

**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.

Applicant

**AFFIDAVIT OF PARMINDER PUNIA
(Sworn January 28, 2010)**

I, Parminder Punia, of the City of Mississauga, in the Province of Ontario, **MAKE
OATH AND SAY AS FOLLOWS:**

Introduction

1. I am the Controller and Treasurer of Signature Aluminium Canada Inc. ("**Signature**" or the "**Applicant**"). Accordingly, I have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, it is based on information and belief and I verily believe such information to be true.
2. This affidavit is sworn in support of the Applicant's application for protection from its creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**").

Nature of Application and Overview of Relief Sought

3. Signature is in financial distress and is in need of immediate relief.

4. Signature is in the business of aluminum extrusion (a process which forms and moulds aluminum for use by end-users). The 2009 global recession has led to a pervasive decline in demand for aluminum extruded products, putting pressure on volumes and pricing as the industry continues to struggle with overcapacity. In 2009, for example, a much larger industry competitor of Signature, the Indalex Group, was required to file for creditor protection in both the United States and Canada due to industry market conditions.
5. Signature has been equally susceptible to market forces. While Signature's business experienced significant losses prior to its acquisition by its current ownership in 2008, the current market environment and global recession have hampered turnaround efforts, making Signature's losses unsustainable. Further, by a demand dated January 6, 2010 (the "**324 Demand**"), 6919464 Canada Inc., now continued as 3241715 Nova Scotia Limited ("**324**"), Signature's parent company and one of its secured creditors, demanded repayment of the sum of \$30,940,156.96 owing by Signature to 324. In addition, one of Signature's major suppliers in the past twelve months, Rio Tinto Alcan Inc., ("**Alcan**") has issued a claim against Signature for unpaid accounts in the Superior Court in Quebec, which was received on January 20, 2010.
6. As a result of Signature's financial difficulties, by a demand dated January 28, 2010, (the "**Biscayne Demand**") Biscayne Metals Finance, L.L.C. ("**Biscayne**"), a senior secured creditor of Signature which is an indirect affiliate of Signature, has demanded that Signature honour its guarantee of the amount of \$U.S.34,259,574 owed by 324's parent, Arch Acquisition Inc. ("**Arch**") to Biscayne.

7. Signature has concluded that given its debt obligations and the on-going losses, continued operations at two of Signature's facilities located at Richmond Hill, Ontario (the "**Richmond Hill Plant**") and St. Therese, Quebec (the "**St. Therese Plant**") cannot be sustained within Signature's current business model. Signature is in discussion with the applicable union representatives to review and consider all available options. However, Signature anticipates that unless significant reductions in labour costs together with improvements in volume and pricing can be obtained, Signature's operations will have to be rationalized to a single plant, most likely at its operating facility in Pickering, Ontario (the "**Pickering Plant**"). Notwithstanding, diligent efforts to ensure that every alternative has been fully canvassed are continuing.
8. In order to facilitate a restructuring and enable a going concern solution, Biscayne has agreed to the terms of a Plan Support Agreement dated January 28, 2010 with Signature (the "**Plan Support Agreement**"). Biscayne has agreed to forbear the enforcement of its remedies on a day to day basis, as against Signature and Arch, provided that Signature undertakes these proceedings, enters into the Plan Support Agreement, and performs its obligations thereunder.
9. The Plan Support Agreement provides that Biscayne will either: (a) fund a plan of arrangement and compromise, in form and substance satisfactory to Biscayne (the "**Plan**"); or (b) jointly with 324, offer \$25 million for substantially all of the assets of the Applicant, to be credited against the obligations of the Applicant to Biscayne and 324 (the "**Credit Bid**").

10. Although Biscayne retains the option of implementing a restructuring through either the Plan or the Credit Bid, Biscayne has advised the Applicant that its preferred option is to support a Plan which would allow unsecured creditors to receive a dividend on their unsecured claim. Given the secured claims against the Applicant (as discussed below) the Credit Bid would not result in any distribution to unsecured creditors.
11. Before seeking court approval to either file the Plan or accept the Credit Bid, the Applicant intends to conduct a marketing process (the “**Marketing Process**”) to determine if it is possible to identify a purchaser for the Applicant’s assets and business that would (a) provide greater value to the Applicant and its stakeholders than the Credit Bid (i.e. the baseline offer) and (b) commit to acquire the Applicant’s operations at more than one operating facility. If higher and better bids are identified in accordance with the Marketing Process, the Applicant intends to attend before the Court to seek approval of the additional steps necessary to determine the highest and best offer or series of offers, and complete the Marketing Process. This may include seeking permission to conduct an auction among those determined to be qualifying bidders for this initial phase (the “**Phase One Qualifying Bidders**”), or to undertake such other process to complete the Marketing Process as is usual in CCAA proceedings.
12. If, following the Marketing Process, no offer is identified that is higher and better than the Credit Bid, the Applicant intends to seek the Court’s approval to either file the Plan or, if the Plan cannot be achieved, to accept the Credit Bid.

13. Biscayne has indicated its support for the Marketing Process and the Applicant's desire to test the market. Accordingly, Biscayne has agreed to provide limited funding to Signature during the CCAA proceedings by way of a debtor-in-possession ("**DIP**") loan facility.
14. Therefore, the relief requested includes a request for:
 - (a) immediate relief in the form of a stay of proceedings;
 - (b) the appointment of FTI Consulting Canada Inc. ("**FTI Consulting**") as Monitor of the Applicant;
 - (c) restructuring powers for the Applicant that will enable it to implement a plan with the assistance of the Monitor;
 - (d) approval of DIP financing ("**DIP Financing**") from Biscayne in accordance with the terms set out in a DIP Term Sheet filed herewith (the "**DIP Term Sheet**"); and
 - (e) approval of the proposed Marketing Process discussed above and outlined in detail below.
15. If the requested relief is not granted, the most likely scenario is cessation of business and the liquidation of Signature's assets on a piecemeal basis. This result will have an immediate adverse impact on Signature's employees, suppliers, customers and secured creditors. Signature does not anticipate there being any value for unsecured creditors in a liquidation scenario.

