

Court File No. 09-CL-\_\_\_\_\_

**Indalex Limited  
Indalex Holdings (B.C.) Ltd.  
6326765 Canada Inc. and  
Novar Inc.**

**PRE-FILING REPORT TO COURT SUBMITTED BY  
FTI CONSULTING CANADA ULC, THE PROPOSED MONITOR  
April 3, 2009**

**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  
INDALEX LIMITED  
INDALEX HOLDINGS (B.C.) LTD.  
6326765 CANADA INC. and  
NOVAR INC.

**PRE-FILING REPORT TO THE COURT  
SUBMITTED BY FTI CONSULTING CANADA ULC  
IN ITS CAPACITY AS PROPOSED MONITOR**

**INTRODUCTION**

1. FTI Consulting Canada ULC (“**FTI Canada**” or the “**Proposed Monitor**”) has been informed that Indalex Limited (“**Indalex**”), Indalex Holdings (B.C.) Ltd. (“**Indalex BC**”), 6326765 Canada Inc. (“**632**”) and Novar Inc. (“**Novar**”) (collectively, the “**Applicants**”) intend to make an application under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended* (the “**CCAA**”) for an initial order (the “**Initial Order**”) granting, *inter alia*, a stay of proceedings against the Applicants until May 1, 2009, (the “**Stay Period**”) and appointing FTI Canada as monitor (the “**Monitor**”). FTI Canada has provided its consent to act as Monitor. The proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. The purpose of this report is to inform the Court on the following:

- (a) The proceedings commenced by certain of the Applicants' US affiliates (the "**Ch.11 Proceedings**") under chapter 11 of the *United States Bankruptcy Code* (the "**USBC**") in the United States Bankruptcy Court, District of Delaware (the "**US Court**");
  - (b) The Applicants' efforts to arrange debtor-in-possession financing ("**DIP Financing**");
  - (c) The charge being sought by the Applicants in favour of its directors and officers in the amount of \$3.3 million (the "**D&O Charge**"); and
  - (d) The roles of FTI Consulting, Inc. ("**FTI US**") and FTI Canada.
3. In preparing this report, FTI Canada has relied upon unaudited financial information of the Applicants, the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management. FTI Canada has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, FTI Canada expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
4. Unless otherwise stated, all monetary amounts contained herein are expressed in United States Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of Timothy R. J. Stubbs, President and Chief Executive Officer of the Applicants, sworn April 2, 2009, and filed in support of the CCAA application (the "**Stubbs Affidavit**").
5. This report should be read in conjunction with the Stubbs Affidavit as certain information contained in the Stubbs Affidavit has not been included herein in order to avoid unnecessary duplication.

## THE CHAPTER 11 PROCEEDINGS

6. A corporate organization chart is attached as Exhibit A to the Stubbs Affidavit. As shown thereon and as described in the Stubbs Affidavit, Indalex's parent is Indalex Holding Corp. ("**Indalex Holding**"), which is a wholly-owned subsidiary of Indalex Holdings Finance, Inc. ("**Indalex Finance**"). Indalex BC, 632 and Novar are wholly owned subsidiaries of Indalex. Collectively, Indalex Finance and its affiliates (the "**Indalex Group**") is the second largest aluminium extruder in North America.
7. On March 20, 2009, Indalex Holding, Indalex Finance, Indalex Inc., Caradon Lebanon, Inc. and Dolton Aluminum Company, Inc. (collectively, the "**US Debtors**") commenced the Ch.11 Proceedings in the US Court. The case has been assigned to Judge Walsh.
8. On March 23, 2009, the following orders (collectively, the "**First Day Orders**") were issued in the Ch.11 Proceedings by Judge Walsh:
  - (a) Order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure directing joint administration of cases;
  - (b) Order pursuant to 28 USBC §156(c) and Bankruptcy Rule 2002 authorizing employment and retention of Epiq Bankruptcy Solutions, LLC as Claims, Noticing, and Balloting Agent;
  - (c) Order approving the Cash Management System, authorizing use of prepetition bank accounts and business forms and waiving the requirements of 11 USBC § 345(b) on an interim basis;
  - (d) Order pursuant to Sections 507(a), 363(b) and 105(a) of the USBC authorizing payment of wages, compensation and employee benefits and authorizing financial institutions to honour and process cheques and transfers related thereto;

- (e) Order pursuant to Sections 105(a) and 363 of the USBC authorizing Debtors to honour certain prepetition obligations to customers; and
- (f) Order authorizing use of cash collateral and granting adequate protection.

