

**RSM Richter**

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

**RSM Richter Inc.**  
Toronto, April 29, 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**

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

**April 29, 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 April 30, 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;
- b) Provide an update on the closing of the sale transactions approved by the Court on April 3, 2009;
- c) Summarize an agreement being negotiated between the Company and Chrysler Canada Inc. and Chrysler LLC (jointly, “Chrysler”) that is intended to enable the production of component parts for Chrysler at the Company’s plant in Brampton, Ontario (the “Brampton Plant”) through to October 31, 2009, at the latest (the “Chrysler Agreement”);
- d) Provide details of a transaction being negotiated between the Company and Maynards Industries Ltd. (“Maynards”) for the sale of the Company’s remaining assets, excluding its real estate (the “Remaining Assets”) (such sale being referred to as, the “Maynards Transaction”);
- e) Recommend that this Honourable Court make an order:
  - Approving the Company’s request for an extension of the stay of proceedings to May 31, 2009;
  - Authorizing and directing the Monitor to release to the Company an amount sufficient to pay to Comerica Bank (“Comerica”) the outstanding balance of the senior loans owing by SKD Group (as defined below) to Comerica under the revolving credit agreement entered into among Comerica, the Company and certain of its affiliated entities, which amount shall not exceed \$2 million;
  - Authorizing and directing the Monitor to release to the Company an amount sufficient to fund the wind-down costs detailed in the Company’s cash flow projection for the period ending May 31, 2009;
  - Approving the fourth amendment to the Forbearance Agreement; and
  - Approving the Monitor’s activities as described in this Report.

## 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 was 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 Monitor's various reports filed previously in these proceedings. Copies of these reports can be found on the Monitor's website at [www.rsmrichter.com](http://www.rsmrichter.com).

### **3. UPDATE RE: SALE TRANSACTIONS**

On April 3, 2009, an order was made by this Honourable Court approving the following transactions:

- The sale to Martinrea Jonesville LLC of the business and assets of the Company related to programs for Honda of America Mfg., Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, "Honda") (the "Honda Transaction"). Total proceeds of sale (net of applicable taxes) were approximately \$1.3 million;
- The sale to Martinrea International Inc. of the business and assets of the Company related to programs for Ford Motor Company ("Ford") (the "Ford Transaction"). Total proceeds of sale (net of applicable taxes) were approximately \$2.5 million; and
- The sale to Martinrea International Inc. of the business and assets of the Company related to certain programs for Chrysler (the "Chrysler Transaction"). Total proceeds of sale (net of applicable taxes) were approximately \$3.4 million.

(The Honda Transaction, the Ford Transaction and the Chrysler Transaction are collectively referred to as the "Sale Transactions".)

The Honda Transaction and the Ford Transaction closed on April 3, 2009 and the Chrysler Transaction closed on April 9, 2009. As of the date of this report, the assets with respect to the Sale Transactions have been removed from the Company's premises and the Monitor's certificates related to each of the Sale Transactions have been filed with the Court.

In addition to the Sale Transactions, on April 3, 2009, the Court approved a sale transaction to Ford for specified Ford equipment (the "Secondary Ford Transaction"). Proceeds from the Secondary Ford Transaction totalled approximately US\$148,000.

#### **4. THE CHRYSLER AGREEMENT**

The Company manufactures certain component parts for Chrysler at the Brampton Plant which Chrysler has advised it cannot resource efficiently. The Company and Chrysler are presently negotiating the terms on which the Company would continue to manufacture these component parts through to and including October 31, 2009, at the latest. As at the date of this Report, the terms of this arrangement had not been finalized. It is contemplated that this arrangement will establish the terms on which Chrysler would fund the costs of operating the Brampton Plant, including the status of such funding in these insolvency proceedings. As it may take some time to finalize an agreement with Chrysler, the Company and Chrysler are presently negotiating the funding required to operate the Brampton Plant during May, 2009. In addition, interim issues related to the May operations still need to be agreed by both parties. Upon finalizing a formal arrangement with Chrysler for production of component parts through to and including October 31, 2009, at the latest, the Company will return to this Honourable Court to seek approval of the definitive agreement.

#### **5. COMERICA**

Comerica is the Company's principal secured lender. Comerica funded the operations of the SKD Group. To the extent that the Customers have funded the SKD Group's operations during these proceedings, they have done so pursuant to subordinated participations in the Comerica facility (the "Subordinated Participations"). As April 24, 2009, the amount owed to Comerica totalled approximately US\$1.6 million. Comerica is holding approximately US\$9 million in a cash collateral account ("Cash Collateral Account") representing certain recoveries generated by the SKD Group.

The Company, Conway Mackenzie Inc., the Company's financial advisors, and the Monitor are in the process of finalizing a debt allocation analysis with respect to the SKD Group's senior indebtedness to Comerica. Historically, the SKD Group did not allocate the Comerica borrowings amongst its various entities. The debt allocation is required for these proceedings in order to determine whether amounts would be distributable to unsecured creditors in Canada and the amount to be paid, if any, from SKD US to the Company and/or from the Company to SKD US, pursuant to an agreement entitled the Additional Participations and Allocation Agreement, as amended, which was entered into in advance of these proceedings.

