subject to certain events of default);
 - (iii) provides for payments from the DIP Facility to be applied against pre filing indebtedness owing by BTI to RBC in respect of any amounts by which BTI falls below the projected margin calculations as set out in the revised cash flows discussed below; and
 - (iv) provides for the further reduction of the pre-filing indebtedness owing by BTI to RBC in the amount of the net proceeds of sale of the Redundant Assets and, at the option of RBC, in the amount of such other collections in respect of assets subject to security in favour of RBC.
5. Capitalized terms not defined in this Second Report are as defined in the Initial Order and the First Report. All references to dollars are in Canadian currency unless otherwise noted.

BTI'S AND MONITOR'S ACTIVITIES

6. The Monitor continues to work closely with Mr. John Walker of Alvarez & Marsal ULC, the Company's Chief Restructuring Officer ("**CRO**"), who is directing the execution of BTI's restructuring plan with the support of the Monitor.
7. The Monitor also continues to advise and assist BTI on a number of matters, and since the First Report, specifically with the following:
- (a) thrice-weekly review of BTI's receipts and disbursements;
 - (b) bi-weekly cash-flow reporting obligations to the DIP Lender and the Export Development Bank ("**EDC**");
 - (c) monthly reporting obligations to the DIP Lender and EDC;
 - (d) preparation of the Confidential Information Memoranda for both the sale of the Core Assets and the Redundant Assets; and

- (e) various creditor and reporting matters.

BTI'S OPERATIONS

Overview

8. BTI continues to provide the Monitor with full co-operation and unrestricted access to its premises, books and records. The operations of BTI since the First Report are described in detail in the affidavit of Erwin A. Overmeyer, sworn January 27, 2009 (the "**Overmeyer Affidavit**").

Customers

9. BTI continues to be in communication with its customers, including its Key Customers, and continues to assure the customers that all customer orders and obligations will be respected during the CCAA Proceedings.
10. In addition, BTI is presently negotiating term sheets with its Key Customers seeking their co-operation throughout the CCAA Proceedings and hopes to enter into accommodation agreements with these Key Customers by mid-February, 2009.
11. BTI has commenced discussions with Deutsche Bank related to the bank's interest in factoring the accounts receivable of the Company due from Bendix. The benefit to BTI of such a factoring arrangement would be to accelerate cash flow from the collection of these accounts by up to \$1.5 million.

Employee related matters

12. The Monitor is advised that effective as of January 19, 2009, BTI temporarily laid off 25 hourly employees for a period of three weeks due to lower customer releases.

MARKETING AND SALES PROCESS

Core Assets and Operations

13. In the First Report, the Monitor detailed the timeline for the marketing and sale of BTI's Core Assets, as amended below. Since then, the Monitor has been assisting the

Company and Trenwith in finalizing the Confidential Information Memorandum for the Core Assets (the "Core Asset CIM") and the potential purchasers list. As well, the Monitor has provided the Company with the information requirements for the data room and has recommended an electronic data room provider.

PHASE	TIMING	ACTION
I	December 16, 2008 to January 16, 2009	<p>Develop sales objectives, timeline, sales process and marketing strategy</p> <p>Trenwith to conduct site visits, review projections and other valuation data and compile preliminary potential purchaser's list</p> <p>Draft Core Asset CIM</p>
II	January 17, 2009 to January 31, 2009	<p>Finalize potential purchaser's list and sales strategy</p> <p>Commence preparation of the data room</p>
III	January 26, 2009 to February 27 2009	<p>Advertisements will be placed in national newspapers and publications as Trenwith and BTI deem appropriate</p> <p>Potential purchasers will be contacted and interested parties will be asked to execute a confidentiality agreement ("CA"). Parties that execute a CA will be provided with the Core Asset CIM</p> <p>A timeline will be given for interested purchasers to submit non-binding indications of interest and these interested parties will constitute the second round of potential purchasers</p>
IV	February 27 2009 to May, 30, 2009	<p>Such interested purchasers will be given access to the due diligence data room and site visits will be arranged</p> <p>A draft purchase and sale agreement will be circulated and binding offers will be required to be submitted substantially in the form of the draft purchase and sale agreement</p> <p>Negotiations with top bidders / preferred parties will be entered into and a purchaser will be selected pursuant to a process to be outlined to these parties.</p> <p>A definitive purchase and sale agreement will be negotiated, executed and court approval of the sale will be sought</p>

14. Trenwith, with the assistance of the Monitor, has drafted the Core Asset CIM, from information provided by the Company and other sources.

15. The Core Asset CIM provides prospective purchasers of the core assets who have executed a non-disclosure agreement with a detailed overview of the following:
- BTI's business;
 - Key investment considerations;
 - Growth opportunities in relation to BTI;
 - The ownership and history of BTI and the current management;
 - BTI's market and products;
 - BTI's customers and competition;
 - BTI's operations;
 - BTI's past, current and projected financial information;
 - Legal and regulatory matters; and
 - A detailed assets list.

