

Court File No. CV-10-8561-00CL

Signature Aluminum Canada Inc.

FOURTH REPORT OF THE MONITOR
May 6, 2010

**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
SIGNATURE ALUMINUM CANADA INC

**FOURTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On January 29, 2010, Signature Aluminum Canada Inc. (“**Signature**” or the “**Applicant**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and an initial order (the “**Initial Order**”) was made by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (the “**Court**”) granting, *inter alia*, a stay of proceedings against the Applicant until February 26, 2010, (the “**Stay Period**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The proceedings commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. The Stay Period has been extended and currently expires on May 14, 2010.
3. On May 5, 2010, the Applicant filed its proposed plan of compromise and arrangement dated May 4, 2010 (the “**Plan**”).
4. The purpose of this, the Monitor’s Fourth Report, is to inform the Court on:

- (a) The Applicant's request for approval of the sale transaction contemplated by the purchase agreement between the Applicant and Alcan Automotive LLC ("**Alcan Automotive**") made of as April 23, 2010 (the "**Alcan Automotive Agreement**"), and vesting in Alcan Automotive the Applicant's right, title and interest in and to the assets described in the Alcan Agreement; and
 - (b) The Monitor's recommendation thereon.
- 5. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant's books and records, certain financial information prepared by the Applicant and discussions with the Applicant's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor 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.
- 6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in previous reports filed in the CCAA Proceedings or the Alcan Automotive Agreement.

THE ALCAN AUTOMOTIVE AGREEMENT

7. The Alcan Automotive Agreement, a copy of which is attached as Appendix A hereto, provides, inter alia, for the sale by the Applicant to Alcan Automotive (which is a company that is unrelated to the Applicant), subject to Court approval, of all dies currently in the Applicant's possession related to each part number identified in Schedule B of the Alcan Automotive Agreement for the Honda MDX, Honda TL, GM Delta, BMW F25 and GM 921 programs, comprising a total of 31 dies (collectively, the "**Dies**"), and any of the Applicant's books and records (including tool prints, tool drawings and other documents), tool processing sheets and test reports or like information in its possession or control, necessary for Alcan to resource production of Component Parts (the "**Tooling Records**" and, together with the Dies, the "**Purchased Assets**"), for the aggregate purchase price of USD\$30,000 (the "**Die Purchase Price**").

THE MONITOR'S RECOMMENDATION

8. Section 36 of the CCAA states:

“(1) A debtor company in respect of which an order has been made under this Act may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

(2) A company that applies to the court for an authorization is to give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

(3) In deciding whether to grant the authorization, the court is to consider, among other things,

(a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;

(b) whether the monitor approved the process leading to the proposed sale or disposition;

(c) whether the monitor filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;

(d) the extent to which the creditors were consulted;

(e) the effects of the proposed sale or disposition on the creditors and other interested parties; and

(f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.”

9. As described in the Monitor's Third Report, the Applicant has recently completed the Court-approved Marketing Process which did not identify a third-party concern purchaser. As noted in the Third Report, the Senior Secured Lenders face a significant shortfall on their claims and there is no prospect of any recovery for unsecured creditors in any scenario other than the implementation of the Plan¹. Furthermore, the Applicants have informed the Monitor that there are no PMSI registrations in respect of the Dies in favour of any party. Accordingly, the only party with an economic interest in the Purchased Assets are the Senior Secured Lenders and the proposed sale of the Purchased Assets will be of no effect on other stakeholders.
10. The Applicants have informed that Monitor that all registrants under the PPSA have been served with the within motion.
11. The Applicant has informed the Monitor that the Senior Secured Lenders were consulted on the Alcan Automotive Agreement and consented to its execution by the Applicant.
12. With respect to the "market value" of the Purchased Assets, the Monitor notes the following:
 - (a) The Dies can be used only to produce the Component Parts and while the Dies are owned by the Applicant, the Monitor understands that the Applicant does not have title to the design. Accordingly, there is likely a limited possible market for the Dies;
 - (b) The Die Purchase Price is in excess of the scrap value of the Dies;

