

Court File No. CV-09-8122-00CL

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

**TWELFTH REPORT OF THE MONITOR
April 28, 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
INDALEX LIMITED
INDALEX HOLDINGS (B.C.) LTD.
6326765 CANADA INC. and
NOVAR INC.

TWELFTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA ULC
IN ITS CAPACITY AS MONITOR

INTRODUCTION

1. On April 3, 2009, Indalex Limited ("**Indalex**"), Indalex Holdings (B.C.) Ltd. ("**Indalex BC**"), 6326765 Canada Inc. ("**632**") and Novar Inc. ("**Novar**") (collectively, the "**Applicants**") 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 (Commercial List) (the "**Court**") granting, *inter alia*, a stay of proceedings against the Applicants until May 1, 2009 (the "**Stay Period**"), and appointing FTI Consulting Canada ULC as monitor ("**FTI Canada**" or the "**Monitor**"). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. 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. On March 20, 2009, Indalex Holding, Indalex Finance, Indalex Inc., Caradon Lebanon, Inc. and Dolton Aluminum Company, Inc. (collectively, the "US Debtors") commenced proceedings (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"). The case was assigned to Judge Walsh.
3. On April 8, 2009, Justice Morawetz granted the Amended and Restated Initial Order which, *inter alia*, approved the DIP Credit Agreement (as defined in paragraph 33 of the Amended and Restated Initial Order). The Amended and Restated Order was further amended on May 12, 2009, to correct certain references and typographical errors in the Amended and Restated Initial Order, and on June 12, 2009, to increase the Canadian sub-facility borrowing limit.
4. The Stay Period has been extended a number of times and currently expires May 7, 2010 pursuant to the Order of the Honourable Mr. Justice Campbell granted February 5, 2010.
5. On April 22, 2009, Justice Morawetz granted an Order which, *inter alia*, approved the Marketing Process to identify a Stalking Horse bid for Indalex's assets.
6. On July 2, 2009, Justice Morawetz granted an Order which approved the Stalking-Horse Bid of Sapa Holding AB ("Sapa") as a "Qualified Bid" under the Stalking Horse Process and the Bidding Procedures.
7. No additional Qualified Bids were received in connection with the Stalking Horse Process prior to the Bidding Deadline and on July 20, 2009, the sale of substantially all of the assets and business of the Applicants and the US Debtors pursuant to the terms of the Asset Purchase Agreement dated as of June 16, 2009 by and among the US Debtors and the Applicants (other than Novar), as sellers,

and Sapa, on its own behalf and on behalf of one or more Canadian Purchasers to be named (the "Sapa Transaction") was approved by the Court pursuant to the Order of Justice Campbell (the "Approval and Vesting Order"). The US Court approved the Sapa Transaction on the same date.

8. On July 30, 2009, a procedure for the submission, evaluation and adjudication of claims against the Applicants and for the submission of claims, if any, against the directors and officers of the Applicants (the "Claims Procedure") was approved pursuant to the Order of Justice Morawetz (the "Claims Procedure Order").
9. The Sapa Transaction closed in Canada and the U.S. on July 31, 2009. On the same date, all of the Applicants' directors and officers resigned.
10. On October 14, 2009, Judge Walsh of the US Court granted an order converting the Ch.11 Proceedings to proceedings under Chapter 7 of the USBC (the "Ch.7 Proceedings").
11. On October 27, 2009, the Court granted an order (the "Monitor's Powers Order") increasing the Monitor's powers in order to facilitate the orderly completion of the CCAA Proceedings and the winding up of the Applicants' estates, including
 - (a) Completing the Claim Procedure;
 - (b) Completing the working capital calculation and any related purchase price adjustment pursuant to the Sapa Transaction;
 - (c) Responding to the leave to appeal motion of the Retired Executives in connection with the SERP Motion and any resulting appeal; and
 - (d) Responding to any matters resulting from the pending decision of Justice Campbell in relation to the Deemed Trust Motions and the Bankruptcy Leave Motion, including the filing of or responding to any appeal there from and the filing of any assignment in bankruptcy of any Applicant.

PURPOSE OF REPORT

12. The purpose of this, the Monitor's Twelfth Report, is to inform the Court on the following:
 - (a) The status of the motion for leave to appeal following from the SERP Decision (as defined herein);
 - (b) The status of the Deemed Trust Motions and the Bankruptcy Leave Motion;
 - (c) The secured claim of Sun Indalex Finance, LLC;
 - (d) The status of the Claims Procedure;
 - (e) The status of the SAPA Transaction Working Capital Calculation; and
 - (f) The request for an extension of the Stay Period until August 6, 2010.
13. In preparing this report, the Monitor 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. 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.
14. 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 prior Monitor's Reports. Copies of the prior Monitor's Reports and the other materials filed with the Court can be obtained from the Monitor's website at: <http://cfcanda.fticonsulting.com/indalex/>.

