

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

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

**SEVENTH REPORT OF THE MONITOR  
July 15, 2009**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
INDALEX LIMITED  
INDALEX HOLDINGS (B.C.) LTD.  
6326765 CANADA INC. and  
NOVAR INC.

**SEVENTH 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. On April 8, 2009, the Honourable Mr. Justice Morawetz granted the Amended & Restated Initial Order which, *inter alia*, approved the DIP Credit Agreement (as defined in paragraph 33 of the Amended & Restated Initial Order). The Amended & Restated Order was further amended on May 12, 2009, to correct certain references and typographical errors in the Amended & Restated Initial Order, and on June 12, 2009, to increase the Canadian sub-facility borrowing limit.
3. On April 22, 2009, the Honourable Mr. Justice Morawetz granted an Order which, *inter alia*, extended the Stay Period to June 26, 2009, and approved the Marketing Process. On June 19, 2009, the Honourable Mr. Justice Morawetz granted an Order which, *inter alia*, extended the Stay Period to July 24, 2009.
4. On July 2, 2009, the Honourable Mr. Justice Morawetz granted an Order which approved the Stalking-Horse Bid as a Qualified Bid under the Stalking Horse Process and the Bidding Procedures.
5. 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.
6. 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 has been assigned to Judge Walsh.
7. The purpose of this report is to inform the Court on the following:
  - (a) The receipts and disbursements of the Applicants for the period June 6, 2009 to July 3, 2009;

- (b) The questions for the Monitor and Indalex from the retired executives in respect of the Executive Plan and the Supplementary Executive Pension Plan (“SERP”)
  - (c) The results of the Stalking-Horse Process;
  - (d) The Monitor’s assessment of the Sapa Transaction;
  - (e) The Sun Indalex LLC (“Sun Indalex”) claim; and
  - (f) The Applicants’ request for an Order approving:
    - (i) the sale of the assets of the Applicants (other than Novar Inc.) pursuant to the terms of the APA ;
    - (ii) the vesting in the Stalking Horse Bidder of the Applicants’ rights, title and interest in and to the assets; and
    - (iii) an interim distribution of proceeds of sale to the DIP Lenders.
8. 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.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in United States Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Amended & Restated Initial Order or prior Monitor's Reports.

**RECEIPTS & DISBURSEMENTS TO JULY 3, 2009**

10. The Applicants' actual cash flow on a consolidated basis for the period June 5, 2009 to July 3, 2009, was approximately \$0.9 million better than the June 11 Forecast (as defined in the Monitor's Fourth Report) as summarized below:

	Forecast	Actual	Variance
	\$000	\$000	\$000
<b>Receipts:</b>			
Accounts Receivable	13,075	13,605	530
Cash in Advance Receipts	1,600	0	(1,600)
Other	629	0	(629)
<b>Total Receipts</b>	<b>15,304</b>	<b>13,605</b>	<b>(1,699)</b>
<b>Disbursements:</b>			
Raw Materials - Metals	11,369	10,819	550
Raw Materials - Other Materials	0	0	0
Payroll	2,270	2,687	(418)
Benefits	600	521	79
Operating Expenses	2,409	(612)	3,021
GST	354	426	(73)
Capex - Tool & Die	212	229	(17)
Bank Fees & Interest	510	472	38
Legal & Professional Fees	230	264	(34)
Payment of Past Due Amounts	1,962	2,525	(563)
<b>Total Disbursements</b>	<b>19,913</b>	<b>17,331</b>	<b>2,582</b>
<b>Excess of Receipts over Disbursements</b>	<b>(4,609)</b>	<b>(3,726)</b>	<b>883</b>
<b>Pre-Filing Facility Roll-Up:</b>			
Balance b/f	0	0	0
Collections	0	0	0
<b>Balance c/f</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DIP Facility:</b>			
Balance b/f	23,569	23,569	0
Advances	4,609	3,726	883
Repayments			0
<b>Balance c/f</b>	<b>28,178</b>	<b>27,295</b>	<b>883</b>
Margin Availability	28,233	25,759	(2,474)
Total Senior Secured Borrowings	(28,178)	(25,184)	2,994
<b>Excess/(Shortfall) Availability</b>	<b>55</b>	<b>575</b>	<b>520</b>

11. Explanations for the key variances in actual receipts and disbursements as compared to the June 11 Forecast are as follows:

- (a) The June 11 Forecast lowered the budgeted weekly collections of Accounts Receivable as compared to the April 7 Forecast. Actual collections for the period ending July 3, 2009 were ahead of budget by \$0.5 million indicating that the Applicants has more accurately projected weekly collection rates.

