

**IN THE MATTER OF THE BANKRUPTCY OF
SKD COMPANY, A PARTNERSHIP OF NMC CANADA, INC. AND
2515080 NOVA SCOTIA COMPANY,
OF THE TOWN OF MILTON, IN THE PROVINCE OF ONTARIO**

REPORT OF TRUSTEE'S PRELIMINARY ADMINISTRATION

1. BACKGROUND

NMC Canada Inc ("NMC") and 2515080 Nova Scotia Company ("2515 Nova Scotia") are the general partners of SKD Company ("SKD") (collectively, NMC, 2515 Nova Scotia and SKD are referred to as the "Company"). The only assets and liabilities of NMC and 2515 Nova Scotia relate to SKD. NMC and 2515 Nova Scotia own 1% and 99% of SKD, respectively.

SKD was primarily a tier-one supplier of stampings and welded assemblies to the North American automotive industry. In addition to SKD's Canadian manufacturing operations, automotive parts manufacturing was carried on by SKD L.P. in the US and SKD de Mexico, S. de R.L. de C.V. in Mexico.

The Company operated from two leased facilities in Mississauga, Ontario, as well as owned facilities in each of Milton and Brampton, Ontario.

2. INSOLVENCY PROCEEDINGS

The following is a chronology of the Company's insolvency proceedings leading up to these bankruptcy proceedings:

- January 21, 2009 - The Ontario Superior Court of Justice (the "Court") issued an order (the "Initial Order") granting the Company protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA"). Pursuant to the terms of the Initial Order, RSM Richter Inc. ("Richter") was appointed as the monitor ("Monitor") in the CCAA proceedings.

A marketing and sale process was undertaken by the Monitor at the commencement of the CCAA proceedings.

- April 3, 2009 - The Court approved three sale transactions (“Sale Transactions”) for the sale of substantially all of the Company’s business and assets related to programs for Honda of America Mfg., Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, “Honda”) (“Honda Transaction”), Ford Motor Company (“Ford”) (“Ford Transaction”) and Chrysler Canada Inc. and Chrysler LLC (jointly, “Chrysler”) (“Chrysler Transaction”).
- April 3, 2009 - The Honda and Ford Transactions closed.
- April 9, 2009 - The Chrysler Transaction closed.
- May, 2009 - Active business operations at the Company ceased.
- June 11, 2009 – An order was made by the Court appointing Richter as receiver (“Receiver”) of the Company’s property, assets and undertakings.
- June 11, 2009 – The Court approved an Asset Purchase and Liquidation Services Agreement between Maynards Industries Inc. (“Maynards”) and the Receiver. Maynards paid a net minimum guarantee of \$3.1 million in exchange for substantially all of the Company’s remaining assets, excluding real estate. Auctions were conducted by Maynards from the Company’s premises on October 14 and 15, 2009. The transaction with Maynards also generated approximately another \$100,000 through certain commission sales.
- November 4, 2009 – An order was made by the Court approving the directors’ and officers’ claims process (“D&O Claims Process”) to allow the Receiver to determine whether claims existed against a \$3 million charge created pursuant to the Initial Order in favour of the Company’s directors and officers. As of the date of this report three claims remain unresolved.
- December 17, 2009 – All of the assets were removed and Maynards vacated the Company’s premises.
- April 29, 2010 – An order was made by the Court authorizing, among other things, the Receiver to assign the Company into bankruptcy at such time as the Receiver deemed appropriate (“April 29th Order”).
- April 29, 2010 – An order was made by the Court approving the sale of the Company’s real estate located at 40 Holtby Avenue, Brampton (“Brampton Property”) (“Brampton Transaction”).
- April 30, 2010 - The Brampton Transaction closed.

- June 7, 2010 – Pursuant to an order (“Distribution Order”) issued on June 7, 2010, the Receiver distributed the proceeds of the Sale Transactions, the Brampton Transaction, and other realizations to Comerica Bank (“Comerica”), the Company’s primary secured creditor (“Distribution”), to repay in full the participations funded by Ford, Chrysler and Honda (collectively, the “Customers”) (“Distribution Order”). See Section 3 below for additional information related to secured creditors.
- August 19, 2010 – An order was made by the Court approving the sale of the Company’s real estate located at 375 Wheelabrator Way, Milton (“Milton Transaction”).
- September 24, 2010 – The Milton Transaction closed.
- January 11, 2011 - The Receiver filed an assignment in bankruptcy on the Company’s behalf and was appointed as Trustee of the Company’s bankrupt estate (“Trustee”) by the Office of the Superintendent of Bankruptcy Canada, subject to affirmation by the creditors at the First Meeting of Creditors.

Copies of all Court materials filed in the Company’s CCAA and receivership proceedings are available on Richter’s website at www.rsmrichter.com.

3. SECURED CREDITORS

During the CCAA proceedings the Company’s operations were partially funded by the Customers.

