

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.**

SEVENTH REPORT OF THE MONITOR

(May 21, 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 May 26, 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 and May 15, 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 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 by 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 seventh report of the Monitor (the "**Seventh Report**") is to advise this Honourable Court with respect to:

- (a) the activities of the Monitor and BTI since the Monitor's sixth report dated May 12, 2009;
- (b) the ongoing negotiations in respect of accommodation agreements with certain of BTI's remaining key customers, which include Bendix Commercial Vehicle Systems LLC ("**Bendix**"), Ford Motor Company ("**Ford**"), Getrag Corporation ("**Getrag**") and TRW Automotive Systems Inc. ("**TRW**");
- (c) the status with respect to the sale of BTI's Core Assets (as that term is defined in the Second Report of the Monitor dated January 26, 2009);
- (d) BTI's actual cash-flow for the period ending May 15, 2009;
- (e) the status and proposed extension of the DIP Loan and cash flow projections to June 5, 2009; and
- (f) the Monitor's comments and recommendations in connection with BTI's motion to extend the stay of proceedings until June 5, 2009.

5. This Seventh Report contains the Monitor's conclusions and recommendations to this Honourable Court in connection with BTI's motion seeking approval of:

- (a) this Seventh Report and the Monitor's activities outlined therein;
- (b) an extension of the Stay Period contained in the Initial Order from May 26, 2009 to June 5, 2009; and

- (c) a sixth DIP Loan amendment agreement (the “**Sixth DIP Loan Amendment Agreement**”), which, among other things, extends the term of the DIP Loan Agreement from May 26, 2009 to June 5, 2009 (subject to certain events of default).
6. Capitalized terms not defined in this Seventh 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, 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, which is discussed in more detail below;
 - (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.
9. BTI continues to negotiate accommodation terms sheets with certain remaining key customers, including Bendix, Ford, Getrag and TRW, and BTI expects to be back before this Honourable Court shortly for their approval.

THE SALE OF THE CORE ASSETS

10. The Monitor has assisted BTI and Trenwith with the Core Asset sale process, where ninety-five parties were approached, and forty-two confidentiality agreements were delivered to parties interested in considering further the opportunity to purchase BTI's Core Assets. On April 15, 2009 (the offer deadline date), binding offers were presented.
11. BTI and Trenwith, with the assistance of the Monitor, have reviewed the offers received. There are ongoing negotiations and discussions with prospective purchasers which negotiations are nearing conclusion. This issue will be the subject of a further report to this Honourable Court and a motion for approval, when such an agreement is concluded.

ACTUAL CASH FLOWS FOR THE PERIOD ENDING MAY 15, 2009

12. The Monitor compared in general terms actual results for the week ending May 15, 2008 to management's Fifth Updated Projected Cash Flow.
13. The actual net cash flow for the period ending May 15, 2009 was negative \$2.17 million. This was \$0.64 million better than the forecast of negative \$2.81 million presented in the Fifth Updated Projected Cash Flow. This variance is largely due to timing differences from disbursements related to overhead expenses and labour.
14. In general terms, actual cash flow for week ending May 15, 2009 appears to be consistent with the Fifth Updated Projected Cash Flow.

DIP LOAN AND CASH FLOW PROJECTIONS TO JUNE 5, 2009

15. Up to June 5, 2009, BTI projects drawing 2.78 million on the DIP Loan Facility.
16. BTI has updated the Extended Fifth Updated Projected Cash Flow to reflect the actual results to date and timing differences, for the period ending June 5, 2009, as the "Sixth Updated Projected Cash Flow", a copy of which is attached as **Exhibit "D"**.
17. The Sixth Updated Projected Cash Flow reflects actual results for the first 23 weeks to May 15, 2009 and updated projections for the period to June 5, 2009. The Sixth Updated Projected Cash Flow has been prepared by BTI, reviewed by the Monitor and submitted to the DIP Lender.

18. Sales assumptions up to the week ending May 29, 2009 remained unchanged in comparison to Fifth Updated Projected Cash Flow. The Monitor compared sales assumptions for the week ending June 5, 2009 to sales release report dated May 15, 2009. Sales assumptions used in the Sixth Updated Projected Cash Flow were not materially different to sales orders found on the sales release report dated May 15, 2009.
19. The Sixth Updated Projected Cash Flow includes a contingent payment of \$50,000, presented as a disbursement for the week ending May 29, 2009.
20. The Sixth Updated Projected Cash Flow reflects the cost savings of reduced overhead and labour as a result of the week-long shutdown of the Burlington plant in the week ending May 22, 2009. Note that revenues are not affected by the temporary shutdown as the Company continues to ship goods from finished goods inventory.
21. 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 Sixth DIP Loan Amendment Agreement is attached as **Exhibit "E"**. Among other things, the Sixth DIP Loan Amendment Agreement extends the term of the DIP Loan Agreement to June 5, 2009 (subject to certain events of default).

MONITOR'S ANALYSIS AND RECOMMENDATION

22. The Initial Order granted on December 9, 2008 provided for a stay of proceedings until January 8, 2009. Together, the Extension Orders have extended the stay of proceedings to May 26, 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.
23. BTI and its advisors have also been working diligently towards reaching agreement on RBC's continued financial support of BTI, toward entering into an agreement of purchase and sale with respect to BTI's Core Assets and they have been working closely with BTI's suppliers and customers to make arrangements for the continued supply of manufactured components.

24. 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 5, 2009 is in the best interests of BTI's stakeholders.
25. The Monitor recommends that this Honourable Court approve:
- (a) this Seventh Report and the activities of the Monitor set out herein;
 - (b) the extension of the Stay Period contained in the Initial Order from May 26, 2009 to June 5, 2009; and
 - (c) the terms of the Sixth DIP Loan Amending Agreement.

This Seventh 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