16. In the view of Signature, these proceedings present the best opportunity for Signature to maximize value for its broad cross section of stakeholders and obtain a viable going concern solution.

Corporate Structure of the Applicant

17. 324 is continued as a Nova Scotia corporation and functions as a holding company. It is the sole shareholder of Signature, which is continued as a Nova Scotia corporation. Signature also has a sister company, Apolo Tool & Die Manufacturing Inc. (“**Apolo**”), which is not participating in these restructuring proceedings, but which provides certain services to Signature, and which relies on Signature’s management structure. Signature and Apolo both carry on business in Ontario, and the head office of both of these operating entities is located in Ontario. Signature is the largest customer of Apolo.
18. 324 is a direct wholly-owned subsidiary of its U.S. parent, Arch. Arch is also the 100% parent of a New Jersey company, Shapes/Arch Holdings L.L.C., which in turn wholly owns Shapes L.L.C. (“**Shapes**”), a New Jersey limited liability company which carries on business in the U.S. similar to the business of Signature, and an aluminum fence manufacturer, Delair L.L.C., a New Jersey limited liability company. The operations of these U.S. companies are operated separately from the Applicant, though the nature of their businesses is similar. The U.S. affiliates of the Applicant are not involved in any restructuring proceedings in the United States, nor are they participating in these proceedings. Attached hereto as Exhibit “A” is a copy of a corporate chart illustrating the corporate relationships.

19. Signature (which was formerly known as Bon L Canada Inc.) was formed by William L. Bonnell Company in 1998 when William L. Bonnell Company acquired certain Canadian extrusion operations from Reynolds Metals and Exal Aluminum. Apolo was acquired by William L. Bonnell Company in 2003. Signature and Apolo were acquired by WXP Holdings, Inc. (a special purpose acquisition vehicle) (“WXP”) through 324 in 2008 when they were offered to the marketplace for sale by William L. Bonnell Company. At the time of the acquisition, 324 was a wholly owned subsidiary of WXP. The shares of 324 were later transferred by WXP to the current owner, Arch.

Nature of Business

20. Signature carries on business as a manufacturer of customized, made-to-order aluminum extrusions. Aluminum is a durable, lightweight metal which is strengthened through the extrusion process and used in a variety of end-products. Signature performs (a) casting services, in which aluminum ingots and alloys are melted into billets for extruding, (b) extrusion services, where aluminum is pushed through a die and formed into lineal shapes, and (c) further manufacturing processes, such as fabrication and painting.
21. Signature’s major suppliers of goods and/or services over the past twelve months include Alcan, Noble Americas Corp., Tandet Dedicated Inc., Albecour Inc., and Aludie, and Exco, divisions of Exco Technologies Limited. Alcan is no longer supplying to Signature, and as noted above, has issued a claim for unpaid invoices against Signature in the Quebec Superior Court.

22. The major customers of Signature are located in North America and are in the business of transportation, automotive parts, building and construction, electric and cable, consumer durables, machinery, and equipment. The largest customers of Signature include Toyoto Tsusho, Flex-N-Gate, H & H Tool, Inc., Kalwall Corp., IlSCO, Russell Metals, A&D Prevost, and Marley Precision.

Operational Structure

23. Signature operates three facilities: the Richmond Hill Plant, located at 500 Edward Avenue, Richmond Hill, Ontario; the Pickering Plant, located at 1850 Clements Road, Pickering, Ontario; and the St. Therese Plant, located at 305 Boulevard Du Cure-Labelle, St. Therese, Quebec. All three plants have aluminum extrusion capabilities. The Pickering Plant also has a re-melt facility or billet cast house, whereby prime and scrap aluminum are melted and billets are formed. In addition to its extrusion capabilities, the St. Therese Plant operates a vertical paint line that enables Signature to paint its products for customers.
24. Signature's head office is located at the Richmond Hill Plant.
25. Signature is structured with its own management staff in Ontario, including a controller and accounting department, a human resources department, a sales and marketing department, and operations management. The Canadian operations ultimately report to a U.S. based CEO, CFO, and Executive Vice President of Sales & Service, that are shared with Shapes and its affiliated companies. Apolo employs its own plant management staff, but otherwise shares Signature's management structure.

26. There is minimal structural integration between Shapes and Signature; however, in 2009, Signature sold to Shapes approximately U.S.\$22 million of log and billet, and Shapes sold Signature approximately U.S.\$6 million worth of scrap. The majority of these transactions took place between January and August 2009. Since then, Shapes has restarted production of its own cast house facilities to produce log and billet, and as a result, the level of intercompany purchases from Signature by Shapes has declined. Shapes has also provided working capital funding to Signature.
27. As discussed further below, as a result of the extended holiday shut-down of the St. Therese and Richmond Hill Plants, Signature has recently sub-contracted with Shapes to fill certain customer orders for Signature, in order to ensure uninterrupted supply to Signature's customers.

Current Financial Status

28. Signature's audited financial statements are prepared at the parent level on a consolidated basis, with 324 and Apolo. Copies of the Applicant's unaudited stand alone internal financial statements for the fiscal year ended December 27, 2009 (the "**Financial Year End 2009**") are attached hereto as Exhibit "**B**". As can be noted from the attached financial statements, the Applicant has been experiencing continuing losses.
29. The Applicant's profitability depends, in large part, on the varying economic and other conditions of the industry and the end-user markets it serves. All of the end-user markets the Applicant serves have been subject to decreased demand, decreased order sizes, deteriorating pricing and high volatility due largely to the global

economic recession. Demand has been negatively impacted by the decline in the U.S. housing market, a decline in purchasing and consumer confidence, and an increase in input prices. Pricing deterioration has been driven by reduced end-market demand, over-capacity in the industry and the high fixed cost nature of the aluminum extrusion business.