Redundant Assets

16. In the First Report, the Monitor detailed the anticipated timing for the marketing and sale of Redundant Assets. The Monitor and BTI hereby provide an update on the timing of the sale of the Redundant Assets as follows:
- The Redundant Asset list has been reviewed and updated to reflect changes in the assets deemed redundant;
 - The draft Confidential Information Memorandum for the Redundant Assets (the "**Redundant Asset CIM**"), which includes a detailed listing of the Redundant Assets, has been reviewed by the Royal Bank of Canada, which holds security over the Redundant Assets, and its counsel;
 - Twenty-one interested purchasers, which had been previously identified and contacted, were provided with the Redundant Asset CIM on January 26, 2009;
 - Interested parties will be provided access to the locations with Redundant Assets for physical inspection;
 - Offers are to be submitted by potential purchasers by 5:00 p.m. on Friday February 27, 2009;

- BTI expects to be able to accept an offer by March 6, 2009; and
 - If the purchaser is an auctioneer, a sale of the Redundant Assets, by way of auction and the restoration of the auction premises to their pre-auction condition is anticipated to be completed by May 31, 2009.
17. BTI, with the assistance of the Monitor, has drafted the Redundant Asset CIM in relation to the sale of the Redundant Assets.
18. The Redundant Asset CIM provides prospective purchasers of the Redundant Assets with detailed information on the sale and auction process to be followed, a summary of which is as follows:
- (a) Detailed description and location of the assets; and
 - (b) The form of Purchase/Auction Agreement, outlining the terms and conditions relating to the purchase of the Redundant Assets and the use of the premises of BTI to conduct a subsequent sale/auction of the purchased Redundant Assets by the purchaser/auctioneer.

ACTUAL CASH FLOWS FOR THE PERIOD ENDING JANUARY 17, 2009

19. The Monitor has reviewed BTI's actual unaudited cash flow for the period from December 8, 2008 through January 17, 2009 and compared it to management's forecast cash flow for the same period. Actual net cash flow for the period ending January 17, 2009 was \$1.55 million, an improvement over the forecasted break-even position. The comparison of the actual cash flows to the forecast is attached as **Exhibit "C"**.
20. The actual net cash flow for the period ending January 17, 2009 shows the following significant adjustments:
- (a) collections of \$6.8 million were substantially on forecast;
 - (b) disbursements were substantially less than forecast largely as a result of timing differences. Anticipated disbursements for utilities, machinery relocation costs and professional fees have not yet been incurred.

- (c) the Contingency Reserve has a cumulative total of \$600,000. As of January 17, 2009, \$193,000 had been disbursed for unanticipated retroactive equipment lease payments. The Contingency Reserve has a favourable variance to date of \$407,000.

DIP LOAN AND CASH FLOW PROJECTIONS TO MARCH 27, 2009

- 21. As of January 17, 2009, BTI had not drawn on the DIP Loan facility.
- 22. BTI has updated and revised the projected cash flow for the sixteen week period ending March 27, 2009, a copy of which is attached as **Exhibit "D"** (the "**Second Updated Projected Cash Flow**"). The Second Updated Projected Cash Flow has been prepared by BTI, reviewed by the Monitor and submitted to the DIP Lender.
- 23. The Second Updated Projected Cash Flow reflects actual results for the first six weeks to January 17, 2009 and updated projections for the period to March 27, 2009, re-forecasted to incorporate expedited payment terms requested of Key Customers under proposed accommodation term sheets with regard to tooling but not parts. Collection of receivables related to the sale of parts continue to be forecast based on existing customer payment patterns and related Maple Trade and EDC financing for Ford and GM. The overall Second Updated Projected Cash Flow is materially different from the projected cash flow filed with the application for the Initial Order, with the overall net cash flows projected to be some \$3.4 million less than forecast in the First Report.
- 24. The Second Updated Cash Flow reflects the following developments:
 - (a) Customers issue weekly releases on a rolling 12 week basis. As at January 13, 2009, total releases received are down by approximately 20% or \$3,700,000 from early December. This appears to reflect extended plant closures and reduced demand in the automotive industry;
 - (b) Reduced labour and material costs to reflect the lower production levels now forecast;

