

RSM! Richter

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

RSM Richter Inc.
Toronto, May 28, 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**

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

May 28, 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 May 31, 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 transaction between the Company and Martinrea Fabco Metallic Canada Inc. (“Martinrea”) approved by the Court on May 21, 2009;
- c) Recommend that this Honourable Court make an order:
 - Approving the Company’s request for an extension of the stay of proceedings to June 10, 2009;
 - 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 June 10, 2009; 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 was 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 dated January 21, 2009 and the Monitor's prior reports filed in these proceedings. Copies of these reports can be found on the Monitor's website at www.rsmrichter.com.

3. SALE TRANSACTION

As reported in the Monitor's eighth report to Court dated May 20, 2009 (the "Eighth Report"), during the week of May 12, 2009, Chrysler Canada Inc., Chrysler LLC and Chrysler Motors LLC (collectively, "Chrysler") advised that it had entered into an arrangement with Martinrea for the resourcing and production of the parts previously manufactured by the Company at its Brampton, Ontario location for Chrysler. On May 21, 2009 an order was

made by this Honourable Court approving the sale to Martinrea (the “Sale Transaction”) of certain machinery, manufacturing and other equipment located at the Brampton facility and required in the production of the floor pan assembly and related component parts for Chrysler, as well as raw materials and work in process inventory (collectively, the “Assets”). Total proceeds of sale were approximately \$1.9 million, net of applicable taxes.

The Sale Transaction closed on May 21, 2009. As of the date of this report, the Assets have been removed from the Company’s premises and the Monitor has filed with the Court certificates confirming that the Sale Transaction has closed and the purchase price has been paid.

4. COMERICA

Comerica Bank (“Comerica”) is the Company’s principal secured lender. Comerica funded the operations of the SKD Group prior to the commencement of these proceedings and with the Customers¹ during these proceedings. Customer funding was by way of subordinated participations in the Comerica facility (the “Subordinated Participations”).

As detailed in the Monitor’s seventh report to Court dated April 29, 2009 (the “Seventh Report”), Comerica was seeking at that time repayment of monies owing directly to it by the Company. On May 6, 2009 an order was made by this Honourable Court authorizing the Company to repay to Comerica an amount not to exceed \$1.5 million.

On May 15, 2009 Comerica provided a “payout statement” in the amount of approximately US\$430,417 to the Company, which included outstanding forbearance and professional fees.

On May 26, 2009 the Company issued a direction to the Monitor to pay to Comerica

¹ Ford Motor Company (“Ford”), Honda of America Mfg., Inc., Honda Manufacturing of Indiana, LLC and Honda Manufacturing of Alabama, LLC (collectively, “Honda”) and Chrysler (Ford, Honda and Chrysler are collectively referred to as the “Customers”).

approximately US\$398,000 from the funds held by the Monitor on behalf of the Company. The Monitor initiated the payment of that amount to Comerica on May 27, 2009. The Monitor understands that, with the exception of an outstanding fee of approximately US\$33,000, the amounts owing to Comerica in respect of its senior loan have been repaid.

4.1 Debt Allocation

As mentioned in the Seventh Report, the Company, Conway MacKenzie Inc. (“Conway”), the Company’s financial advisors and the Monitor were preparing a debt allocation analysis with respect to the SKD Group’s senior indebtedness to Comerica. The allocation is required for various purposes, including primarily to determine the Company’s obligations to its creditors and the extent to which recoveries will be sufficient to repay amounts owing in respect of Subordinated Participations and, potentially, to unsecured creditors.

The Monitor delivered a memorandum summarizing the debt allocation analysis (accompanied by a projected recovery analysis) to the Customers’ financial advisors on May 27, 2009. As at the date of this Report, the next steps in the discussion of the debt allocation process have not been determined.

5. OPERATIONS AND REMAINING ASSETS

The Company’s operations have been discontinued – they ceased on April 30, 2009. The Company repudiated the leases at its two leased facilities located at 7345 East Danbro Crescent, Mississauga, Ontario and 6495 Tomken Road, Mississauga, Ontario, on April 30, 2009 and May 6, 2009, respectively.

The majority of the Company’s employees have been terminated (or will be terminated on or before May 31, 2009) with the exception of approximately 11 employees that have been retained by the Company to assist with wind-down activities.

The Company owns the real estate located at 375 Wheelabrator Way, Milton, Ontario and 40 Holtby Avenue, Brampton, Ontario. The Company has selected a real estate agent to list these properties for sale and is in the process of reviewing the listing agreements provided by the agent. It is anticipated that the properties will be listed for sale shortly.

The Monitor and the Company are in the process of negotiating an agreement with Maynards Industries Ltd. ("Maynards") for the sale of the Company's remaining machinery and equipment located at the Milton and Brampton facilities. The Monitor intends to seek approval of that transaction in early June, 2009 assuming all remaining issues with Maynards can be resolved by that time.

6. CASH FLOW

The Company has prepared a cash flow for the period ending June 10, 2009. A copy of the cash flow budget will be provided by the Company on the return date of this motion. The disbursements included in the budget are to be funded from the recoveries generated in these proceedings. These amounts are currently being held by the Monitor on behalf of the Company.

7. EXTENSION

The Company is seeking an extension of the stay of proceedings to June 10, 2009. Discussions are ongoing among the Company, the Customers and the Monitor concerning placing the Company in receivership at that time.

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 the Company's creditors as the Company has sufficient funds to pay any obligations incurred through to June 10, 2009;
- It would allow the Company the opportunity to finalize and enter into an agreement with Maynards;
- It would allow the Company to market the real estate for sale; and
- It would provide the Company and the Customers the opportunity to negotiate the terms of a receivership order.

8. OVERVIEW OF THE MONITOR'S ACTIVITIES

In addition to the activities detailed above and related to the above, since May 20, 2009, the date of the Monitor's eighth report, the Monitor's activities have included:

- Attending at the Company's premises on a periodic 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;
- Monitoring receipts and disbursements in accordance with the provisions of the Initial Order;
- Responding to creditor and employee inquiries regarding these proceedings;
- Reviewing amendments to the existing agreements as well as cash flow, budget and funding issues, and discussing same with the Company and its advisors, Comerica and its advisors, the Customers and their advisors and the Unions' legal counsel;
- 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;
- Advancing the Maynard's transaction and the sale of the Company's real estate;

- Reviewing cash flows prepared in the context of this motion;
- Reviewing the Company's draft motion materials in connection with the subject motion;
- Dealing with closing matters related to the Sale Transaction;
- Reviewing "removal certificates" related to the removal of equipment in respect of the Sale Transaction;
- Executing Monitor's certificates in respect of the Sale Transaction;
- Disbursing, as escrow agent, funds from the union escrow account and the retention escrow account;
- Placing on its website copies of materials filed in these proceedings;
- Drafting this Report; and
- Other matters pertaining to the administration of this mandate.

9. 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(c) 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**