

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.**

EIGHTH REPORT OF THE MONITOR

(June 1, 2009)

INTRODUCTION

1. Burlington Technologies Inc. (“**BTI**”) 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**”), on December 9, 2008. Pursuant to the Initial Order, BDO Dunwoody Limited was appointed as monitor (the “**Monitor**”) of BTI. A copy of the Initial Order is attached as **Exhibit “A”**.
2. The stay of proceedings has been extended from January 8, 2009 to June 5, 2009 pursuant to various Orders of this Honourable Court made on each of January 8, 2009, January 30, 2009, March 13, 2009, April 28, 2009, May 15, 2009 and May 26, 2009 (the “**Extension Orders**” and each an “**Extension Order**”). A copy of each Extension Order is attached as **Exhibit “B”**. Each Order has also either approved or extended the DIP financing extended to BTI by Royal Bank of Canada (“**RBC**”).
3. By Order of this Honourable Court made on April 15, 2009 (the “**Approval Order**”), the accommodation agreement with General Motors Corporation, the accommodation agreement with Gates Canada Inc., and the auction services agreement with both Maynards Industries Ltd. and Beta Die Casting Equipment were approved substantially in

the forms appended to the Monitor's fourth report dated April 9, 2009. A copy of the Approval Order is attached as **Exhibit "C"**. The accommodation agreement reached with Schaeffler Canada Inc. and Schaeffler Group USA Inc. was approved by this Honourable Court pursuant to the April 28, 2009 Extension Order substantially in the form appended to the Monitor's fifth report dated April 23, 2009.

4. The purpose of this eighth report of the Monitor (the "**Eighth Report**") is to advise this Honourable Court with respect to:
 - (a) the activities of the Monitor and BTI since the Monitor's seventh report dated May 21, 2009;
 - (b) the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between BTI and Revstone Industries Burlington Inc. (the "**Purchaser**") made as of May 28, 2009, with respect to the assets described in the Sale Agreement (the "**Purchased Assets**");
 - (c) BTI's actual cash-flow for the period ending May 22, 2009;
 - (d) the status and proposed extension of the DIP Loan to June 30, 2009 and cash flow projections to July 3, 2009; and
 - (e) the Monitor's comments and recommendations in connection with BTI's motion to extend the stay of proceedings until June 30, 2009.

5. This Eighth Report contains the Monitor's conclusions and recommendations to this Honourable Court in connection with BTI's motion seeking approval of:
 - (a) this Eighth Report and the Monitor's activities outlined therein;
 - (b) an extension of the Stay Period contained in the Initial Order from June 5, 2009 to June 30, 2009;
 - (c) a seventh DIP Loan amendment agreement (the "**Seventh DIP Loan Amendment Agreement**"), which, among other things, extends the term of the

DIP Loan Agreement from June 5, 2009 to June 30, 2009 (subject to certain events of default);

- (d) the Transaction contemplated by the Sale Agreement between BTI and the Purchaser and vesting all rights titles and interests of BTI in and to the Purchased Assets in the Purchaser, free and clear of all interests, liens, charges and other encumbrances; and
 - (e) sealing Exhibit D hereto pending the filing of the Monitor's Certificate contemplated by the Approval and Vesting Order or until further order of this Honourable Court.
6. Capitalized terms not defined in this Eighth Report are as defined in the Initial Order. All references to dollars are in Canadian currency, unless otherwise noted.

BTI'S AND MONITOR'S ACTIVITIES

Overview

7. The Monitor continues to work closely with Mr. John Walker of Alvarez & Marsal ULC, BTI's Chief Restructuring Officer (the "CRO"), and continues to advise and assist BTI on a number of matters, specifically, including, but not limited to, the following:
- (a) the regular review of BTI's receipts and disbursements;
 - (b) the bi-weekly cash-flow reporting to RBC and Export Development Canada ("EDC");
 - (c) the detailed monthly reporting to RBC and EDC;
 - (d) the sale of the Core Assets;
 - (e) the sale of the Redundant Assets; and
 - (f) various creditor and other reporting matters.

8. BTI continues to be in regular communication with its customers, including its key customers, and continues to respect all customer orders and obligations incurred during these CCAA proceedings.