30. Signature was experiencing these financial difficulties prior to its acquisition by current ownership in 2008. Since then, Signature has sought to turn around historical losses and achieve efficiencies and rationalizations that would enable it to operate profitably. Unfortunately, however, to date this has not been possible due to the nature of the industry and Signature's existing cost structure. This is largely due to the decrease in sales prices and the high fixed cost nature of the business. There has been a significant decrease in profitable volume as industry over-capacity has put downward pressure on prices. Competitors have lowered prices in order to increase sales volumes and cover fixed overhead and operating costs. This downward pressure has forced Signature to follow suit by lowering prices. In addition, reduced end-market demand has resulted in decreased order sizes, significantly reducing plant productivity and order profitability.
31. Other negative conditions include: Signature's dependence on two segments of the industry that have been especially hard hit by the recession – automotive and commercial construction - which will take time to recover; an excessive number of low margin accounts; inefficient and outdated equipment at the St. Therese and Richmond Hill Plants; and excessive management overhead.

32. In an effort to alleviate the difficulties, Signature has sought to take advantage of its production capacity by increasing volumes of production, but this has occurred at a loss, due to the small margins available in the marketplace.
33. As a result of its financial difficulties, large suppliers to Signature have stopped supplying on credit, or have limited the availability of credit, or in the case of Alcan, commenced legal proceedings against Signature.
34. As noted above, on January 6, 2010, 324 issued the 324 Demand for repayment of the total indebtedness owing to it by Signature pursuant to an amended and restated promissory note dated February 14, 2008 granted by Signature in favour of 324 (the “**324 Promissory Note**”). A copy of the 324 Promissory Note and the 324 Demand is attached hereto as Exhibits “C” and “D” respectively. The genesis of the 324 Promissory Note is discussed below.
35. Signature is a guarantor party to an Amended and Restated Credit Agreement dated May 27, 2009 among Biscayne, Arch, Signature, and others, (the “**Biscayne Credit Agreement**”) and has delivered a General Continuing Guaranty dated May 27, 2009, pursuant to which Signature agreed to guarantee the obligations of Arch under the Biscayne Credit Agreement (the “**Biscayne Guarantee**”). The Biscayne Guarantee is secured against the real and personal property of Signature, discussed in detail below.
36. As discussed above, as a result of Signature’s financial difficulties, Biscayne issued the Biscayne Demand on January 28, 2010 to Signature, pursuant to which Biscayne demanded repayment of the indebtedness owed by Arch and guaranteed by Signature, some of which indebtedness has been used to provide working capital funding to

Signature. The total indebtedness demanded was U.S.\$34,259,574 plus any applicable interest, costs, and other amounts accruing from and after December 31, 2009.

37. The Biscayne Demand requires Signature to honour its obligations under the Biscayne Guarantee. As previously noted, Biscayne has agreed to forbear from exercising its remedies as against Signature and Arch, provided that Signature undertakes these proceedings and agrees to execute the Plan Support Agreement and perform its obligations thereunder. Attached hereto as Exhibits "E" and "F" respectively are copies of the Biscayne Demand, and the Biscayne Guaranty.
38. The Applicant does not currently have access to sufficient cash resources to meet its obligations as they become due. The Applicant is insolvent.

Assets

39. Signature's assets, on a consolidated basis, as disclosed in its internal unaudited financial statements as of Financial Year End 2009, consist of the following:

Current Assets:.....(US dollars in thousands)	
Cash and cash equivalents.....	\$5,520
Receivables, net.....	\$12,853
Inventories, net.....	\$6,305
Prepays/Other current assets.....	<u>\$726</u>
Total current assets.....	<u>\$25,404</u>
Plant, Property & Equipment	\$4,321
Other assets.....	<u>\$1,934</u>
Total assets	<u>\$31,659</u>

The foregoing figures represent book value of Signature's assets.

40. Signature owns the real property on which the Richmond Hill, St. Therese, and Pickering Plants are located.
41. Signature is also the owner of the dies used to manufacture its customers' products.
42. Signature owns the vast majority of the equipment used by it.

Secured Obligations of the Applicant

43. I am advised by Signature's counsel that Signature has the following secured obligations:
 - (a) the 324 Promissory Note in the original principal amount of CDN\$30,940,156.96, dated February 14, 2008. This promissory note is secured by a general security agreement dated February 14, 2008 in favour of 324 securing the real and personal property of Signature (the "**324 General Security Agreement**"). Prior to its acquisition by 324, Signature (then known as Bon L Canada) had issued an unsecured note (the "**Idlewood Note**") in favour of Idlewood Properties, Inc. ("**Idlewood**"), an affiliate at that time. At the time of the acquisition, 324 took an assignment of Idlewood's rights under the Idlewood Note, for consideration paid at the time. At the time of its assignment, the Idlewood Note was amended and restated as the 324 Promissory Note. As noted above, 324 has demanded repayment of this indebtedness. In accordance with this demand, U.S. \$3,000,000 was repaid as directed by 324. The Applicant does not have the cash resources to satisfy the balance of the indebtedness owing. In order to confirm and further evidence

the security granted in the real property of Signature under the 324 General Security Agreement, on January 27, 2010, 324 registered notice of the 324 General Security Agreement on title to the Richmond Hill and Pickering properties, and on January 28, 2010, 324 registered an immovable hypothec on title to the St. Therese property;