- (c) It was originally forecast that the Company would be able to use the anticipated proceeds from the sale of the Redundant Assets for its operating requirements. However, it is a term of the Second DIP Loan Amendment Agreement that such funds be applied against the pre-filing RBC indebtedness.
 - (d) Increased financing costs of some \$200,000 as a result of the EDC Confirmation Agreement (as such term is defined in the First Report), which provides for fees, interest and payments against un-remitted pre-filing accounts receivable collections, and EDC advances and repayments net of hostage payments;
 - (e) The key employee arrangement payments, as described in the First Report;
 - (f) Reduction of the go-forward contingency reserve by \$200,000 for a total contingency of \$900,000; and
 - (g) Provisions for increased professional fees.
25. BTI has had ongoing discussions with RBC with regards to the extension of the DIP Loan Agreement. A copy of the Second DIP Loan Amendment Agreement extending the DIP Loan Agreement to March 16, 2009 is attached as **Exhibit "E"**. Among other things, the Second DIP Loan Amendment Agreement:
- (i) increases the maximum limit of borrowings under the DIP Facility (as defined in the Initial Order) from \$1,500,000 to \$2,500,000;
 - (ii) extends the term of the DIP Loan agreement to March 16, 2009 (subject to certain events of default);
 - (iii) provides for payments from the DIP Facility to be applied against pre-filing indebtedness owing by BTI to RBC in respect of any amounts by which BTI falls below the projected margin calculations as set out in the revised cash flows discussed below; and
 - (iv) provides for the further reduction of the pre-filing indebtedness owing by BTI to RBC in the amount of the net proceeds of sale of the

Redundant Assets and, at the option RBC, in the amount of such other collections in respect of assets subject to security in favour of RBC.

MONITOR'S ANALYSIS AND RECOMMENDATION

26. The Initial Order was granted on December 9, 2008 and provided for a stay of proceedings until January 8, 2009. The Extension Order extended the stay of proceedings to January 30, 2009. Since the date of the Extension Order, BTI and its advisors have worked diligently in advancing the restructuring for the benefit of stakeholders.
27. BTI and its advisors have also been working diligently towards continuing financing arrangements with RBC and have been working closely with BTI's suppliers and customers in making arrangements for the continued supply of manufactured components.
28. Consequently, it is the Monitor's view that BTI has acted and continues to act in good faith and with due diligence and that an extension of the Stay Period to March 16, 2009 is in the best interests of BTI's stakeholders.
29. The Monitor recommends that:
 - (a) this Honourable Court approve BTI's motion seeking an extension of the stay from January 30, 2009 to March 16, 2009 ;
 - (b) this Honourable Court approve the activities of the Monitor to date, as disclosed in this Second Report;
 - (c) this Honourable Court approve the Second DIP Loan Amendment Agreement dated January 27, 2009, extending the DIP Loan Agreement to March 16, 2009; and
 - (d) this Honourable Court approve the amendment to the Initial Order to increase the borrowing limit under the DIP Facility to \$2,500,000.

This Second Report is respectfully submitted.

BDO DUNWOODY LIMITED

In its capacity as Monitor in the Matter of a Plan
or Compromise or Arrangement of Burlington Technologies Inc.

Per:

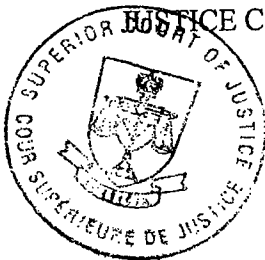


Uwe Manski, FCA, FCIRP
President

TAB A

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) TUESDAY, THE 9TH
)
JUSTICE CAMPBELL) DAY OF DECEMBER, 2008



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 BURLINGTON TECHNOLOGIES INC. (the
"Applicant")

INITIAL ORDER

THIS APPLICATION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of Erwin A. Overmeyer sworn December 9, 2008 and the Exhibits thereto (the "**Overmeyer Affidavit**"), the report to Court of BDO Dunwoody Limited ("**BDO**") as proposed monitor and on hearing the submissions of counsel for the Applicant, Royal Bank of Canada ("**RBC**"), BDO and Export Development Canada, no one else appearing although duly served as appears from the affidavit of service of Laura Bowles Dove sworn December 9, 2008,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”) between, *inter alia*, the Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”) and Property. The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee benefits and pension contributions, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements except with the prior written consent of the Monitor and RBC; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order;
- (c) payment for goods or services actually supplied to the Applicant prior to the date of this Order in a maximum aggregate amount of \$200,000 provided such payments are critical to the Applicant's Business and are made with the prior written consent of the Monitor and RBC; and
- (d) payment of key employee retention bonuses in the cumulative amount of \$100,000 provided such payments are made with the prior written consent of the Monitor and RBC.

7. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. THIS COURT ORDERS that until such time as the Applicant repudiates a real property lease in accordance with paragraph 10(c) of this Order, the Applicant shall pay when due all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated by the Applicant from time to time (“Rent”), for the period commencing from and including the date of this Order, bi-weekly, in advance (but not in arrears).

9. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date except for payments to RBC on account of interest on amounts owing and lease payments; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. THIS COURT ORDERS that the Applicant shall, subject to such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$3 million in the aggregate, subject to the prior written consent of RBC and subject to sub paragraph (c) of this section, if applicable;