### **THE APPLICANTS' EFFORTS TO ARRANGE DIP FINANCING**

9. In anticipation of the possibility that the Applicants and the US Debtors may have to commence formal restructuring proceedings, the Indalex Group, assisted by its Investment Bankers, Jefferies & Company, Inc. (“**Jefferies**”), undertook efforts to obtain DIP Financing.
10. Given the capital structure of the US Debtors, which includes approximately \$306 million of secured debt, Jefferies determined that there was no likelihood of obtaining DIP Financing ranking subordinate to the existing secured lenders. The Proposed Monitor concurs with this view.
11. Accordingly, Jefferies approached the following parties that were considered as logical potential candidates to consider providing DIP Financing secured by a priming charge. These groups included:
  - (a) The Senior Secured Lenders;
  - (b) Sun Indalex LLC (“**Sun Indalex**”), which holds \$30 million of secured debt ranking subordinate to the Senior Secured Lenders;
  - (c) The ad hoc committee of holders of the Senior Secured Notes (the “**Noteholders**”); and
  - (d) Two parties not currently providing financing to the Indalex Group.
12. Sun Indalex, the Noteholders and one of the unconnected parties all declined to provide DIP Financing.

13. The Senior Secured Lenders and one of the unconnected parties (“**Party A**”) indicated that they were prepared to consider providing DIP Financing.
14. After lengthy negotiation, both the Senior Secured Lenders and Party A provided term sheets for DIP Financing. Both Party A and the Senior Secured Lenders stated that they would require that the DIP Financing for the US Debtors and the Applicants be secured by Court-ordered charges and be fully cross-guaranteed.
15. On its face, the term sheet provided by Party A provided better pricing terms. However, it was subject to due diligence conditions, giving rise to closing risk. Furthermore, proceeding with Party A would require the Indalex Group to obtain priming charges ranking in priority to the Senior Secured Lenders, and it was anticipated that the Senior Secured Lenders would strenuously object to any priming charge.
16. Indalex Group was advised by Jefferies and its US legal counsel that because of the “adequate assurance” requirements that would need to be met in the Ch.11 Proceedings in order to obtain a priming charge over the objection of the Senior Secured Lenders, obtaining approval of DIP Financing with Party A would take significantly longer than approval of DIP Financing with the Senior Secured Lenders and there could be no assurance that the application for the priming charge would be successful.
17. Given these risks and the likely destabilising effect a drawn out contested US DIP approval process would have on the business, the Indalex Group, in consultation with Jefferies and its legal and professional advisors, concluded that the additional uncertainty and closing risk associated with proceeding with Party A were not justified and elected to proceed with the Senior Secured Lenders.

18. The Proposed Monitor believes that the decision reached by the Indalex Group and its advisors to select the Senior Secured Lenders as the party with which to attempt to negotiate DIP Financing was reasonable and justified in the circumstances.
19. Unfortunately, despite the efforts of the Applicants and the Senior Secured Lenders, the parties have been unable to conclude negotiations in respect of the DIP Financing before the actions of other creditors forced the Applicants to commence the CCAA Proceedings. However, it appears to the Proposed Monitor that all parties are working diligently to conclude negotiations and it is currently anticipated that an agreement will be reached and that the Applicants will be bringing a motion for the approval of DIP Financing and the DIP Charge, substantially in the form described above, in the very near future.
20. In order to provide for funding of operations in the meantime, the Applicants' have requested an extension of the Forbearance Agreement by the Senior Secured Lenders. Assuming that such extension is granted by the Senior Secured Lenders, the Applicants' forecast (the "**April 2 Forecast**") shows that the Applicants will have sufficient liquidity to fund operations. A copy of the April 2 Forecast is attached hereto as Appendix A.

#### **THE PROPOSED D&O CHARGE**

21. The Applicants are seeking the D&O Charge in the amount of \$3.3 million.
22. The Proposed Monitor has reviewed the underlying calculations upon which the Applicants have based the estimate of the potential liability in respect of directors' statutory obligations and is of the view that the D&O Charge is reasonable in relation to the quantum of the estimated potential liability. The Proposed Monitor notes, however, that the ranking of the DIP Charge in relation to the security of the Senior Secured Lenders has not, as at the time of writing, been agreed between the Applicants and the Senior Secured Lenders.