¹ Other than payments to former employees that may be made pursuant to the *Wage Earner Protection Program Act* in a bankruptcy of the Applicant and payments to the Applicant's Ontario registered pension plans that may be made from the Pension Benefits Guarantee Fund

- (c) The Senior Secured Lenders, who are the only parties with any economic interest in the Purchased Assets, and the Applicant are satisfied with the Die Purchase Price; and
 - (d) The sale of the Purchased Assets is one component of a wider agreement between the parties that achieves other things that benefit the Applicant and its creditors, including an increase in the price paid by Alcan Automotive for Component Parts, the payment of the Accommodation Payment of US\$20,000, the payment of all outstanding accounts receivable and the release of certain claims, if any, that may have been asserted against the Applicant by Alcan Automotive.
13. Based on the foregoing the Monitor is of the view that the approval of the sale of the Purchased Assets pursuant to the Alcan Automotive Agreement is reasonable in the circumstances and is in the best interests of the Applicant and its stakeholders. Accordingly, the Monitor respectfully recommends that this Honourable Court grant the Applicant's request for approval of the sale transaction contemplated by the Alcan Automotive Agreement.

The Monitor respectfully submits to the Court this, its Fourth Report.

Dated this 6th day of May, 2010.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Signature Aluminum Canada Inc.



Nigel D. Meakin
Senior Managing Director

Appendix A

The Alcan Automotive Agreement

This Purchase Agreement (this "Agreement"), by and among Signature Aluminum Canada Inc. (formerly known as Bon L Canada Inc.) ("Signature") and Alcan Automotive LLC ("Alcan"), is entered into on April __, 2010.

RECITALS

A. Pursuant to various commitments, purchase orders, purchase agreements and/or releases issued by Alcan (or issued by Alcan's affiliate Alcan Products Corporation, a Texas Corporation, that have been assigned to Alcan) and accepted by Signature as identified on Schedule A (collectively, the "Purchase Orders" or individually, a "Purchase Order"), Signature has manufactured and delivered to Alcan certain component parts, service parts or assembled goods (collectively, the "Component Parts" or individually, a "Component Part").

B. On January 29, 2010, Signature commenced a proceeding (the "CCAA Proceeding") under the *Companies' Creditors Arrangement Act* (the "CCAA") in the Ontario Superior Court of Justice (the "Court"). On January 29, 2010, (the "Filing Date") the Court issued the initial order in the proceeding and pursuant to the terms of the CCAA Signature is required to obtain Court approval of the sale of assets out of the ordinary course of business.

C. FTI Consulting Canada Inc., the court-appointed monitor in the CCAA Proceeding (the "Monitor"), is working with Signature to consider alternatives to restructure Signature's business.

D. Alcan has received the Component Parts and has made payment of the Undisputed Accounts Payable (as defined herein) to the Monitor, in trust for Signature. Alcan wishes to purchase, and Signature wishes to sell, certain Dies (as defined herein) used in the production of the Component Parts.

NOW THEREFORE in consideration of the mutual promises set out in the foregoing recitals, and for other good and valuable consideration the receipt and adequacy of which are acknowledged, the parties hereto agree as follows:

1. **Production of Component Parts** Alcan and Signature hereby acknowledge and agree that the Component Parts have been manufactured and delivered to Alcan and, subject to any Permitted Warranty Claims (as defined below), Alcan hereby acknowledges and accepts delivery of same and confirms that the Component Parts have been manufactured in accordance with the specifications in the Purchase Orders and Alcan's requirements.
2. **Sale of Dies**
 - (a) **Sale of Dies**. Signature hereby agrees to sell, on an "as-is, where-is" basis, subject to Court approval, and Alcan agrees to purchase, all dies currently in Signature's possession related to each part number identified in Schedule B for the Honda MDX, Honda TL, GM Delta, BMW F25 and GM 921 programs, a total of 31 dies (collectively, the "Dies"), and any of Signature's books and records (including tool prints, tool drawings and other documents), tool processing sheets and test reports or like information in its possession or control, necessary for Alcan to re-source production of Component Parts (the "Tooling Records"). for the aggregate

purchase price of USD\$30,000 (the "Die Purchase Price"), which shall be paid by Alcan in accordance with Section 3(d) hereof.