- (b) a demand promissory note issued to 324 dated February 12, 2008 in the original principal amount of CDN\$2,490,750.00. The whole of this amount remains outstanding. This promissory note is secured by a general security agreement securing all of Signature's real and personal property, dated February 12, 2008 in favour of 324. In order to confirm and further evidence the security granted thereunder, notice of this general security agreement was registered on title to the Richmond Hill and Pickering properties on January 26, 2010, and an immovable hypothec was delivered for registration on title to the St. Therese property on January 28, 2010;
- (c) Signature's guarantee of Arch's obligations pursuant to the Biscayne Guarantee, in respect of which Signature has provided a general security and pledge agreement dated May 27, 2009 in favour of Biscayne to secure this guarantee, registered under the Ontario *Personal Property Security Act* on May 21, 2009. 324 has provided a pledge of 100% of the shares of Signature to Biscayne. As additional security for the Biscayne Guarantee, Signature has also provided to Biscayne collateral charges over the Richmond Hill and Pickering properties pursuant to the Demand Debenture, and a Quebec law

governed movable hypothec to Biscayne over the St. Therese personal property dated May 27, 2009; and

- (d) a guarantee relating to a U.S. \$30 million dollar revolving loan financing provided by BMO Harris Bank (“**BMO**”) to WXP (who, as noted above, initially acquired Signature through 324) in 2008. WXP’s obligations were assumed by Arch in 2009. The proceeds of the BMO financing were used to finance the acquisition of the shares of Signature and Apolo and the Idlewood Note. Arch’s obligation to BMO is guaranteed by H.I.G. Bayside Debt & LBO Fund II, L.P. (“**HIG Bayside Fund**”), a special purpose finance vehicle affiliated with Arch. In the event that HIG Bayside Fund makes a payment to BMO pursuant to that guarantee, the resulting obligations of Arch to HIG Bayside Fund are guaranteed by Signature. The guarantee by Signature is secured by a general security agreement in favour of H.I.G. Capital Partners III, L.P. dated February 12, 2008 and a general security agreement in favour of H.I.G. Investment Group III, L.P., all of which were assigned in favour of HIG Bayside Fund pursuant to an Assignment of Guarantees and Security dated November 3, 2008, collateral mortgages dated February 12, 2008 registered against each of the Richmond Hill and Pickering Plants, and by an immovable hypothec to HIG Bayside Fund with respect to the St. Therese Plant that was provided April 24, 2009. BMO has no direct security interest against Signature.

44. The priorities in respect of these obligations are as follows:

- (a) Biscayne has a first priority security interest in the personal property of Signature, and a second priority security interest in the real property over which it has security;
 - (b) H.I.G. Bayside Fund has a second priority security interest in the personal property of Signature, and has a first priority security interest in its real property; and
 - (c) 324 has a security interest in the real and personal property of Signature subordinate to HIG Bayside Fund and Biscayne. 324 registered its security interest after HIG Bayside Fund, and its security interest is contractually subordinated to Biscayne pursuant to a Subordination and Postponement Agreement dated May 27, 2009.
45. Signature's sister company in the United States, Shapes, has also provided loans to Signature and on December 8, 2009 registered a junior ranking personal property security interest to secure such funding. As of Financial Year End 2009, the total amount of these loans was approximately U.S. \$5,100,000.

Other Secured Creditors

46. In addition to Biscayne, 324, HIG Bayside Fund, and Shapes, Signature has the following secured creditors who have registered security against it in either Ontario or Quebec:
- (a) Roynat Inc. (photocopiers);
 - (b) Jim Pattison Industries Ltd. (motor vehicles);

- (c) Lift Capital Corporation (material handling equipment);
- (d) Xerox Canada Ltd. (equipment);
- (e) Noble Americas Corp. (consignment of inventory, though no inventory is currently on consignment);
- (f) Irwin Commercial Finance Canada Corporation, now known as Roynat Lease Finance Inc. (St. Therese Plant phone system).

These registrations all relate to specific equipment or vehicles or previously consigned inventory. Attached hereto as Exhibit "G" are copies of search summaries of the personal property registration systems of Ontario and Quebec.

47. Real property searches of the property on which the Pickering, St. Therese, and Richmond Hill Plants are located reveal a registration in favour of Hydro-Quebec in the amount of \$106,457 registered on January 18, 2010.

Unsecured Liabilities

Unsecured Intercompany Obligations

48. Arch advanced funds to 324 from the proceeds of the Biscayne Facility, which were in turn advanced to Signature. As evidence of this advance, 324 issued a US\$12,500,000 New York law-governed promissory note to Arch dated May 27, 2009. This promissory note to Arch is unsecured. Signature, in turn, issued an unsecured Ontario law-governed grid note to 324. This latter note is also unsecured.

49. 324 has also advanced funds to Signature pursuant to an unsecured grid demand note to Signature dated January 9, 2009. The amount currently outstanding in respect of this grid note is \$318,344.98.
50. Signature also has an unsecured intercompany account with Shapes for the supply of goods and services. As of Financial Year End 2009, Signature owes Shapes the amount of approximately U.S. \$8,000,000 with respect to such debt.

Trade Liabilities

51. Signature has approximately U.S. \$19,400,000 of trade liabilities as of Financial Year End 2009, including the obligation owed to Shapes. The majority of this trade debt is overdue. Most trade suppliers are no longer providing credit terms to the Applicant.

Employees of the Business

52. The Applicant has approximately 414 employees, of which 346 are hourly and 68 are salaried. 206 of these employees are currently not active as a result of leaves of absence and layoffs that were made in late 2008 and 2009, and/or the recent extended holiday seasonal shut-down. When operating at full capacity, it is estimated that Signature's weekly payroll would amount to approximately U.S.\$500,000. Currently, given the recent leaves of absences and layoffs, the Applicant's payroll is approximately U.S.\$270,000 per week. Payroll is administered through payroll services provided by Ceridian.

53. In Ontario, non-management employees of Signature are represented by two different locals of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the “U.S.W.”) as follows:
- (a) Local No. 8412, pursuant to a Collective Agreement for the period 2008-2011 for the employees of the Richmond Hill Plant; and
 - (b) Local No. 2784, pursuant to a Collective Agreement for the period 2007-2010 for the employees of the Pickering Plant.
54. Hourly employees at the St. Therese Plant are represented by the Unionized Workers of Bon L St. Therese, pursuant to a Collective Bargaining Agreement for the period 2007-2012.