The Company is now seeking to repay the outstanding senior portion of the Comerica loan as at April 30, 2009. The repayment to Comerica would be an amount not to exceed \$2 million and would be paid out of recoveries from the asset sales in Canada. No payments are proposed to be made on account of the Subordinated Participation amounts at this time.

The Monitor supports the repayment of the outstanding portion of the senior Comerica loan balance from monies currently held by the Company, provided that the fourth amendment to the Forbearance Agreement prohibits the distribution of any of the cash proceeds presently held in the Cash Collateral Account without further order of the Court.

## **6. MAYNARDS TRANSACTION**

The Monitor, on behalf of the Company, solicited offers from liquidators for the sale of the Remaining Assets. The Monitor distributed offer packages to eight liquidators. On April 17, 2009, the due date for submission of offers, the Monitor received three offers. The offer from Maynards reflected the highest and best offer for the Remaining Assets. The Company, Maynards and the Monitor are presently negotiating the terms of an agreement of purchase



and sale ("APS"). The Monitor intends to seek the Court's approval of the Maynards transaction upon finalization of the APS.

## **7. THE REAL ESTATE**

The Company owns the real estate located at 375 Wheelabrator Way, Milton, Ontario and 40 Holtby Avenue, Brampton, Ontario. On April 15, 2009, the Monitor distributed letters to three commercial real estate agencies requesting listing proposals for the sale of the Company's real estate. Proposals were submitted on April 23, 2009. The Monitor and the Company are reviewing the listing proposals and intend to engage a realtor and to list the properties in the near term.

On April 21, 2009, the Company issued a notice to the landlord of its premises located at 7345 East Danbro Crescent, Mississauga, Ontario indicating its intention to repudiate the lease agreement in respect of that premises.

In respect of its premises located at 6495 Tomken Road, Mississauga, Ontario ("Mississauga") it is the Company's intention to repudiate the lease forthwith and abandon the assets located at that premises. The Monitor supports the repudiation of the lease and the abandonment of the assets, as the occupancy and other costs (including direct payroll) in respect of Mississauga exceed the realizable value of the Mississauga assets, before professional and other costs. On April 29, 2009, the Monitor sent an e-mail to the Company's secured creditors' legal and financial advisors, as applicable, advising of the Company's intentions to repudiate the lease and to abandon the assets.

## **8. CASH FLOW**

The Company has prepared a cash flow budget for the period ending May 31, 2009, which relates to the wind-down of the Company's business (excluding Brampton), including the liquidation of the Remaining Assets and the costs related to maintaining the Company's real estate. A copy of this cash flow is attached as Exhibit "B" to the affidavit of John Chen, sworn April 28, 2009. It is proposed that expenditures reflected in this budget will be funded from the collection of accounts receivable and the proceeds generated from the asset sale transactions described in Section 3 above.

If an agreement is reached with Chrysler for the continued operations at the Brampton Plant the Company will file a separate cash flow with the Court in respect of those operations. If an agreement with Chrysler is not reached, the Company will prepare a budget for the additional costs necessary to wind-down the Brampton Plant.

## **9. EXTENSION**

The Company is seeking an extension of the stay of proceedings to May 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 in place, or are contemplated to be in place, to pay post-filing service providers and suppliers;
- It would allow the Company the opportunity to enter into the agreement of purchase and sale with Maynards;
- It would allow the Company to finalize the Chrysler Agreement; and
- It would allow the Company to market the real estate for sale.

## 10. OVERVIEW OF THE MONITOR'S ACTIVITIES

In addition to the activities detailed above and related to the above, since April 1, 2009, the date of the Monitor's sixth 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;
- Reviewing weekly variance analyses;
- Monitoring the Company's receipts and disbursements in accordance with the Initial Order;
- Responding to creditor inquiries regarding these proceedings;
- Reviewing the Company's draft motion materials in respect of a motion returnable on April 3, 2009;
- Reviewing cash flows prepared in the context of this motion;
- Dealing with closing matters related to the Sale Transactions;
- Reviewing "removal certificates" related to the removal of equipment in respect of the Sale Transactions;
- Filing Monitor's certificates in respect of the Sale Transactions;
- Working with the Company, its legal counsel and its financial advisors, Chrysler's legal counsel and its financial advisors in respect of the Chrysler Agreement;
- Soliciting and reviewing offers in respect of the Remaining Assets;
- Corresponding with the Company, the Company's counsel, the Company's financial advisors, the Customers' financial advisors, the Customers' counsel and Goodmans LLP 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.

## 11. 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(e) of this Report.

\* \* \*

All of which is respectfully submitted,

A handwritten signature in black ink, appearing to read "RSM Richter Inc.", written in a cursive style.

**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**