

RSM! Richter

**Fourth Report of RSM Richter Inc.
as CCAA Monitor of
NMC Canada, Inc., 2515080 Nova Scotia
Company and SKD Company**

RSM Richter Inc.
Toronto, March 11, 2009

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**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
NMC CANADA, INC. AND 2515080 NOVA SCOTIA COMPANY**

**FOURTH REPORT OF RSM RICHTER INC.
AS CCAA MONITOR OF
NMC CANADA, INC., 2515080 NOVA SCOTIA COMPANY
AND SKD COMPANY**

March 11, 2009

1. INTRODUCTION

Pursuant to an order (the "Initial Order") of the Ontario Superior Court of Justice (the "Court") made on January 21, 2009, NMC Canada, Inc. ("NMC"), 2515080 Nova Scotia Company ("2515") and SKD Company ("SKD") (collectively, the "Company") commenced proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") and RSM Richter Inc. ("Richter") was appointed the monitor (the "Monitor"). A copy of the Initial Order can be found at Tab "1" of the Company's compendium of orders, filed with the Court in these proceedings.

The Company's stay of proceedings currently expires on March 11, 2009.

1.1 Purposes of this Report

The purposes of this report (“Report”) are to:

- a) Provide background information about the Company and these CCAA proceedings; and
- b) Recommend that this Honourable Court make an order granting the Company’s request for an extension of its stay of proceedings from March 11, 2009 to March 31, 2009.

1.2 Currency

Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Terms of Reference

In preparing this Report, the Monitor has relied upon unaudited financial information prepared by the Company’s management, the Company’s advisors, the Company’s books and records and discussions with its management. The Monitor has not performed an audit or other verification of such information. An examination of the Company’s financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on management’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

All capitalized terms not otherwise defined herein have the meaning ascribed to them in the Initial Order.

2. BACKGROUND

NMC and 2515 are the general partners of SKD. The only assets and liabilities of NMC and 2515 relate to SKD. NMC and 2515 own 1% and 99% of SKD, respectively. In addition to SKD's Canadian manufacturing operations, automotive parts manufacturing is carried on by SKD L.P. ("SKD US") in the US and SKD de Mexico ("SKD Mexico"), S. de R.L. de C.V. in Mexico (collectively, SKD and its related entities are referred to as the "SKD Group").

The SKD Group is primarily a tier-one supplier of stampings and welded assemblies to the North American automotive industry.

Additional information concerning the Company and these proceedings is provided in the proposed monitor's report and the Monitor's three reports filed in these proceedings. Copies of these reports can be found on the Monitor's website at www.rsmrichter.com.

3. UPDATE SINCE THE MONITOR'S THIRD REPORT

Since February 26, 2009, the date of the Monitor's third report (the "Third Report"), the Company, Comerica Bank ("Comerica") and the Company's major customers, being Ford Motor Company ("Ford"), Chrysler Canada Inc. and Chrysler LLC (jointly, "Chrysler") and Honda of America Mfg. Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, "Honda"), (Ford, Chrysler and Honda are collectively referred to as the "Customers") have continued their discussions regarding the terms of an extension of these proceedings and the relevant amending agreements required to allow the Company to continue to operate throughout the extension period. As of the date of this Report, amending agreements were in the process of being finalized for the period ending March 31, 2009, with respect to the Accommodation Agreement (including the Access Agreement and the Budget), the Forbearance Agreement, the Subordinated

Participations Agreement and the Additional Participations and Allocation Agreement (the aforementioned agreements are collectively referred to as, the “Agreements”). Copies of the amendments to the Agreements will be provided by the Company with its materials to be filed in respect of this motion.

4. SALE PROCESS

As described in the Monitor’s earlier reports, the Monitor conducted the sale process (“Sale Process”) as required pursuant to the terms of the Initial Order.

On February 18, 2009, the deadline for submission of offers, the Monitor received two offers for certain portions of the Company’s business. No going-concern offers were received for the entire business.