Pension Obligations

55. Signature is the sponsor and administrator of the following registered pension plans (the “Pension Plans”):
- (a) the Pension Plan for Salaried Employees of Signature Aluminum Canada Inc. Financial Services Commission of Ontario (“FSCO”) Reg. No. 0311035, which is a hybrid pension plan for salaried employees having both a defined benefit and a defined contribution component. The wind-up deficiency disclosed in the last filed solvency report dated as of December 31, 2007 was \$1,223,400. As at September 30, 2009, the plan’s actuary estimated the wind-up deficiency to be \$3,292,000. Except for the recognition of future salary increases in Quebec, this plan is no longer accruing new benefits, and is not

open to new members. It has been replaced with a defined contribution plan for existing and new members;

- (b) the Pension Plan for the Hourly Paid Employees of Signature Aluminum Canada Inc., Richmond Hill, FSCO Reg. No. 0931642, which is a defined benefit plan. The wind-up deficiency disclosed in the last filed solvency report as of December 31, 2007 was \$1,324,900, and as at September 30, 2009, the plan's actuary estimated the wind-up deficiency to be \$2,038,800;
- (c) Regime De Retraite Des Employe's D'Usine de Signature Aluminum Canada Inc., Regie des rentes du Quebec Reg. No. 27145, which is a defined benefit plan maintained in connection with the St. Therese Plant. The wind-up deficiency disclosed in the last filed solvency report as of December 31, 2008 was \$2,333,200 and as at September 30, 2009, the plan's actuary estimated the wind-up deficiency to be \$1,701,200;
- (d) a defined contribution plan for employees of the St. Therese Plant who commenced employment after May 31, 2007 (there are currently four employees in this plan); and
- (e) a Pension Plan for the employees of Signature Aluminum Canada Inc., FSCO Reg. No. 1012053, which is a defined contribution plan largely for employees in Pickering.

56. Signature also provides certain small life insurance benefits for some employees and retirees.

57. Signature has been addressing the funding deficiencies in the plan by meeting its statutory obligations to make special payments on a monthly basis, and is current in respect of these obligations. The obligations for special payments currently amount, in aggregate, to approximately \$93,000 per month. This amount may reduce as updated actuarial information becomes available. The payments for January were made on January 18, 2010, and the next payments are due mid-February. The Cash Flow Projections of Signature (as defined below) indicate that Signature will not generate sufficient cash flow during the CCAA proceedings to fund this obligation, and the DIP Lender is not prepared to provide the financing for this obligation. It is proposed that the special payments will be suspended during these CCAA proceedings in order to enable Signature to comply with the terms of the DIP Financing and to fund its operations during these proceedings.

The Proposed Restructuring

58. As noted above, Biscayne has provided Signature with a commitment to facilitate a restructuring of the business and operations through either: (a) the sponsorship of the Plan that will be presented to Signature's creditors for their consideration; or (b) acquiring the assets of Signature by way of the Credit Bid.
59. The Plan Support Agreement, attached hereto as Exhibit "H", has been executed to reflect the terms on which Biscayne is prepared to sponsor a Plan, or alternatively, Biscayne will purchase the assets of Signature together with 324. 324 is a party to the Plan Support Agreement for purposes of providing its consent to the Plan Support Agreement and agreeing to participate in the Credit Bid with Biscayne.

60. The basic terms of the Plan Support Agreement are as follows:

- (a) Signature agrees to obtain the Initial Order sought herein pursuant to the CCAA;
- (b) Signature agrees to obtain an order of the Court approving the proposed DIP Financing described herein;
- (c) Signature agrees to seek approval of the Court of the proposed Marketing Process;
- (d) Within 3 business days following the execution of the Plan Support Agreement, Biscayne will pay to the Monitor the sum of CDN \$500,000. An additional CDN \$1,000,000 will be paid to the Monitor within three business days of the completion of the Marketing Process unless Biscayne gives notice that it will exercise the Credit Bid, together with 324. Pursuant to the Plan Support Agreement, the agreement of Biscayne to proceed with the negotiation of a Plan is subject to a condition that Signature deliver a proposal for a business and operational restructuring on terms satisfactory to Biscayne on or before March 11, 2010, and complete such restructuring in accordance with the terms of the proposal, and that claims arising from such restructuring, including severance and termination pay claims and pension wind-up claims, if any, are compromised in the Plan;
- (e) the parties agree that the Marketing Process will be conducted as described herein, in order to identify any higher or better offers or combination of offers

to the Credit Bid, prior to proceeding with the proposed Plan or seeking authority to accept the Credit Bid; and

- (f) within 7 business days of the end of the Marketing Process, Biscayne will have the option to exercise the Credit Bid together with 324, as described below. Biscayne may also exercise this option with 324 if the Applicant, Biscayne and the Monitor reasonably believe a Plan cannot be achieved, a proposed Plan is not approved by creditors, the Plan is not sanctioned by the Court, or the Plan is not implemented by Signature by June 7, 2010.

61. The Credit Bid, the terms of which are set out in the Plan Support Agreement and the form of Asset Purchase Agreement attached thereto, contemplates a sale to Biscayne and 324 of substantially all of the assets of Signature for the amount of CDN \$25 million, to be satisfied by providing a credit to Signature towards the amount of the secured obligations owed by Signature to Biscayne and 324, together with the amount advanced to Signature by Biscayne through these proceedings pursuant to the proposed DIP Financing discussed below. The Asset Purchase Agreement requires that Biscayne assume any accrued but unpaid trade obligations arising from and after the CCAA filing date and assume and/or discharge any liabilities secured by liens ranking in priority to the security granted to Biscayne, including Signature's secured guarantee obligations to HIG Bayside Fund and Biscayne.
62. The Asset Purchase Agreement provides that at least one of the facilities will be purchased as an operating facility and provides Biscayne with the option to elect to include one or both of the other facilities as operating facilities. A condition of the

Asset Purchase Agreement is the permanent closure of any plant by Signature not designated as an "Operating Facility" under the Asset Purchase Agreement, and the associated termination of the employment by Signature of any employees as a result of such shut-down. This is to be effected prior to closing of the Asset Purchase Agreement. Any claim against Signature relating to severance and termination pay or pension wind-up claims arising from any shut-down of a facility will not be assumed by Biscayne. Either party may terminate the Asset Purchase Agreement if a sale does not close by June 7, 2010, or if other certain termination events occur pursuant to the Asset Purchase Agreement.

