

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.**

FOURTH REPORT OF THE MONITOR

(April 9, 2009)

INTRODUCTION

1. On December 9, 2008, 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**”). 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 was extended from January 8, 2009 to May 1, 2009 by Orders of this Honourable Court made on January 9, 2009, January 30, 2009 and March 13, 2009 (the “**Extension Orders**” and each an “**Extension Order**”). A copy of each Extension Order is attached as **Exhibit “B”**.
3. The purpose of this fourth report of the Monitor (the “**Fourth Report**”) is to advise this Honourable Court with respect to:
 - (a) the activities of the Monitor and BTI since the Third Report of the Monitor dated March 9, 2009 filed in support of the third Extension Order (the “**Third Report**”);

- (b) the accommodation agreement reached with each of General Motors Corporation (“GM”) and Gates Canada Inc. (“Gates”);
 - (c) the Redundant Assets that will be sold by auction and/or by private sale by Maynards Industries Ltd. and Beta Die Casting Equipment (collectively, “Maynards”) and the terms of the Auction Services Agreement which shall govern the auction and/or sale of the Redundant Assets.
4. This Fourth Report contains the Monitor’s conclusions and recommendations to this Honourable Court in connection with BTI’s motion seeking approval of:
- (a) this Fourth Report and the Monitor’s activities outlined therein;
 - (b) the GM accommodation agreement;
 - (c) the Gates accommodation agreement; and
 - (d) the sale of the Redundant Assets to be sold by Maynards pursuant to the Auction Services Agreement to be entered into between BTI and Maynards substantially on the terms set out below.
5. Capitalized terms not defined in this fourth Report are as defined in the Initial Order and the Third 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, BTI’s Chief Restructuring Officer (the “CRO”), and continues to advise and assist BTI on a number of matters, specifically, but not limited to, the following:
- (a) the regular review of BTI’s receipts and disbursements;
 - (b) the bi-weekly cash-flow reporting to Royal Bank of Canada (“RBC”) and Export Development Canada (“EDC”);
 - (c) the detailed monthly reporting to RBC and EDC;

- (d) the sale of the Core Assets and the sale of the Redundant Assets; and
 - (e) various creditor and other reporting matters.
7. 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

THE ACCOMMODATION AGREEMENTS

8. BTI continues to negotiate accommodation terms sheets with Bendix Commercial Vehicle Systems LLC, Ford Motor Company, Getrag Corporation, Schaeffer Group USA Inc. and TRW Automotive Systems Inc., the remaining Key Customers. The primary business terms of these accommodation agreements are substantially settled and BTI expects to be back before this Honourable Court shortly for their approval.

GM

9. With the consent of RBC, BTI intends to enter into an accommodation agreement with GM (the “**GM Accommodation Agreement**”) substantially in the form attached as **Exhibit “C”**. The GM Accommodation Agreement addresses the continued production of GM’s component parts.
10. The significant terms and conditions contained in the GM Accommodation Agreement are as follows (with all capitalized terms not otherwise defined having the meaning set out in the GM Accommodation Agreement):

Accounts Payable

GM acknowledges that it owes BTI \$1,166,172.81 for Component Parts received on or before February 2, 2009.

All outstanding and future accounts payable for Component Parts will be paid in accordance with existing payment practices, with all accounts payable for tooling submitted for PPAP approval by BTI before the 15th day of the month to be paid on the 2nd of the following month.

Upon expiration of the Term, being June 30, 2009, GM shall pay all of its outstanding accounts payable for (i) parts and (ii) tooling that has obtained PPAP approval. For tooling that has not obtained PPAP approval, upon later approval, GM shall pay BTI the original purchase order price less Allowed Setoffs and GM's cost to have the tooling completed and PPAP approved.

Set-off Limitation

GM agrees not to assert any defences or claims for set-off, other than Allowed Setoffs, for all amounts due from GM to BTI under all purchase orders for parts and tooling.

Parts Bank

In addition to GM's normal production requirements, BTI will manufacture and ship to GM, subject to available capacity and dunnage, a parts bank in line with the production schedule in Exhibit B.