- (b) Die Release. Alcan shall be entitled to take possession of all Dies and the Tooling Records at Signature's facility located in Pickering, Ontario as soon as reasonably practicable following the issuance of an order by the Court approving this Agreement and vesting title in the Dies in Alcan, free and clear of any encumbrances (the "Approval Order").
- (c) Packaging of Dies. Signature shall take all commercially reasonable steps, at Signature's expense, to prepare, package and load the Dies and the Tooling Records, as applicable, forthwith after the date of the Approval Order, for collection by Alcan in accordance with the terms hereof, and shall give Alcan reasonable access to Signature's premises to pick up the Dies and the Tooling Records.
- (d) Costs of Die Release. Any costs incurred as a result of Alcan taking possession of the Dies, other than Signature's costs of commercially reasonable preparation, packaging and loading set out in Section 2(c), shall be borne by Alcan.

3. Alcan Payments

- (a) Undisputed Accounts Payable. On February 18, 2010, Alcan paid to the Monitor the amount of US\$160,452.18 on account of outstanding indebtedness owed by Alcan to Signature (the "Undisputed Accounts Payable"). Alcan hereby irrevocably authorizes and directs the Monitor to pay to Signature the Undisputed Accounts Payable forthwith upon the execution of this Agreement. The parties agree that no interest shall accrue on the Undisputed Accounts Payable for the period after February 18, 2010.
- (b) Component Part Payments. Alcan shall pay to Signature, forthwith upon the execution of this Agreement, the amount of US\$26,119.27, being the remaining amount owing by Alcan on account of Component Parts manufactured by Signature after the Filing Date in accordance with the Purchase Orders (except that the foregoing amount has been adjusted to include an increase in extrusion conversion price for the Component Parts of fifty cents (\$0.50) USD per pound).
- (c) Accommodation Payment. Alcan shall pay to the Monitor, forthwith upon the execution of this Agreement, the amount of US\$20,000 as an accommodation for production by Signature of the Component Parts (the "Accommodation Payment"), which amount shall be held in trust by the Monitor, for the benefit of Signature and Alcan in accordance with their rights hereunder, and shall be paid by the Monitor in accordance with Section 3(e) hereof.
- (d) Die Purchase Payment. Alcan shall pay to the Monitor, forthwith upon the execution of this Agreement, the Die Purchase Price (US\$30,000), which amount shall be held in trust by the Monitor, for the benefit of Signature and Alcan in

accordance with their rights hereunder, and shall be paid by the Monitor in accordance with Section 3(e) hereof.