63. As discussed above, prior to pursuing either option, Signature seeks to first test the market to determine if a higher or better alternative to the Credit Bid is available for Signature and its stakeholders. This could include identifying a purchaser that commits to acquiring more than one of the plants on an operating basis.
64. Accordingly, with the commencement of these proceedings, and subject to Court approval, Signature will also commence the Marketing Process, in order to identify any other available alternative for Signature. The Marketing Process will also offer the business of Apolo for sale, as there are a number of synergies with Signature, though Apolo is not a party to these proceedings.
65. In further support of Signature's restructuring efforts, it should be noted that the Credit Bid does not contemplate a break fee in the event that a higher and better offer or offers is identified.

66. In order to assist with the Marketing Process, Signature has retained CIBC Mid Market Investment Banking, a division of Canadian Imperial Bank of Commerce (the “**Investment Banker**”) in accordance with the terms of an engagement letter dated December 22, 2009 (the “**Engagement Letter**”). The Investment Banker ran the sale process conducted by William L. Bonnell Ltd. for Signature and Apolo in 2007, and is therefore closely familiar with the business and the marketplace for the assets. This background is particularly helpful in facilitating the expedited Marketing Process that Signature intends to undertake. Signature seeks the approval and authorization of the Court of the terms of the Engagement Letter, and the authorization of Signature to carry out the terms of the Engagement Letter.
67. The Engagement Letter provides for the terms on which the Investment Banker will assist Signature with the Marketing Process, including the preparation of due diligence material, the identification of prospective purchasers, the conduct of discussions with potential purchasers, financial analysis of any proposed transaction, and assistance with negotiations with the form, structure, and price of any proposed transaction. The Engagement Letter also establishes a fee structure that provides for a base completion fee, as well as payment of a percentage of any excess amount received on a transaction that exceeds the Credit Bid.
68. A copy of the Engagement Letter has been marked as Exhibit “I” to this affidavit and filed in a sealed envelope with the Court. As the Engagement Letter contains sensitive commercial information regarding its financial terms, and contains a confidentiality provision, Signature requests an Order that the Engagement Letter be sealed from the public record, pending further Order of this Court.

69. The steps for the Marketing Process have been developed in consultation with the Investment Banker and the proposed Monitor, as follows:
- (a) a list of potential prospects has been identified by the Investment Banker, in consultation with the Monitor, who will be approached to determine if they are interested in participating in the Marketing Process (“**Prospective Purchasers**”);
 - (b) a Confidential Information Memorandum has been prepared by the Investment Banker which has been reviewed by Signature and the Monitor and will be distributed to all those Prospective Purchasers who execute a Confidentiality Agreement in a form satisfactory to Signature;
 - (c) those Prospective Purchasers who wish to participate in the submission of bids and become Phase One Qualifying Bidders for all or part of the assets of Signature will be required to, among other things, provide to the Investment Banker a letter of intent (“**Letter of Intent**”), which identifies the Prospective Purchaser and includes evidence of corporate authority, proof of financial ability to perform, and proposed key conditions to closing, and which Letter of Intent, either individually, or together with other Letters of Intent (on a non-overlapping basis) provides for cash consideration equal to or greater than CDN \$25,000,000 (ie: the amount of the Credit Bid). In addition, Prospective Purchasers must indicate which facilities they are prepared to acquire on an operating basis, if any, and which pension obligations of Signature they are prepared to assume, if any; and

- (d) upon receipt and review of Letters of Intent, and following any clarifying discussions or negotiations with Prospective Purchasers, Signature intends to return to Court to seek approval of the additional steps necessary to determine the highest and best offer or series of offers, and complete the Marketing Process, which may include the approval of an auction among Phase One Qualifying Bidders, or such other steps to complete the Marketing Process as are usual in CCAA proceedings.
70. If the Marketing Process does not produce any Phase One Qualifying Bidders by the “Marketing Cessation Date” of March 2, 2010, Signature, with the support of Biscayne, intends to proceed with the Plan.
71. If no Plan can be achieved, and no higher or better offer is attained, the Credit Bid provides a backstop for stakeholders that can provide a going concern solution for stakeholders.
72. Unlike the Plan, given the amount of the obligations currently owed by Signature to Biscayne and 324, and its other secured creditors, the Credit Bid would not provide any monetary return to the unsecured creditors of Signature.
73. These CCAA proceedings and the proposed Marketing Process as outlined above will benefit creditors and other stakeholders of Signature as follows:
- (a) in the short term, the CCAA proceedings will ensure stability and continuity for the customers and suppliers of Signature;

- (b) an environment will be provided in which Biscayne and Signature can work with stakeholders to preserve the ongoing business by restructuring operations in a way that will make them financially self-sufficient in the long term;
- (c) the Plan Support Agreement provides additional comfort to customers, suppliers, and employees that Signature will continue as a going concern; and
- (d) the Marketing Process will ensure that the greatest value can be attained for the assets through the comprehensive canvassing of the marketplace, and provide the opportunity to identify an alternative purchaser or purchasers, which may include a purchaser that is committed to preserving the operations at more than one plant.