THE SERP MOTION

15. On July 2, 2009, the Retired Executives brought a motion before Justice Morawetz seeking an order requiring the Applicants to reinstate payment of certain supplemental pension benefits (the "SERP Payments") retroactive to April 2009. Justice Morawetz found, *inter alia*, that (a) the SERP Payments are pre-filing unsecured obligations; (b) breach of the obligation to make the SERP Payments gives rise to an unsecured claim; and (c) the Retired Executives are stayed from enforcing these payment obligations (the "SERP Decision").
16. On July 17, 2009, the Retired Executives filed a Notice of Motion with the Ontario Court of Appeal seeking leave to appeal the SERP Decision. The Retired Executives filed their motion record and factum for the leave to appeal motion on January 13, 2010. The Monitor, on behalf of the Applicants, filed responding material on February 8, 2010. The Retired Executives filed their reply factum on February 18, 2010.
17. On March 24, 2010, the Ontario Court of Appeal denied the Retired Executives' motion for leave to appeal.

DEEMED TRUST MOTIONS AND BANKRUPTCY LEAVE MOTION

18. On August 28, 2009, certain retired executives of the Applicants (the "Retired Executives") and certain members of the United Steelworkers Union (the "USW") brought motions seeking declarations that property of the Applicants is subject to deemed trusts in favour of the beneficiaries of the "Executive Pension Plan" and the "Salaried Pension Plan", respectively (the "Deemed Trust Motions").
19. On the same date, the Applicants brought a motion for leave to lift the stay of proceedings for the purpose of allowing one or more of the Applicants to file an assignment in bankruptcy (the "Bankruptcy Leave Motion").

20. The Deemed Trust Motions and the Bankruptcy Leave Motion were heard by Justice Campbell on August 28, 2009. On February 18, 2010, Justice Campbell released written reasons dismissing the Deemed Trust Motions, holding that no deemed trusts arose with respect to wind up deficiencies under either the Executive Pension Plan or the Salaried Pension Plan (the "Deemed Trust Decision"). Based on the Deemed Trust Decision, Justice Campbell concluded that it was unnecessary to deal with the Bankruptcy Leave Motion.
21. On March 5, 2010, the Retired Executives and the USW each filed a Notice of Motion for leave to appeal the Deemed Trust Decision. The moving parties filed their motion records, facts and books of authorities on March 24, 2010 and the Monitor, on behalf of the Applicants, filed a responding factum and book of authorities on April 14, 2010. The Retired Executives and the USW filed a joint reply factum on April 21, 2010.
22. A decision on the Retired Executive's and the USW's leave motions is expected before the end of May 2010.

SECURED CLAIM OF SUN INDALEX FINANCE, LLC

23. As reported in the Monitor's Seventh and Eighth Reports, Sun Indalex Finance, LLC ("Sun") advised the Monitor that it intended to file a secured claim against Indalex based upon an alleged cross-guarantee from Indalex (the "Sun Claim"). The Monitor requested that Sun provide details of the Sun Claim. Sun provided such details and filed a Proof of Claim with the Monitor on August 28, 2009.
24. At the time of the Applicants' CCAA filing, the Applicants were parties to an Amended and Restated Credit Agreement dated as of May 21, 2008, among the Applicants, the US Debtors, certain Revolving Lenders, Sun as Term Lender and JP Morgan as Administrative Agent, as amended (the "Credit Agreement").

25. A detailed description of the Credit Agreement, the provision of guarantees and the grant of security pursuant thereto, and the terms of the forbearance described hereinafter is set forth in the affidavit of Timothy R.J. Stubbs sworn April 3, 2009 and filed in support of the CCAA Proceedings. A copy of the Stubbs affidavit is available on the Monitor's Website at: <http://cfcanada.fticonsulting.com/indalex/>.
26. Pursuant to the Credit Agreement, the US Debtors received a \$30 million term loan and had access to a \$200 million revolving credit facility. The Applicants had access to a revolving credit sub-facility of up to \$80 million.
27. The obligations of Indalex under the Credit Agreement were guaranteed by the other Applicants as well as certain of the US Debtors. Indalex's obligations under the Credit Agreement were secured in Canada by a Security Agreement, two Deeds of Hypothec, together with certain other debentures, pledge agreements and security documents (the "Canadian Security"). Prior to March 6, 2009, the obligations of the U.S. borrower under the Credit Agreement were guaranteed by the US Debtors, but not the Applicants.
28. On March 6, 2009, the Applicants and the US Debtors entered into a Forbearance Agreement with the Administrative Agent, the Revolving Lenders and Sun. Pursuant to the Forbearance Agreement, the Applicants, *inter alia*, agreed to grant security in support of the obligations of the US Debtors, including the Term Loan, and the Canadian Security was subsequently amended to give effect to such agreement.
29. The Monitor has reviewed the Sun Claim and is satisfied that the Sun Claim represents a valid secured claim against the Applicants the quantum of which is yet to be determined.