At the outset of the CCAA proceedings the Customers agreed to purchase from Comerica, for cash, undivided subordinated interests (“Customer Participations”) in Comerica’s loans to SKD Automotive Group, Limited Partnership and the Company pursuant to an Amended and Restated Subordinated Participation Agreement dated January 21, 2009, as amended.

Prior to its appointment as Monitor, Richter engaged Goodmans LLP (“Goodmans”) to provide an opinion on the validity and enforceability of the security held by Comerica in the Province of Ontario. Subject to the standard assumptions and qualifications contained in the opinion, Goodmans opined that the security granted by the Company in favour of Comerica created a valid and perfected security interest in the Company’s business and assets located in Ontario.

Pursuant to the terms of the Distribution Order, the Receiver was authorized and directed to distribute the Canadian dollar equivalent of approximately US\$12 million to Comerica to repay in full (inclusive of interest) the Customer Participations. The Distribution was made on June 10, 2010. The direct advances made by Comerica to the Company were repaid prior to the receivership proceedings.

With the exception of three unresolved claims in the D&O Claims Process, totalling approximately \$140,000, including a provision for costs, an outstanding construction lien related to the Brampton Property (claiming approximately \$132,000) and the administrative charge related to fees and disbursements of the Receiver and its legal counsel, there are no other known secured claims.

4. ASSETS OF THE BANKRUPT

As of the date of this report, there is approximately \$10 million on deposit in the bankruptcy estate trust account and approximately \$500,000 on deposit in the receivership account. The funds remaining in the receivership trust account relate to the potential secured claims related to the D&O Claims Process, the construction lien referenced above, and professional fees and disbursements and sundry expenses related to the receivership proceedings. Once the Receiver is discharged, any surplus in the receivership account will be transferred to the bankrupt estate.

In addition to the cash on hand, Conway Mackenzie Inc. ("Conway"), the Company's former financial advisor and McMillan LLP ("McMillan") (formerly Lang Michener LLP), counsel to the Company's former directors and officers, hold deposits of \$64,000 and \$430,000, respectively. The Receiver has requested that, with the exception of \$15,000 and \$50,000 ("Retainers"), to be retained by Conway and McMillan respectively, the balance be returned to the estate. The Receiver has consented to the Retainers in the event that future services are required by either of the parties to deal with outstanding receivership matters. Should the full amount of the Retainers not be required by Conway and/or McMillan, the remaining funds would be returned to the Receiver and transferred to the bankrupt estate.

4.1 Realization of Assets

As at the date of bankruptcy there are no further assets to be realized upon. There will be funds available for distribution to the Company's unsecured creditors.

4.2 Property of the Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(b) of the *Bankruptcy and Insolvency Act* (the "BIA")

With the exception of funds held in a separate trust account by the Receiver on behalf of Chrysler, there do not appear to be any assets subject to a trust or similar claim that would not be available to the creditors. The monies in the trust account were paid to Richter by Chrysler pending resolution of certain items in dispute between Chrysler and the Company. The Receiver continues to work with Chrysler to resolve the outstanding issues.

5. BOOKS AND RECORDS

The Trustee has possession of the Company's books and records. Based on the documents reviewed by the Trustee, the Company's books and records appear to have been adequately maintained by the Company and were posted to the completion of the CCAA proceedings. Pursuant to an order of the Court made on August 19, 2010, the Receiver was authorized to destroy certain books and records that are not required for the administration of the estate. All of the remaining books and records are in the possession of the Trustee and are at a storage facility operated by DDI Group Ltd. ("DDI"). All servers and electronic records are also stored at DDI.

6. PROVABLE CLAIMS

Based on the Company's books and records, it appears that the known unsecured obligations of the Company total approximately \$44 million.

7. TRANSFERS UNDER VALUE AND PREFERENCES

From the commencement of the CCAA proceedings on January 21, 2009, the Monitor reviewed, in advance, all of the Company's disbursements in accordance with the Initial Order. All expenses incurred during the receivership proceedings were paid by the Receiver.

Based on this review, there do not appear to have been any transfers under value or preferences during the year preceding the date of bankruptcy.

8. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

All of the assets have been realized upon. The Trustee estimates that net of costs there will be funds available for distribution to the Company's unsecured creditors in the range of \$9.5 million to \$10 million.

9. FIRST MEETING OF CREDITORS

The Trustee will convene the creditors' meeting for the Company's estate on January 31, 2011 at 11:00 am (Toronto time) at Hyatt Regency on King.

The Trustee intends to seek inspector approval to engage Goodmans as its legal counsel in these bankruptcy proceedings.

10. OTHER MATTERS

There are no other matters to discuss at this time.

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DATED at Toronto, Ontario, this 28th day of January, 2011.

RSM Richter Inc.

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IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY
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AND NOT IN ITS PERSONAL CAPACITY**