- (e) The Accommodation Payment and the Die Purchase Price held by the Monitor in trust shall be paid by the Monitor:
 - (i) to Signature, immediately upon receipt of notice from Alcan pursuant to Section 5 hereof that Alcan has taken receipt of the Dies, provided that the Approval Order has been granted,
 - (ii) to Alcan, in the event that after the hearing of a motion seeking the Approval Order, the Approval Order is not granted by the Court by May 31, 2010, or
 - (iii) to such party or parties in such amounts as the Monitor may be directed pursuant to an order of the Court.
- 4. **Approval Order** Signature shall, at the earliest reasonable opportunity, bring a motion seeking Court approval of this Agreement and the issuing and entering of the Approval Order, which Approval Order and the service list for the notice of the motion seeking the same shall be in form and substance acceptable to Alcan, acting reasonably.
- 5. **Notice of Receipt** Alcan shall, forthwith upon taking delivery of the Dies pursuant to Section 2(b) hereof, notify the Monitor by email to confirm receipt of the Dies at: Toni.Vanderlaan@FTIConsulting.com, copying Nigel.Meakin@FTIConsulting.com. Alcan hereby agrees and acknowledges that receipt by the Monitor of such email notice shall irrevocably authorize the Monitor to immediately release the Accommodation Payment and Die Purchase Payment to Signature.
- 6. **Termination of Purchase Orders** Subject to the terms of this Agreement, Signature and Alcan agree and confirm that the Purchase Orders are hereby terminated and, for the avoidance of doubt, Alcan shall be entitled to re-source production of any Component Parts, Tooling (as defined in the Purchase Orders) or other materials formerly manufactured by Signature under the Purchase Orders, including the re-sourcing of any awarded business that is not currently in production by Signature, to any third party manufacturer.
- 7. **Mutual Release and Reservation of Rights**
 - (a) **Waiver of Claims**. Signature and Alcan hereby irrevocably and forever mutually waive any claims, rights and remedies that they individually may have under the Purchase Orders, any other agreements between the parties or otherwise under applicable law (other than such claims that may arise as a result of the breach of this Agreement and Permitted Warranty Claims (as defined below), but any such claims shall not include consequential damages), including, without limitation, any claim for consequential damages incurred, or which may later be incurred. Notwithstanding the foregoing, Alcan shall be entitled to assert an unsecured claim against Signature in the event that Signature breaches any warranty under the applicable Purchase Order for any Component Part manufactured by Signature

after the Filing Date, provided that (a) such claim shall not include consequential damages, and (b) such claim shall be limited to the purchase price (including the price increase described in Section 3(b) hereof, if applicable) of the Component Part allegedly in breach of warranty, the parties hereby agree that such claim shall be treated as an unsecured claim (such claims "Permitted Warranty Claims"). For the avoidance of doubt, the ability of Alcan to make a Permitted Warranty Claim granted herein does not constitute an admission or acceptance by Signature or the Monitor of the validity or quantum of such Permitted Warranty Claim, and any Permitted Warranty Claim made shall be adjudicated in accordance with the Claim Procedure Order made by the Court in the CCAA Proceeding.

(b) Disclaimer of Interest in Property. Without limiting Section 7(a) hereof, Alcan hereby agrees and acknowledges that Signature is not in the possession or control of any property, tangible or intangible, that is owned by Alcan or to which Alcan claims an interest, other than the Dies and the Tooling Records, and Alcan hereby irrevocably and forever waives any claims, rights or remedies that it may have with respect to any ownership or proprietary interest of Signature in any property, tangible or intangible, in the possession or control of Signature, other than such claims to the Dies and the Tooling Records.

8. Set-Off Alcan hereby waives any rights of set-off or recoupment against any of its accounts payable to Signature for shipments occurring before the Filing Date, for any amounts, including without limitation incidental, special or consequential damages incurred, or which may later be incurred, as a result of Signature's failure to perform any obligations under any agreement or Purchase Order.

9. General Terms

(a) This Agreement together with the other documents executed in connection herewith, including the Purchase Orders, constitutes the entire understanding of the parties in connection with the subject matter hereof. This Agreement may not be modified, altered or amended except by an agreement in writing signed by all parties. In the event of any inconsistency between the terms of any Purchase Orders and this Agreement, the terms of this Agreement shall govern.

(b) The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation or entity that they represent and that their signatures bind said corporations or entities to the terms of this Agreement.

(c) Should any provision of this Agreement be held invalid or unenforceable, the remainder of this Agreement will not be affected thereby.

(d) Signature and Alcan agree and acknowledge that the Monitor shall incur no personal liability as a result of the performance of its obligations under this Agreement, and the Monitor shall be entitled to rely on the directions provided herein or pursuant to this Agreement, without the need to make any further

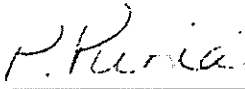
enquiry regarding the applicable party's authority to deliver such a direction, or regarding the amounts that the Monitor is directed to pay pursuant to such directions.