APPROVAL AND VESTING ORDER

BTI's Secured Creditors

9. BTI's primary secured lenders are RBC, EDC, Maple Trade Finance Inc. ("**Maple Trade**") and Deutsch Bank. In addition, BTI has other secured creditors, including various equipment lessors and related individuals and companies, such as Castings International Inc. ("**Castings**"), a company that owns all of the shares of BTI, Ken Carpenter, a director and officer of BTI and Burlington Group Inc., who owns the land out of which the Centennial Division (as such term is defined in the Sale Agreement) operates.
10. RBC is BTI's primary lender. Prior to seeking protection from its creditors under the CCAA, BTI was indebted to RBC in the approximate total principal amount of \$31.1 million, plus accrued interest, fees and other charges. The indebtedness to RBC is secured by a general security agreement and mortgages over properties owned by BTI on which the Alumetco Division (as such term is defined in the Sale Agreement) and the Burlington Division (as such term is defined in the Sale Agreement) operate. RBC has a \$10 million charge over the Burlington Division property.
11. EDC provides BTI with financing related to receivables owing to BTI from BTI's customers for tooling orders ("**Tooling Orders**") and provides BTI financing in respect of BTI's accounts receivables. Prior to seeking protection from its creditors under the CCAA, BTI was indebted to EDC in the approximate total principal amount of \$5,180,000, plus accrued interest, fees and other charges. EDC's indebtedness is secured by a secured agreement which grants EDC a security interest in Tooling Orders and inventory and receivables related thereto.
12. Maple Trade provides BTI with financing for certain accounts receivables owing to BTI by Ford Motor Company ("**Ford**") and General Motors Corporation ("**GM**"). Prior to seeking protection from its creditors under the CCAA, BTI was indebted to Maple Trade

in the approximate total principal amount of \$3,831,000, plus accrued interest, fees and other charges. Maple Trade's indebtedness is secured by an assignment of receivables agreement and a security agreement relating to certain of the receivables arising from Ford and GM.

13. On February 6, 2009, Deutsch Bank and BTI entered into a financing assignment and/or purchase agreement (the "DB Agreement"). The DB Agreement provides for the factoring by Deutsch Bank of Bendix Commercial Vehicle Systems LLC ("Bendix") accounts receivable.
14. The DB agreement was approved by this Honourable Court pursuant to paragraph 7 of the January 30, 2009 Extension Order, wherein, Deutsch Bank was granted a first ranking security interest in any and all accounts receivable assigned to or purchased by Deutsche Bank pursuant to the DB Agreement.
15. As a result of various subordination and inter-creditor agreements, the following is the relationship among the primary secured creditors:
 - (a) EDC has first priority with respect to tooling receivables and related collateral;
 - (b) Maple Trade has first priority with respect to certain receivables owing by Ford and GM;
 - (c) Deutsche Bank has first priority with respect to accounts receivable assigned to or purchased by Deutsche Bank from Bendix;
 - (d) RBC has blanket first priority over all assets, but subordinate to EDC, Maple Trade and Deutsche Bank on the collateral referred to in (a), (b) and (c) above; and
 - (e) Castings is subordinate in priority to each of RBC, EDC and Maple Trade.
16. Further details surrounding the subordination and inter-creditor agreements and the priorities established thereby will be detained in a further report to this Honourable Court by the Monitor in support of a distribution order.

17. The Monitor has sought opinions on the security of each of the secured creditors and will report to this Honourable Court in a further report on the results of these opinions.

The Marketing and Sales Process

18. With the Monitor's and RBC's consent, on December 16, 2008, BTI engaged the services of Trenwith Group, LLC ("Trenwith") as exclusive financial advisors to assist BTI in selling some or all of BTI's core assets and operations (the "Core Assets").