- (b) The Applicants arranged for cash in advance payments to all metal suppliers and in anticipation of this included in the June 11 Forecast cash in advance transfers from Inc. to Limited. In practice the Applicants did not break out the cash in advance receipts separately from the direct payments to the metal suppliers.
- (c) The Other receipts are in respect of goods and services tax refunds that the Company is still waiting to receive.
- (d) Metal purchases were slightly behind the June 11 Forecast as the Applicants continued to restrict spending and manage liquidity.
- (e) The negative variance in payroll is a timing difference due to payments in respect of vacation pay that were due to be paid in the week ending July 10, 2009 and will reverse.
- (f) Operating expenses are below plan due to the following factors:
  - (i) The Applicants have successfully negotiated credit terms with various suppliers. The June 11 Forecast assumes cash in advance payment terms for all suppliers post filing, postponing payments has resulted in a positive variance. This positive variance is a timing difference that will reverse as these payments come due and are paid;
  - (ii) The payments in respect of past due accounts includes payments for current operating costs. Payments made to suppliers for post filing amounts included both current and past due post filing amounts and were not separately tracked by the Applicants; and

- (iii) In addition, the Applicants made metal payments and payment of past due post filing amount a priority, resulting in lower costs and payments in respect of operating costs.
- (g) Payment of Past Due amounts is higher than budget due to the inclusion of payments of current amounts as well as past due post filing amounts. This negative variance is partially offset by the positive variance noted in paragraph 11(f)(ii) above.

### **QUESTIONS IN RESPECT OF THE EXECUTIVE PLAN AND THE SERP**

- 12. On July 2, 2009 counsel to certain retired executives and members of the SERP (the “**SERP Counsel**”) filed a motion opposing the approval of the Stalking Horse Process and the Bidding Procedures. As part of this motion, counsel presented a list of questions for the Monitor and Indalex to the Court and requested that they be addressed.
- 13. On July 13, 2009 Monitor’s Counsel responded to these questions by way of letter, which is attached to this report as Appendix A.
- 14. SERP Counsel sent a follow up email with additional questions which were responded to by the Applicants’ counsel on July 14, 2009 and are attached to this report as Appendix B.

### **RESULTS OF THE STALKING-HORSE PROCESS**

- 15. Capitalized terms not otherwise defined in this section of the Report have the meanings ascribed to such terms in the Bidding Procedures.



16. On April 22, 2009, the Court approved the Marketing Process described in the Second Report of the Monitor dated April 20, 2008. The Monitor provided updates on the progress of the Marketing Process in its Third, Fourth, Fifth and Sixth Reports dated May 11, 2009, June 11, 2009, June 16, 2009 and June 29, 2009, respectively. Copies of the Monitor's Reports can be obtained from the Monitor's website at <http://cfcanada.fticonsulting.com/indalex> (the "**Monitor's Website**").
17. In connection with the Applicants' motion seeking its approval, the Monitor considered the Marketing Process in light of both the principles of the decision in *Royal Bank of Canada v. Soundair Corp.* and the requirements of the DIP Credit Agreement and was satisfied that the Marketing Process was fair, transparent and reasonable in the circumstances. The Monitor was provided with full access to information and was consulted during the conduct of the Marketing Process.
18. On July 2, 2009, the Court approved the Bidding Procedures and deemed the Stalking Horse Bid as a Qualified Bid pursuant to the Bidding Procedures. A copy of the Bidding Procedures Order is available on the Monitor's Website.
19. The Bidding Procedures required interested parties to submit Qualified Bids by 10:00am on July 14, 2009. If a Qualified Bid was received by the Bidding Deadline then the Debtors were required to conduct an auction on July 16, 2009. If no Qualified Bid was received by the Bidding Deadline then the Bidding Procedures provide that the Auction will not be held and the Stalking Horse Bidder is deemed to be the Successful Bidder. The Monitor is informed by counsel to the Applicants that all parties that had provided a preliminary expression of interest were given notice of the Bidding Procedures and additional phone calls were made to all parties that had submitted binding offers for the Debtors' assets following court approval of the Bidding Procedures. In addition, notice of the sale was published in the New York Times.