- (e) Unless expressly stated herein, this Agreement shall be solely for the benefit of Signature, Alcan and the Monitor, and no other person or entity shall be a third party beneficiary hereof.
- (f) This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts will be deemed to be an original and taken together will constitute but one and the same instrument. The parties agree that their respective signatures may be delivered by facsimile or electronic transmission in .pdf format, and that facsimile signatures or signature provided in .pdf format will be treated as originals for all purposes.
- (g) This Agreement is made in Province of Ontario and will be governed by, and construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to conflicts of law principles.

[signatures on next page]

[signature page to Purchase Agreement]

SIGNATURE ALUMINUM CANADA INC. ALCAN AUTOMOTIVE LLC

By: 
I have authority to bind the Corporation

Perminator Kuria
print name

By: _____
I have authority to bind the Corporation

print name

THIS AGREEMENT is hereby acknowledged and, subject to any necessary Court approval, the Monitor agrees to undertake the activities required of the Monitor herein:

FTI CONSULTING CANADA INC., solely in its capacity as court appointed Monitor of Signature Aluminum Canada Inc., and not in its personal or corporate capacity

By: 
Nigel D. Meakin
Senior Managing Director


[signature page to Purchase Agreement]

SIGNATURE ALUMINUM CANADA INC. ALCAN AUTOMOTIVE LLC

By: _____

I have authority to bind the Corporation

print name

By:  _____

I have authority to bind the Corporation

DALE F. EWING
print name

THIS AGREEMENT is hereby acknowledged and, subject to any necessary Court approval, the Monitor agrees to undertake the activities required of the Monitor herein:

FTI CONSULTING CANADA INC., solely in its capacity as court appointed Monitor of Signature Aluminum Canada Inc., and not in its personal or corporate capacity

By: _____

Nigel D. Meakin
Senior Managing Director

SCHEDULE A PURCHASE ORDERS

As used throughout the Agreement, "Purchase Orders" shall include the following contracts, as amended:

- Purchase Agreement dated May 30, 2007 by and between Alcan Products Corporation and Bon L Canada, Inc.
- Amendment to Purchase Agreement dated May 30, 2007 by and between Alcan Products Corporation and Bon L Canada Inc.
- Purchase Agreement made as of July 31, 2007 between Alcan Products Corporation and Bon L Canada Inc.
 - Amendment No. 1 to Purchase Agreement dated July 11, 2007 between Bon L Canada Inc. and Alcan Products Corporation
 - Second Amendment to Agreement dated August 28, 2008 by and between Signature Aluminum Canada, Inc. and Alcan Products Corporation
 - Third Amendment to Agreement dated August 28, 2008 by and between Signature Aluminum Canada, Inc. and Alcan Products Corporation
 - Fourth Amendment to Agreement dated November 4, 2008 by and between Signature Aluminum Canada, Inc. and Alcan Products Corporation
- Purchase Agreement made as of October 27, 2009 by and between Alcan Automotive LLC and Signature Aluminum Canada, Inc.
- Purchase Agreement made as of September 30, 2009 between Alcan Products Corporation and Signature Aluminum Canada, Inc.
- Parts Supplier Quality Manuals between The William L Bonnell Company and Bon L Canada Inc. and Alcan Products Corporation with respect to Honda TL 6060 extrusions dated May 7, 2007

**SCHEDULE B
DIE PART NUMBERS**

Part number
22-EL-61331
22-EL-61346
22-EL-61311
22-EL-61321
22-EL-61312
22-EL-61348
22-EL-61324
22-EL-61322
22-EL-61344
22-EL-61349
22-EL-61352
22-EL-61333
22-EL-61313
22-EL-61341
21-EL-61323
21-EL-61331
21-EL-61341
41-EL-72104934-01
41-EL-72104932-00
41-EL-72104931-02
41-EL-72104921-01
41-EL-72100711-01
41-EL-72100721-01
41-EL-72100722-00
41-EL-72100724-02
41-EL-72100723-00
41-EL-72104935-00
35-EL-12775085-10
35-EL-12776338-11
35-EL-12775089-05
32-EL-15290924-04

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SIGNATURE ALUMINUM CANADA INC.

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FOURTH REPORT OF THE MONITOR
(May 6, 2010)**

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