19. The Monitor assisted BTI and Trenwith with the marketing and sale process relating to the Core Asset, which proceeded as follows:

- (a) a Confidential Information Memorandum dated January 29, 2009 was prepared by Trenwith, with the assistance of the Monitor and BTI;
- (b) an advertisement was placed in The Globe and Mail (National Edition) on February 18, 2009, advertising the sale;
- (c) The results of the marketing effort are summarized below:

	Strategic	Financial	Total
Total Targets	53	42	95
Opportunity Summaries Distributed	26	19	45
Executed Non Disclosure Agreements	8	12	20
Non-Binding Expressions of Interest	5	1	6

- (d) potential purchasers who submitted expressions of interest were given access to the due diligence data room and site visits were arranged;
- (e) a draft agreement of purchase and sale was circulated to the parties who continued to be interested in the opportunity and binding offers were required to be submitted substantially in the form of the said draft agreement of purchase and sale; and
- (f) on April 15, 2009, the offer deadline date, binding offers were presented.

20. In response to BTI and Trenwith's solicitation of offers, BTI and Trenwith received two offers. A redacted version of a comparison of the two offers is attached as **Exhibit "D"**.
21. BTI and Trenwith, with the assistance of the Monitor, reviewed the offers and continued negotiations and discussions with the two prospective purchasers; including the Purchaser.
22. BTI, the CRO and Trenwith arranged meetings, presentations and site visits for the final bidders. After many meetings and discussions, with the approval of the Monitor, BTI and Trenwith concluded that the Purchaser was the offer that BTI ought to pursue, both financially and in terms of the quantum of the Core Assets being purchased.
23. BTI, with the assistance of Trenwith and the Monitor, has negotiated an agreement of purchase and sale with the Purchaser.

The Sale Agreement

24. BTI and the Purchaser executed, subject to receiving approval and authorization to do so from this Honourable Court, the Sale Agreement. The Sale Agreement is subject to, among other things, approval of this Honourable Court. Attached hereto as **Exhibit "E"** is a copy of the redacted Sale Agreement.
25. RBC, the most significant secured creditor of BTI, has not yet advised whether it is in full support of the Sale Agreement.
26. The Sale Agreement executed between BTI and the Purchaser is projected to generate the highest possible net realization in the circumstances. Based on the marketing campaign conducted by Trenwith and BTI, it is the Monitor's view that the Sale Agreement submitted by the Purchaser is commercially reasonable and should be accepted by the Court, subject to the Monitor receiving RBC's consent to the Sale Transaction, for the following reasons:
 - (a) the Monitor is satisfied that the process to identify prospective purchasers of the Core Assets has been robust and thorough;

(i) Current Liabilities

(ii) certain indebtedness owing to EDC

(iii) certain indebtedness owing to Maple Trade

Payment of the Purchase Price

after application of the Deposit paid to BTI upon execution of the Sale Agreement, the remainder of the Purchase Price shall be paid as follows: (i) by the assumption of the Assumed Obligations; (ii) by a promissory note payable in six months after Closing; and (iii) with the balance of the Purchase Price to be paid in cash at the Time of Closing

Vesting

all rights, titles and interests of BTI in and to the Purchased Assets shall vest absolutely in the Purchaser free and clear of all liens, pledges, mortgages, security interests, trusts, deemed trusts, claims and encumbrances of any nature whatsoever.

all right, title and interest of DSM Leasing Inc. and Gould Leasing Inc. in equipment leased by either of them to BTI pursuant to a lease agreement dated September 24, 2008 shall vest absolutely in the Purchaser free and clear of all liens, pledges, mortgages, security interests, trusts, deemed trusts, claims and encumbrances of any nature whatsoever.

Major Conditions

BTI obtaining an approval and vesting order on or before June 9, 2009

the Purchaser having reached an agreements with the following by June 5, 2009:

(i) the Landlords of the Centennial Division and the Dexcam Division;

(ii) Ford;

(iii) RBC Financial Group for the assumption of the lease agreements;

(iv) EDC for the assumption of the EDC assumed indebtedness; and

(v) Maple Trade for the assumption of the Maple Trade assumed indebtedness.

the Purchaser reaching and ratifying a new or amended collective agreement by June 5, 2009

Closing Date

the later of June 12, 2009 or the fifth Business Day following the date on which the Approval and Vesting Order is granted, or such earlier day as the parties may agree

ACTUAL CASH FLOWS FOR THE PERIOD ENDING MAY 22, 2009

29. The Monitor has compared, in general terms, actual results for the period ending May 22, 2009, attached as **Exhibit "F"**, to management's Sixth Updated Projected Cash Flow.
30. The actual net cash flow for the period ending May 22, 2009 was negative \$2.35 million. This was \$0.59 million better than the forecast of negative \$2.94 million presented in the Sixth Updated Projected Cash Flow in respect of the period in question. This variance is largely due to timing differences from disbursements related to overhead expenses and labour.
31. In general terms, actual cash flow for week ending May 22, 2009 appears to be consistent with the Sixth Updated Projected Cash Flow.