## **THE ROLES OF FTI US AND FTI CANADA**

23. On February 20, 2009, FTI US was engaged by Holding as financial advisor. Since the week commencing March 9, 2009, FTI Canada personnel have been involved in that mandate, providing advice and assistance in respect of the Canadian aspects of the Indalex Group and its potential restructuring.
24. FTI US will, subject to the approval of the US Court, continue to act as financial advisor to the US Debtors in the Ch.11 Proceeding. In addition, Mr. Keith Cooper, a Senior Managing Director of FTI US, has been appointed as Chief Restructuring Officer of the US Debtors, again subject to the approval of the US Bankruptcy Court. The Proposed Monitor has been informed that FTI US is being compensated based on its hourly rates and that FTI US's mandates as financial advisor to the US Debtors and Chief Restructuring Officer do not carry any form of success-based compensation. Accordingly, FTI US has no economic interest in the outcome of the Ch.11 Proceedings or the CCAA Proceedings.
25. FTI Canada has informed the Ch. 11 Debtors, the Applicants and FTI US of the duties and obligations of the Monitor in any proceedings under the CCAA. The Ch.11 Debtors, the Applicants, FTI US and FTI Canada are all fully cognizant that such duties and obligations are to the Court and the stakeholders of the Applicants. In order to maximize efficiency and minimize costs, it is proposed that FTI Canada be appointed as Monitor of the Applicants in the CCAA Proceedings. FTI Canada has consented to such appointment if made by this Honourable Court.



The Proposed Monitor respectfully submits to the Court this, its Pre-Filing Report.

Dated this 3<sup>rd</sup> day of April, 2009.

FTI Consulting Canada ULC  
The Proposed Monitor of  
Indalex Limited, Indalex Holdings (B.C.) Ltd.,  
6326765 Canada Inc. and Novar Inc.



Nigel D. Meakin  
Senior Managing Director

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# Appendix A

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## The April 2 Forecast

Indalex Limited  
Indalex Holdings (B.C.) Ltd.  
6326765 Canada Inc.  
Novar Inc.

**Consolidated Cash Flow Forecast**

|  | Week Ending | 4/10/2009<br>US\$000 | 4/17/2009<br>US\$000 | 4/24/2009<br>US\$000 | 5/1/2009<br>US\$000 | Total<br>US\$000 |
|--|-------------|----------------------|----------------------|----------------------|---------------------|------------------|
| <b>Receipts:</b>                             |             |                      |                      |                      |                     |                  |
| Accounts Receivable                          |             | 4,372                | 4,303                | 4,109                | 4,605               | 17,388           |
| Other  |             | 64                   | 290                  | 0                    | 0                   | 354              |
| <b>Total Receipts</b>                        |             | <b>4,436</b>         | <b>4,593</b>         | <b>4,109</b>         | <b>4,605</b>        | <b>17,742</b>    |
| <b>Disbursements:</b>                        |             |                      |                      |                      |                     |                  |
| Raw Materials - Metals                       |             | 2,740                | 2,826                | 2,826                | 2,714               | 11,105           |
| Raw Materials - Other Materials              |             | 115                  | 118                  | 118                  | 114                 | 464              |
| Payroll                                      |             | 262                  | 533                  | 262                  | 533                 | 1,589            |
| Benefits                                     |             | 95                   | 194                  | 95                   | 194                 | 578              |
| Operating Expenses                           |             | 490                  | 490                  | 490                  | 553                 | 2,023            |
| GST  |             | 0                    | 0                    | 0                    | 354                 | 354              |
| Capex - Tool & Die                           |             | 53                   | 53                   | 53                   | 53                  | 211              |
| Capex - Other                                |             | 0                    | 0                    | 0                    | 0                   | 0                |
| Bank Fees & Interest                         |             | 0                    | 0                    | 0                    | 0                   | 0                |
| Legal & Professional Fees                    |             | 210                  | 110                  | 60                   | 110                 | 490              |
| <b>Total Disbursements</b>                   |             | <b>3,964</b>         | <b>4,324</b>         | <b>3,903</b>         | <b>4,625</b>        | <b>16,816</b>    |
| <b>Excess of Receipts over Disbursements</b> |             | <b>472</b>           | <b>269</b>           | <b>205</b>           | <b>(20)</b>         | <b>926</b>       |
| <br><b>Cumulative Net Cash Flow</b>          |             | <br><b>472</b>       | <br><b>741</b>       | <br><b>947</b>       | <br><b>926</b>      | <br><b>926</b>   |