STATUS OF CLAIMS PROCEDURE

30. In accordance with the Claims Procedure, a Proof of Claim and a copy of the Claims Procedure were sent to each Known Creditor on August 4, 2009, the Notice to Creditors was published in the Globe and Mail on August 6, 2009 and in the Wall Street Journal on August 7, 2009, and a copy of the Notice to Creditors was posted on the Monitor's Website.
31. Any person wishing to assert a Claim or D&O Claim (as those terms are defined in the Claims Procedure Order) was required to submit their Proof of Claim or Proof of D&O Claim, with all relevant supporting documentation, by the Claims Bar Date of 5:00 p.m. (Toronto time) on August 28, 2009.
32. A determination as to the validity of unsecured Claims is being held in abeyance pending a determination as to whether there will be funds to distribute to such creditors, which in turn depends on the final adjustments to the Canadian Purchase Price, as discussed later in this report, and on the outcome of the motions for leave to appeal the Deemed Trust Decision.
33. The Monitor received 17 D&O Proofs of Claim by the Claims Bar Date. The Monitor has received no additional D&O Proofs of Claims. The Monitor has reviewed the 17 D&O Proofs of Claim submitted by various individuals, the Official Unsecured Creditors Committee in the Ch.11 Proceedings and Revenue Quebec against the directors and officers of the Applicants, and has discussed the D&O Claims with counsel to those individuals who were directors and officers of the Applicants during the CCAA Proceedings.
34. Based on its review of the D&O Claims filed, the Monitor formed the opinion, subject to the outcome of the Retired Executive's motion for leave to appeal and possible appeal of the SERP Decision, that the D&O Claims are not covered by the Directors' Charge (as defined in the Amended Amended and Restated Initial Order of Justice Morawetz dated May 12, 2009). Now that the motion for leave to appeal the SERP Decision has been dismissed, the Monitor will be bringing a

motion seeking such a declaration and an order releasing the Directors' Charge.

SAPA TRANSACTION WORKING CAPITAL CALCULATION

35. The Sapa Transaction closed in Canada and the U.S. on July 31, 2009. The Canadian Cash Purchase Price paid by the Purchaser was \$30,902,000, subject to further adjustment in accordance with the provisions of the Asset Purchase Agreement. On Closing, the Canadian Cash Purchase Price was disbursed as follows:

	\$
Cure Costs	445,926
Legal & Professional Fees	1,322,010
Repayment of DIP Lending	17,041,392
Canadian Escrow	2,750,000
Reserves held by Monitor	9,342,672
Canadian Cash Purchase Price	30,902,000

36. Pursuant to the Asset Purchase Agreement, the Canadian Cash Purchase Price will be adjusted based on the difference between the amount of the Canadian Current Assets and Canadian Assumed Liabilities as estimated in the Estimated Closing Date Statements and as calculated as at the Closing Date in the Closing Date Statements, subject to a maximum adjustment in the Purchaser's favour equal to the Canadian Escrow amount, being \$2.75 million.
37. The Asset Purchase Agreement provides for a timetable for the determination of adjustments. The timetable has been extended a number of times.
38. The Monitor is authorized and directed by the Monitor's Powers Order to take such steps as the Monitor considers necessary or appropriate to complete the Sapa Transaction, including the working capital adjustment, in the name of and on behalf of the Applicants. Sun is authorized by order of the US Court in the Ch.7 Proceedings to negotiate the working capital adjustments on behalf of the US Sellers.

39. The Monitor and its counsel met with Sapa and Sun and their counsel in New York on December 18, 2009 in an effort to settle the working capital calculations and the final purchase price adjustments. While a settlement was not reached at that time, the foundation of a possible settlement was negotiated. Since that meeting the Monitor and its counsel have continued negotiations with Sun and its counsel and have agreed to a settlement. The settlement remains subject to obtaining the agreement of Sapa and sign off from the US Chapter 7 Trustee. That process is underway and is subject to certain deadlines negotiated between the Monitor and Sun.
40. At this time, the Monitor anticipates that the final working capital adjustment will result in recovery by the Applicants of the entire \$2.75 million deposit currently held in escrow pending completion of the working capital calculation plus an additional amount.

EXTENSION OF THE STAY PERIOD

41. The Stay Period currently expires on May 7, 2010. Additional time is required to complete the matters necessary for the completion of the CCAA Proceedings, including the finalization of the working capital calculation and the final purchase price adjustment pursuant to the Sapa Transaction, dealing with the Directors' Charge, and responding to the appeal of the Deemed Trust Decision should leave to appeal be granted. The continuation of the stay of proceedings is necessary to provide for the stability required during that time. Accordingly, the Monitor is seeking an extension of the Stay Period to August 6, 2010.
42. Based on the information currently available, the Monitor believes that creditors would not be materially prejudiced by such an extension and that circumstances exist that make an extension of the Stay Period appropriate.
43. The Monitor therefore respectfully requests that this Honourable Court grant an extension of the Stay period to August 6, 2010.

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

Dated this 28th day of April, 2010.

FTI Consulting Canada ULC
in its capacity as the Monitor of
Indalex Limited, Indalex Holdings (B.C.) Ltd.,
6326765 Canada Inc. and Novar Inc.



Nigel D. Meakin
Senior Managing Director