20. Notwithstanding this further notice, no Qualified Bid was received by the Bidding Deadline. Consequently, the Auction will not be held and the Debtors are required by the APA to seek approval of and authority to consummate the proposed sale to the Stalking Horse Bidder contemplated by the APA. The Debtors have scheduled a joint hearing before the Court and the US Court on July 20, 2009, at which the Applicants will seek an order from the Court:
- (a) Approving the sale of the assets of the Applicants (other than Novar Inc., which is a dormant company) pursuant to the terms of the Asset Purchase Agreement dated as of June 16, 2009 by and among the US Debtors and the Applicants, as sellers, and Sapa Holding AB, on its own behalf and on behalf of one or more Canadian Purchasers to be named (the “**Sapa Transaction**”);
  - (b) Vesting in the Stalking Horse Bidder the Applicants’ right, title and interest in and to the assets of the Applicants; and
  - (c) Approving an interim distribution of the proceeds of sale to the DIP Lenders.
21. The Monitor is satisfied that the Stalking-Horse Process was carried out in accordance with the Bidding Procedures and that the Sapa Transaction represents the highest and best bid received for the Applicants’ assets on a going concern basis.

#### **MONITOR’S ASSESSMENT OF THE SAPA TRANSACTION**

22. Capitalized terms not otherwise defined in this section of the Report have the meaning ascribed to such terms in the APA.

23. The APA allocates \$31,700,000 of the aggregate purchase price to the Canadian Assets, subject to a working capital adjustment which could increase or decrease the price depending on the book value of the Current Canadian Assets and the Canadian Assumed Liabilities as at the Closing Date. In addition, the Stalking Horse Bidder will assume certain liabilities, including post-filing payables and certain priority obligations, which the Applicants have estimated at approximately \$4,936,000. A detailed discussion of the key terms of the APA is set out in the affidavit of Fred Fazio of Jefferies sworn June 29, 2009 and filed with the Court. A copy of Mr. Fazio's affidavit is available on the Monitor's Website.

**LIQUIDATION ANALYSIS**

24. The Monitor has prepared a preliminary liquidation analysis (the "**Liquidation Analysis**") based on certain information provided by the Applicants and independent appraisals obtained for the Applicants' inventory, machinery and equipment and real property assets between February and June 2009. The Liquidation Analysis is an estimate of the potential recovery from the Applicants' assets pursuant to a forced liquidation.
25. Set forth below is a comparison of the estimated proceeds and recoveries pursuant to the APA and a forced liquidation. A more detailed comparison is attached hereto as Appendix C.

<b>US\$ millions</b>	<b>APA</b>	<b>Forced Liquidation</b>
Estimated Proceeds	31.7	52.7
Less:		
Post Closing Costs	0.8	3.0
Priority Claims	1.5	7.9
Secured Claims	28.5	28.5
Funds available to unsecured creditors	0.9	13.3
Estimated Unsecured Claims	35.5	49.6
Estimated Unsecured Recovery %	3%	27%

26. The priority claims included in the analysis above include: with respect to the APA, the Administration Charge of \$0.5 million and the Director's Charge of \$1 million; and with respect to the Liquidation Analysis, the Administration Charge of \$0.5 million and the Director's Charge of \$1 million , post filing liabilities of \$4.9 million which will not be assumed under the APA, the Superintendent's levy and potential WEPPA claims for severance, termination and pension obligations of approximately \$1.4 million. The final amount payable under the Director's Charge will not be known until completion of a claims process. The final amount payable under the Administration Charge will not be determined until the conclusion of the CCAA Proceedings.
27. The secured claims include the fees of the Senior Secured Lenders and the balance outstanding in respect of the DIP Credit Agreement as at July 3, 2009. In addition, the balance of the Director's Charge of \$2.3 million which is subordinate to the DIP Lenders is included in the secured claims amount.
28. The estimate of the claims of unsecured creditors is based on known pre-filing amounts and estimates of other claims. The claims under the Liquidation Analysis include additional claims of approximately \$12.8 million in statutory severance and termination for the Canadian employees, excluding the amounts preferred by WEPPA, and the Break Fee of \$1.3 million. This analysis does not include claims which are currently unknown or unquantified or those that may arise in the event that the APA is not approved and the assets are liquidated. As noted above the claims of the priority and secured creditors are paid in full in both scenarios however the recovery for the unsecured creditors is potentially materially higher in the Liquidation Analysis.