The Monitor has had discussions with counsel to the Customers whose business the bidders wished to acquire. Counsel for these customers advised that their clients would be re-sourcing their business to a vendor or vendors of their choosing and were therefore not interested in transitioning their business to either of the prospective purchasers. Accordingly, the Monitor has advised, or will be advising, the bidders that their offers will not be accepted.

As described in the Monitor’s second report to Court, dated February 13, 2009 (the “Second Report”), the Company was in discussions with a prospective purchaser (the “Purchaser”) for the sale of the business and assets of SKD US and SKD Mexico (the “Sale Transaction”). The Sale Transaction closed on or about February 27, 2009. The Monitor understands that the Purchaser may have an interest in acquiring certain assets of the Company. The Monitor continues to work with the Company, the Customers and their respective advisors, with respect to the direction of the business.

5. CASH FLOW

As at March 6, 2009, Comerica was owed approximately US\$5.9 million (which is net of proceeds from the Sale Transaction), excluding interest, costs and expenses, and excluding Customer funding, which is by way of subordinated participations in the Comerica facility. Comerica is also currently holding approximately US\$7 million in a cash collateral account; accordingly, Comerica has no net exposure as at the date of this Report. Total Customer funding through to March 6, 2009 was approximately US\$9.3 million. Accordingly, the total secured indebtedness under the Comerica facility (including the Customer funding) was approximately US\$15.2 million (before the application of proceeds being held by Comerica in the cash collateral account) as at March 6, 2009.

The Company and its financial advisors worked with the Customers' financial advisors to finalize a budget for the period ending March 31, 2009. The Monitor has reviewed the budget and believes it to be reasonable. A copy of the budget will be provided by the Company with its materials to be filed in respect of this motion.

6. COMPANY'S REQUEST FOR AN EXTENSION

The Company is seeking an extension of the stay of proceedings to March 31, 2009.

The Monitor supports the Company's request for an extension of the stay of proceedings, for the following reasons:

- The Company is acting in good faith and with due diligence;
- It should not prejudice any employee or creditor, as arrangements are to be in place to pay post-filing services and supplies;
- Comerica and the Customers support the extension;

- It would allow the Company the opportunity to assist the Customers to transfer their business to alternate vendors in accordance with the terms of the Accommodation Agreement, which is necessary for the Company to maximize its realizations for all of its stakeholders; and
- It may allow for a transaction with the Purchaser (or another party) for some of the Company's business and assets.

7. OVERVIEW OF THE MONITOR'S ACTIVITIES

In addition to the activities detailed above, since the date of the Second Report, the Monitor's activities have included:

- Attending at the Company's premises on a near daily basis in order to carry out its activities in accordance with the Initial Order;
- Assisting the Company to deal with post-filing issues, including supplier issues;
- Assisting the Company to prepare weekly variance analyses for distribution to Comerica and the Customers in accordance with the terms of the Forbearance Agreement, the Accommodation Agreement and the Initial Order;
- Reviewing the weekly variance analyses and the weekly cash flow projections with the Company and its financial advisors;
- Monitoring the Company's receipts and disbursements in accordance with the provisions of the Initial Order;
- Responding to creditor inquiries regarding these proceedings;
- Drafting and finalizing the Third Report;
- Reviewing the Company's draft motion materials in respect of the motion returnable February 27, 2009;
- Reviewing the amendments to the Agreements and discussing same with the Company, its advisors, the Customers and their advisors;
- Working with the Company, Goodmans LLP ("Goodmans"), the Monitor's counsel, and the Customer's financial advisors, to deal with various vendor issues;

- Corresponding with the Company, the Company's counsel, the Company's financial advisors, the Customers' financial advisors, the Customers' counsel and Goodmans, to deal with various matters in respect of this mandate;
- Placing on its website copies of materials filed in these proceedings;
- Drafting this Report; and
- Other matters pertaining to the administration of this mandate.

8. CONCLUSION AND RECOMMENDATION

Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(b) of this Report.

* * *

All of which is respectfully submitted,



**RSM RICHTER INC.
IN ITS CAPACITY AS CCAA MONITOR OF
NMC CANADA, INC., 2515080 NOVA SCOTIA COMPANY
AND SKD COMPANY
AND NOT IN ITS PERSONAL CAPACITY**