Status of Operations During CCAA Proceedings

74. During the CCAA proceedings, it is intended that Signature will continue operations at the Pickering Plant. The Richmond Hill and St. Therese Plants were on seasonal shut-down as a result of the recent holidays. This shut-down has been extended while Signature endeavours to pursue a restructuring. Signature does not intend to restart operations in these facilities during the course of these proceedings. Current customer demand is not sufficient to justify continued production at all three facilities and Signature will not have access to sufficient cash resources to operate the facilities during the course of these proceedings.
75. In December, 2009 and January, 2010, Signature conducted consultations with union representatives at these facilities and held town hall meetings with substantially all its staff to communicate the financial pressures which Signature is experiencing and

advised that the traditional holiday shut down for the St. Therese Plant and Richmond Hill Plant would be extended while options for Signature were considered.

Employees were advised of the necessity for Signature to restructure. Signature also communicated that, while it examined its strategic options, customers would be transitioned to the Pickering Plant and to the facilities of Shapes in the U.S. in order to permit their orders to continue to be fulfilled. The subcontract arrangements with Shapes assists Signature in retaining maximum value as an enterprise, as it protects the existing customer relationships by maintaining production and reduces the risk that customers will permanently resource their supply to a new supplier.

76. The cooperation of employees in this endeavour has been requested and received. The majority of the dies necessary to produce customer orders through mid-February for Pickering have been transferred from the Richmond Hill and St. Therese Plants to the Pickering Plant or to Shapes with the cooperation and assistance of employees at the Richmond Hill and St. Therese plants. Any additional dies required for orders beyond mid-February will be transferred as needed. Approximately 60 of Signature customers are now being supplied by Shapes in accordance with the subcontracting arrangements that have been established with Shapes.
77. Signature intends to continue comprehensive oral and written communications with its employees and the employees' union representatives and advise them of all material decisions made in respect of the current financial circumstances of Signature.
78. Representatives of the employees at the St. Therese and Richmond Hill Plants have entered into discussions with Signature to determine whether they may contribute to a

solution to the inefficiencies and over-capacity in the company. Signature has advised the employees that it is prepared to engage in such discussions and is willing to canvas and consider a wide variety of strategic alternatives. Given the inherent structural difficulties with the St. Therese and Richmond Hill operations discussed above, a viable alternative to the currently contemplated Marketing Process or consolidation at the Pickering Plant is not readily apparent. If, however, Signature were to secure a significant reduction in labour cost and a substantial increase in both production volume and pricing from customers, restarting operations at the closed facilities may be possible. Accordingly, all avenues continue to be explored with union representatives.

79. In connection with the consolidation of operations at the Pickering Plant, production volumes have been and will continue to be significantly reduced in order to achieve certain required cost savings. As a result of the reduced production, Signature's existing staff levels are not currently required, and the cost of such is not sustainable. Signature intends to issue temporary lay-off notices on January 29, 2010 to 35 salaried employees while Signature pursues its strategic options.
80. Signature has communicated with customers in order to ensure that it has sufficient assurances that its orders will be delivered in a timely manner. These communications will continue during the transition process and these proceedings.
81. Signature also intends to communicate with its suppliers in order to ensure that it receives appropriate assurances going forward in order to minimize any impact of the filing on ongoing operations.

82. Signature will continue to require the provision of services by its suppliers subsequent to the commencement of these proceedings. The form of Initial Order filed provides for the continued provision of these services upon the terms set out therein. The continued services required include, specifically, the Enterprise Planning Resource system (the “ERP System”) currently used by Signature by way of a contractual arrangement with William L. Bonnell Company Inc., the former owner of Signature’s business. The ERP System provides all of Signature’s accounting, purchasing, invoicing, production planning and other critical information technologies required by Signature for the operation of its business. The arrangement has been in place since January 2008. Signature pays approximately U.S. \$40,000 per month to William L. Bonnell Company Inc. for the provision of the ERP System.

Cash Management System

83. Signature currently has a Canadian dollar bank account and a U.S. dollar bank account at a Bank of Nova Scotia branch in Richmond Hill, Ontario. It also has a lockbox account at a bank affiliated with the Bank of Nova Scotia in Chicago, Illinois, to which cheques for payment of accounts are deposited by a number of Signature’s customers. Funds deposited to this lockbox account are transferred on a nightly basis to Signature’s U.S. dollar account at the Bank of Nova Scotia. Signature intends to maintain this cash management system subsequent to the commencement of these proceedings, and has made provision for this in the draft form of Initial Order filed.

Payments

84. A projected cash flow for Signature has been prepared for the purposes of these proceedings, commencing the week of January 25, 2010 through the week ending June 6, 2010 (the “**Cash Flow Projections**”). A copy of the Cash Flow Projections is attached hereto as Exhibit “**J**”. During the period of the CCAA process, Signature intends to make payments as set out in the draft Initial Order and Cash Flow Projections.
85. The Cash Flow Projections are predicated on certain aggressive cost-cutting measures. Should these measures not be achieved in the time-frame contemplated, the Cash Flow Projections would have to be reconsidered. Accordingly, Signature will be monitoring its cash receipts and disbursements closely, in consultation with the Monitor, to ensure that any issues that may arise can be addressed promptly.

Financing During the Process

86. In order to facilitate these CCAA proceedings, Biscayne has agreed to provide DIP Financing to Signature in the maximum principal amount of U.S. \$1,500,000, which will permit Signature to continue its operations and pursue a going concern solution. Approval of the proposed DIP Financing is sought herein to ensure that Signature has sufficient funding to continue operations through the CCAA proceedings.
87. The DIP Financing is to be provided for substantially in the form of a DIP Term Sheet between Biscayne, as DIP Lender, and Signature, as borrower subject only to such non-material amendments as may be agreed to by the parties and approved by the Monitor (the “**DIP Term Sheet**”). A copy of the DIP Term Sheet is attached

hereto as Exhibit "K". The DIP Term Sheet does not contemplate a refinancing of any existing debt and does not contemplate the securing of any pre-filing debt by way of a Court ordered charge.