Limitation on Re-sourcing

GM will not re-source the production of Component Parts through to June 30, 2009 unless a Termination Event occurs.

Purchase of Inventory

Upon the earlier of June 30, 2009 or a permitted re-sourcing of the Component Parts, GM shall purchase (i) all finished Component Parts up to a maximum amount equal to 8 weeks of normal production inventory for the applicable selling price, and (ii) all Acceptable Raw Castings up to a maximum of the greater of GM's Unsatisfied Requirements or an amount equal to 8 weeks of normal production inventory for 90% of BTI's cost.

Tooling

GM has the right to possession of all GM Tooling upon the expiration of the Term or upon the occurrence of a Termination Event once GM has paid all amounts required to be paid under this GM Accommodation Agreement.

Dedicated Equipment

GM has the option, within 10 days of the expiration of the Term, to purchase the Dedicated Equipment for its Orderly Liquidation Value, without set-off.

11. The Monitor, having discussed the GM Accommodation Agreement with BTI, recommends approval of the GM Accommodation Agreement.

Gates

12. With the consent of RBC, BTI intends to enter into an accommodation agreement with Gates (the "**Gates Accommodation Agreement**") substantially in the form attached as **Exhibit "D"**. The Gates Accommodation Agreement addresses the continued production of Gates' component parts.
13. The significant terms and conditions contained in the Gates Accommodation Agreement are as follows (with all capitalized terms not otherwise defined having the meaning set out in the Gates Accommodation Agreement):

Accounts Payable

Gates acknowledges that it owes BTI \$312,655.21 for Component Parts received on or before March 28, 2009.

All outstanding and future accounts payable for Component Parts will be paid on net 30 day terms, with all accounts payable for tooling to be paid on net 30 day terms following PPAP approval provided that approval takes place within 60 days following submission for PPAP approval by BTI.

Aggregate payments in the amount of USD\$44,080 for tool purchase order EPD41028 will be made to BTI immediately on provision of third party invoices for tool holders to Gates, with the remainder of the purchase price paid net 30 days following submission for PPAP approval by BTI, provided that 1000 PPAP parts are delivered to Gates by BTI before April 24, 2009.

Upon expiration of the Term, Gates shall pay all of its outstanding accounts payable for (i) parts and (ii) tooling that has obtained PPAP approval. For tooling that has not obtained PPAP approval and/or has been submitted for such approval less than 60 days prior to the expiry of the Term, Gates shall pay BTI the program price less Permitted Set Offs and the Cost to Complete.

Set-off Limitation

Gates agrees not to assert any defences or claims for set-off, other than Permitted Set Offs, for all amounts due from Gates to BTI under all purchase orders for parts and tooling.

Limitation on Resourcing

Gates will not resource the production of Component Parts through to June 30, 2009 unless a Termination Event occurs.

Tooling

Gates has the right to possession of all Gates Tooling upon the expiration of the Term or upon the occurrence of a Termination Event once Gates has paid all amounts required under this Gates Accommodation Agreement.

14. The Monitor, having discussed the Gates Accommodation Agreement with BTI, recommends approval of the Gates Accommodation Agreement.

THE AUCTION SERVICES AGREEMENT

15. The Sales Process for the Redundant Assets was approved by order of the court on January 8, 2009. Pursuant to the Initial Order, BTI was also granted authorization to sell Redundant Assets up to a maximum of \$500,000 in any one transaction or \$3,000,000 in the aggregate. The proposed sale of the Redundant Assets is not expected to exceed these maximums.
16. The Monitor, together with BTI and RBC, reviewed the proposals received with respect to the sale of the Redundant Assets. With the Monitor's and RBC's approval, BTI decided to engage Maynards as BTI's agent to sell the Redundant Assets either by auction or by private treaty liquidation sale pursuant to an auction services agreement (the "**Auction Services Agreement**") substantially in the form attached as **Exhibit "E"**.
17. The Redundant Assets which are to be sold by auction and/or by private sale by Maynards pursuant to the Auction Services Agreement are set out Schedule A to the attached Auction Services Agreement.
18. The significant terms and conditions contained in the Auction Services Agreement are as follows (with all capitalized terms not otherwise defined having the meaning set out in the Auction Services Agreement):

Auction

An auction of the Oakville Assets and select Brantford Assets shall be conducted live at the Brantford Premises and on-line on a date during the week of June 8, 2008.