DIP LOAN AND CASH FLOW PROJECTIONS TO JULY 3, 2009

32. Up to July 3, 2009, BTI projects drawing \$3.0 million on the DIP Loan Facility.
33. BTI has updated the Extended Sixth Updated Projected Cash Flow to reflect the actual results to date and timing differences, for the period ending July 3, 2009, and has named the updated the "**Seventh Updated Projected Cash Flow**", a copy of which is attached as **Exhibit "G"**.

34. The Seventh Updated Projected Cash Flow reflects actual results for the first 24 weeks to May 22, 2009 and updated projections for the period to July 3, 2009. The Seventh Updated Projected Cash Flow has been prepared by BTI, reviewed by the Monitor and submitted to the DIP Lender and is considered by the Monitor to be reasonable in the circumstances.
35. Sales assumptions up to the week ending June 12, 2009 remained unchanged in comparison to Sixth Updated Projected Cash Flow. The Seventh Updated Projected Cash Flow assumes the existing company will cease operations on June 12, 2009.
36. Cash inflows in weeks ending June 26, 2009 and July 3, 2009 relate to proceeds from the sale of Redundant Assets. An auction to sell Redundant Assets is scheduled to take place on June 16, 2009. Proceeds from the auction are to be used to repay pre-filing obligations to RBC.
37. As the Seventh Updated Projected Cash Flow assumes a closing date of June 12, 2009, subsequent disbursements relate to costs associated with the sale of the Redundant Assets. These costs represent fees for administration of the auction.
38. BTI has had ongoing discussions with RBC with regards to the further extension of the DIP Loan Agreement. A copy of the form of the Seventh DIP Loan Amendment Agreement is attached as Exhibit "H". Among other things, the Seventh DIP Loan Amendment Agreement extends the term of the DIP Loan Agreement to July 3, 2009 (subject to certain events of default).

MONITOR'S ANALYSIS AND RECOMMENDATION

39. The Initial Order granted on December 9, 2008 provided for a stay of proceedings until January 8, 2009. Together with the Initial Order, the Extension Orders have extended the stay of proceedings to June 5, 2009. Since the date of the last Extension Order, BTI and its advisors have continued to work diligently in advancing a restructuring for the benefit of stakeholders.
40. BTI and its advisors have also been working diligently towards reaching agreement on RBC's continued financial support of BTI, toward concluding the Sale Agreement and

they have been working closely with BTI's suppliers and customers to make arrangements for the continued supply of manufactured components pending closing with respect to same.

41. 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 June 30, 2009 is in the best interests of BTI's stakeholders.
42. The Monitor recommends that this Honourable Court approve:
 - (a) this Eighth Report and the activities of the Monitor set out herein;
 - (b) the extension of the Stay Period (as defined in the Initial Order) from June 5, 2009 to June 30, 2009;
 - (c) the terms of the Seventh DIP Loan Amending Agreement;
 - (d) subject to the Monitor receiving RBC's consent, the Transaction contemplated by the Sale Agreement between BTI and the Purchaser and the vesting of all right, title and interest of BTI in and to the Purchased Assets in the Purchaser free and clear of all interests, liens, charges and other encumbrances, in the form presented to this Honourable Court in the motion materials herein; and
 - (e) sealing Exhibit D hereto pending the filing of the Monitor's Certificate contemplated by the Approval and Vesting Order or until further order of this Honourable Court.

This Eighth Report is respectfully submitted.

BDO DUNWOODY LIMITED

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

Per:



Christopher J. Porter, MBA, CA. CIRP
Vice-President