88. The basic financial terms of the DIP Term Sheet are as follows:

- (a) Signature is the borrower under the DIP Term Sheet.
- (b) U.S.\$1,500,000 (the "**Maximum Amount**") shall be advanced as a super priority credit facility (the "**DIP Facility**"). The funding will be deposited into Signature's current bank account or such other account with a financial institution approved by Biscayne in its capacity as the DIP Lender (the "**DIP Lender**"), and withdrawn by Signature in accordance with the terms of the DIP Term Sheet.
- (c) Each additional DIP Advance (together with all previous DIP Advances) must be no greater than Cash Flow Projections approved by the DIP Lender and the Monitor, subject always to the Maximum Amount under the DIP Facility.
- (d) The DIP Facility shall be repayable in full on the earlier of the occurrence of any Event of Default (as defined in the DIP Term Sheet) which is continuing and has not been cured, and (ii) June 7, 2010 (the "**Maturity Date**"). The Maturity Date may be extended at the request of Signature and with the prior written consent of the DIP Lender for such period and on such terms and conditions as Signature and the DIP Lender may agree.

- (e) To the extent that an emergency cash need arises in Signature's business that is not contemplated in the Cash Flow Projections, Signature may request a DIP Advance from the DIP Lender by providing written particulars relating to such emergency cash need, which DIP Advance shall only be permitted with the prior written consent of the DIP Lender, in its sole and absolute discretion.
 - (f) The DIP Advances will be provided on an interest-free basis.
 - (g) All obligations of Signature under or in connection with the DIP Facility and the DIP Term Sheet and any other documentation in respect of the DIP Facility that is requested by the DIP Lender shall be secured by a super priority Court-ordered charge (a "**DIP Charge**") over all present and after-acquired property, assets and undertakings of Signature, and ahead of and senior to all other creditors, interest holders, lien holders and claimants of any kind whatsoever except for the proposed Administration Charge (discussed below) those secured creditors registered under the personal property security regimes of Ontario and Quebec, as outlined at paragraph 42 above, Hydro-Quebec with respect to their real property registration in Quebec, and other secured creditors as defined in the CCAA who are specified in the draft Initial Order filed who would otherwise likely be affected by this charge and who have not been provided with notice of this Application.
89. As may be noted from the Cash Flow Projections filed herewith, the proposed DIP Facility will ensure that Signature will be able to operate as a going concern during the pendency of these proceedings, and will facilitate the ability of Signature to

implement its proposed restructuring process. The proposed DIP Facility will promote the prospect of completing a viable Plan, or alternatively, will support Signature through the Marketing Process and a sale of its assets. The assets of Signature, which include inventory, receivables, equipment, and the real property on which three manufacturing facilities are located are substantial relative to the amount of the DIP Facility. The other priority secured creditors of Signature, HIG Bayside Fund, and Biscayne, (both of which are indirect affiliates of Signature), are consenting to the proposed DIP Facility. Shapes, which has a junior security interest, has also consented.

Priority Statutory Liabilities

90. Signature has maintained its obligations for payroll, source deductions, current pension liabilities, retail sales tax and GST, and is not in arrears in respect of these obligations.

The Monitor

91. In November, 2009, FTI Consulting was engaged as advisor to Signature to assist with Signature's assessment of restructuring options and with planning in the event that a CCAA filing became necessary, and to act as Monitor in such eventuality. FTI Consulting has reviewed the Plan Support Agreement, the Marketing Process, the draft Initial Order, the DIP Term Sheet and the Engagement Letter and the Cash Flow Projections and has provided its recommendations in respect thereto in a report to the Court, in its capacity as proposed Monitor. Attached hereto as Exhibit "L" is FTI Consulting's Consent to act as Monitor.

Directors

92. Signature has two non-resident directors. Although Signature intends to continue to comply with applicable laws with respect to matters affecting it, including, without limitation, the payment of wages, employee source deductions, vacation pay, GST, provincial sales tax and regulatory deemed trust requirements, the failure to successfully complete a restructuring may result in significant personal liabilities for its directors. Signature intends to indemnify its directors for such potential liabilities, and has obtained insurance coverage for such potential liabilities. As such, a Court-ordered charge in support of this indemnity is not being sought.

Administration Charge


93. In order to protect the fees and expenses of the Monitor, counsel to the Monitor, and counsel to Signature and the base completion fee of the Investment Banker, Signature seeks a charge in favour of these professionals to secure payments of its reasonable fees and disbursements incurred both prior to filing and after (the “**Administration Charge**”) in the amount of \$1,500,000. It is requested that the Administration Charge have first priority against the property of Signature, other than over the security of the current personal property security registrants as outlined at paragraph 42 above, Hydro-Quebec with respect to their real property registration in Quebec, or over other secured creditors as defined in the CCAA who would otherwise likely be affected by this charge and who have not been provided with notice of this Application, as identified in the draft Initial Order filed. HIG, Biscayne, Shapes and Biscayne have advised Signature that they consent to the Administration Charge.

Conclusion

94. Signature is insolvent and is facing a financial crisis which jeopardizes its ability to continue as a going concern enterprise. The Initial Order and the proposed relief sought will provide an opportunity for Signature to pursue a restructuring of its business and operations and to achieve a going concern solution that will preserve, at a minimum, at least one operating facility for the benefit of employees, suppliers, customers and other stakeholders. It also provides an opportunity to Signature, through the proposed option of a Plan or through enhanced recoveries that may be obtained as a result of bids made in response to the Marketing Process, to provide value to its stakeholders that would not otherwise be available in a liquidation.

95. This Affidavit is therefore made in support of Signature’s application for relief under the CCAA and for no other or improper purpose.

SWORN BEFORE ME at the City of)
Richmond Hill, in the Province of Ontario)
this 28th day of January, 2010)


_____)

**BRUCE SHEINER,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES APRIL 16, 2011.**


_____)
PARMINDER PUNIA

Court File No.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SIGNATURE ALUMINUM CANADA INC.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF PARMINDER PUNIA
(Sworn January 28, 2010)**

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