Prior to June 30, 2008 in respect of the Oakville Premises, and/or on a date to be determined by BTI with RBC's consent and on 60 days notice to the Auctioneer with respect to the Brantford Premises, the Auctioneer will remove any remaining Assets from the applicable premises and store them at the Auctioneer's premises.

At any time upon 60 days written notice from BTI with the written consent of RBC, the Auctioneer shall conduct an Auction of the Brantford Assets, or any part thereof.

Private Sale

The Auctioneer shall contact persons in the industry to explore the possibility of selling some or all of the Assets on a Private Sale basis prior to the Auction with the approval of BTI, RBC and the Monitor, except for certain assets which may be sold without prior consent upon terms to be determined.

Insurance

The Auctioneer shall maintain public liability insurance in an amount of not less than \$5,000,000 for the Oakville Premises and the Brantford Premises and for any Assets removed from the two premises to the Auctioneer's premises for the duration of this Auction Services Agreement.

Buyer's Premium

The Auctioneer shall collect from the Purchasers an amount representing the buyers' premium calculated as a percentage of the sale price of each Asset not to exceed 12% of the sale price or 15% of the sale price where purchased on-line, which premium is payable to the Auctioneer.

Premises

The Auctioneer shall have rent free, unfettered and full access to the Oakville Premises and the Brantford Premises and the Assets for the Access Period for the purpose of conducting the Auction or Private Sale and removing the Assets.

The Auctioneer shall be responsible for, at its own expense, repairing any damage to the Oakville Premises or the Brantford Premises caused by the Auctioneer, its employees and agents and/or a Purchaser during the Access Period.

BTI shall be responsible for, among other payments, the payment of realty taxes, electronic security systems, insurance premiums, and utilities.

Proceeds, Costs and Taxes

Proceeds collected by the Auctioneer shall be deposited immediately as they are collected into a bank account in the names of BTI and the Auctioneer.

Payment for Assets sold by the Auctioneer shall be made to BTI in cash, by certified cheque or wire transfer without deduction for any claims of the Auctioneer or set-off.

The Auctioneer shall pay directly for the costs of dealing with the assets in accordance with the Auction Services Agreement and shall be reimbursed from the Net Proceeds for those costs which it has paid which are approved by BTI pursuant to schedule E.

Applicable Taxes are to be collected and remitted by the Auctioneer.

Assignment

The Auctioneer is not entitled to assign its rights and obligations under the Auction Services Agreement without the written consent of BTI, which consent may be unreasonably withheld.

BTI may assign its rights and obligations to RBC while BTI remains indebted to RBC and to any secured creditor of BTI thereafter without the consent of the Auctioneer.

MONITOR'S ANALYSIS AND RECOMMENDATION

19. The Initial Order was granted on December 9, 2008 and provided for a stay of proceedings until January 8, 2009. Together, the Extension Orders extended the stay of proceedings to May 1, 2009. Since the date of the third Extension Order, BTI and its advisors have worked diligently in advancing the restructuring for the benefit of stakeholders.
20. BTI and its advisors have also been working closely with BTI's suppliers and customers in making arrangements for the continued supply of manufactured components.

21. The Monitor recommends that this Honourable Court approve:

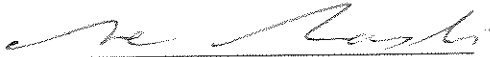
- (a) this Fourth Report and the activities of the Monitor set out herein;
- (b) BTI's motion seeking approval of the GM Accommodation Agreement and the Gates Accommodation Agreement substantially in the form attached to this Fourth Report and provided that any subsequent changes to the agreements are approved by the Monitor; and
- (c) BTI's motion seeking approval of the Auction Services Agreement substantially in the form attached to this Fourth Report and provided that any subsequent changes to the Auction Services Agreement are approved by both RBC and the Monitor.

This Fourth 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:



Uwe Manski, FCA, FCIRP
Senior Vice-President