

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.**

SIXTH REPORT OF THE MONITOR

(May 12, 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 15, 2009 pursuant to various Orders of this Honourable Court made on each of January 9, 2009, January 30, 2009, March 13, 2009 and April 28, 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 (the "**Fifth Report**").

4. The purpose of this sixth report of the Monitor (the "**Sixth Report**") is to advise this Honourable Court with respect to:

- (a) the activities of the Monitor and BTI since the Fifth Report;
- (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 9, 2009;
- (e) the accounts of the Monitor, its legal counsel, Aird & Berlis LLP and BTI's legal counsel, Fraser Milner Casgrain LLP, for the period of March 1, 2009 to April 30, 2009;
- (f) the status and proposed extension of the DIP Loan and cash flow projections to May 26, 2009; and
- (g) the Monitor's comments and recommendations in connection with BTI's motion to extend the stay of proceedings until May 26, 2009.

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

- (a) this Sixth Report and the Monitor's activities outlined therein;

- (b) the accounts of the Monitor, Aird & Berlis LLP and Fraser Milner Casgrain LLP for the period of March 1, 2009 to April 30, 2009;
 - (c) an extension of the Stay Period contained in the Initial Order from May 15, 2009 to May 26, 2009; and
 - (d) a fifth DIP Loan amendment agreement (the “**Fifth DIP Loan Amendment Agreement**”), which, among other things, extends the term of the DIP Loan Agreement from May 15, 2009 to May 26, 2009 (subject to certain events of default).
6. Capitalized terms not defined in this Sixth Report are as defined in the Initial Order and the Fifth Report. 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 with the objective of entering into an Agreement of Purchase and Sale with one of them on or about May 15, 2009. 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 9, 2009

12. The Monitor has reviewed BTI's actual un-audited cash flow for the period from December 9, 2008 through to May 9, 2009 and compared it to management's Third Updated Projected Cash Flow for the same period. Actual net cash flow for the period ended May 9, 2009 was negative \$2.18 million. This was \$0.80 million better than the forecast negative \$2.98 million. The comparison of the actual cash flow to the forecast is attached as **Exhibit "D"**.

13. The actual net cash flow for the period ended May 8, 2009 shows the following:
- (a) collections from operations of \$20.99 million were 10.55% behind the forecast \$23.47 million, due to reduced orders from customers and timing of the Ford Tooling Cancellation Claim payment. Reduced orders are attributed to Ford, GM and Bendix;
 - (b) disbursements of \$22.93 million were 9.87% less than the forecast \$25.44 million as a result of lower than planned operating line repayments to the Bank, unutilized contingency reserves, timing and permanent differences on overhead expenses and lower level of material purchases (result of reduced sales orders and increased usage of scrap metal). Lower than anticipated disbursements for utilities, raw materials, financing costs and post-filing accounts payable are all partially offset by greater than forecast professional fees;
 - (c) the Contingency Reserve to May 8, 2009 totalled \$705,598. To date, \$369,287 has been spent from the reserve, including unanticipated lease payments, legal costs incurred by the Bank and fixed asset costs. Going forward, BTI reduced the contingency reserve to \$50,000 and it is reflected in the updated projections to May 29, 2009; and
 - (d) Net Tooling Cash Flow at negative \$0.27 million is 74.25% less than the projected negative \$1.03 million. Tooling disbursements were lower than anticipated due to delays in customer programs

DIP LOAN AND CASH FLOW PROJECTIONS TO MAY 29, 2009

14. Up to May 29, 2009, BTI projects drawing \$2.84 million on the DIP Loan Facility.
15. BTI has updated the Extended Fourth Updated Projected Cash Flow to reflect the actual results to date and timing differences, for the period ending May 29, 2009, as the “**Fifth Updated Projected Cash Flow**”, a copy of which is attached as **Exhibit “E”**.
16. The Fifth Updated Projected Cash Flow reflects actual results for the first 22 weeks to May 9, 2009 and updated projections for the period to May 29, 2009. The Fifth Updated

Projected Cash Flow has been prepared by BTI, reviewed by the Monitor and submitted to the DIP Lender.

17. Sales projections are based on releases as at March 31, 2009 discounted by \$600,000 or 16% to reflect the subsequent reduction of sales orders. The Monitor compared to sales orders report dated April 28, 2009 to report dated above which was used as a basis of the forecast. The Monitor found that the decrease in sales orders is consistent with reduction in sales reflected in the Fifth Updated Projected Cash Flow.
18. In response to decreasing sales orders, management continues to implement cost cutting measures. Reflected in the Fifth Updated Projected Cash Flow are savings from a week-long temporary shut down of the Burlington Facility planned for the week ending May 22, 2009. As a result, management anticipates savings of approximately \$200,000 related to labour, materials and overhead costs.
19. Management has reduced the unutilized balance of contingent payments to \$50,000 in the Fifth Updated Projected Cash Flow. This balance is included as a disbursement in the week ending May 15, 2009.
20. 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 Fifth DIP Loan Amendment Agreement dated May 15, 2009 is attached as **Exhibit "F"**. Among other things, the Fifth DIP Loan Amendment Agreement extends the term of the DIP Loan Agreement to May 26, 2009 (subject to certain events of default).

ACCOUNTS FOR THE PERIOD ENDING FEBRUARY 29, 2009

21. Attached to this Sixth Report as **Exhibit "G"**, **Exhibit "H"** and **Exhibit "I"**, are the affidavits of representatives of the Monitor, Aird & Berlis LLP and Fraser Milner Casgrain LLP in respect of their fees and disbursements, respectively, for the period of March 1, 2009 to April 30, 2009.
22. The Fees of the Monitor, Aird & Berlis LLP and Fraser Milner Casgrain LLP for the period ending February 28, 2009 were approved by this Honourable Court pursuant to the March 13, 2009 Extension Order.

23. Given the complexity of these CCAA proceedings, the Monitor believes the accounts of the Monitor, Aird & Berlis LLP and Fraser Milner Casgrain LLP, as outlined in Exhibit "G", Exhibit "H" and Exhibit "I" respectively are reasonable and appropriate in the circumstances.

MONITOR'S ANALYSIS AND RECOMMENDATION

24. 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 15, 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.
25. 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.
26. 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 May 26, 2009 is in the best interests of BTI's stakeholders.

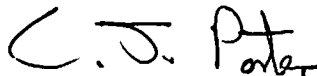
27. The Monitor recommends that this Honourable Court approve:
- (a) this Sixth Report and the activities of the Monitor set out herein;
 - (b) the accounts of the Monitor, Aird & Berlis LLP and Fraser Milner Casgrain LLP for the period of March 1, 2009 to April 30, 2009;
 - (c) the extension of the Stay Period contained in the Initial Order from May 15, 2009 to May 26, 2009; and
 - (d) the terms of the Fifth DIP Loan Amending Agreement.

This Sixth 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, CA•CIRP
Vice-President