29. The Monitor has included in the above analysis an estimate for post-closing costs. These costs include the costs of completing a claims process, the adjudication of the claim of Sun and under the Liquidation Analysis, the cost of administering the estate and the costs of realization while completing the liquidation of the Canadian Assets.

#### **THE SUN INDALEX, LLC CLAIM**

30. The Monitor has been advised by Canadian counsel to Sun Indalex that Sun Indalex intends to file a secured claim against Indalex based upon an alleged cross-guarantee from Indalex. The merits of the claim are currently unknown. To date this claim has not been filed and although the Monitor has requested details of the claim in order to assess its merits, the Monitor understands that those materials are in the process of being assembled.

#### **APPLICANTS' REQUEST FOR APPROVAL OF THE APA**

31. The Monitor is satisfied that the marketing process was fair, transparent and reasonable in the circumstance and that the Stalking Horse Process has been carried out in accordance with the approved Bidding Procedures.
32. The Monitor is further satisfied that the APA represents the highest and best offer for the assets of the Applicants and the US Debtors on a going concern basis and that the transaction presents a high likelihood of a successfully closing.
33. Completion of the Sapa Transaction appears to be in the best interests of a broad constituency of stakeholders.
34. Based on the Liquidation Analysis it appears that a forced liquidation could result in a material increase in proceeds above what is being paid pursuant to the APA and a material increase in the potential recovery expected to be paid to the Applicants' unsecured creditors. However, the Monitor notes the following:

- (a) Section 5.14 of the DIP Credit Agreement requires the Debtors to close a sale by July 21, 2009. Failure to do so constitutes a breach of the DIP Credit Agreement. Without the financing available under the DIP Credit Agreement the Applicants could not continue to operate and a forced liquidation of the assets pursuant to a bankruptcy is the most likely result;
- (b) The APA represents a closable deal resulting in immediate proceeds. The Liquidation Analysis represents an estimate only (the Monitor has not solicited actual liquidation offers for the assets). Actual recoveries under a forced liquidation are dependent on a number of contingencies and could vary significantly. The timing required to complete the liquidation is assumed to be between three and six months, but could be materially longer;
- (c) The APA preserves approximately 750 jobs of the Applicants' plant employees in Canada. The Liquidation Analysis assumes that all employees will be terminated thereby creating \$14.2 million in statutory severance and termination claims. These claims have been included in the Liquidation Analysis;
- (d) The APA preserves value for the Applicants' suppliers and customers. The bankruptcy and forced liquidation of the Applicants could result in the immediate rejection of all supply agreements and customer agreements resulting in claims against the Applicants. The Liquidation Analysis does not include estimates of potential damage claims resulting from breaches under existing supply agreements or other like claims which may arise in the event of a liquidation;
- (e) The Liquidation Analysis does not address other unknown or unquantified claims such as potential environmental liabilities which may arise on liquidation of the various facilities and could be material;

- (f) The APA preserves value for the US stakeholders, including approximately 1000 employees, and eliminates any potential guarantee claim against the Applicants by the DIP Lender. It is a condition of the APA that approval from both the Court and the US Court is obtained. In the event that the APA is not approved by the Court and the APA is terminated by the Stalking Horse Bidder, the US Debtors may be forced to liquidate also. Based on the current amount outstanding under the DIP Credit Agreement and the security enjoyed by the DIP Lenders against the US Debtors, the Monitor does not anticipate that there would be a claim by the DIP Lenders against the Applicants. However, whether or not a US Debtor-only sale transaction or liquidation would result in a guarantee claim depends on the final proceeds resulting from the sale or liquidation. The Monitor is informed that the US Debtors have not conducted, and are not required under Chapter 11 to conduct, a liquidation analysis. Therefore, it is not possible to completely rule out a guarantee claim in a liquidation scenario; and
- (g) Sun Indalex is owed approximately \$30 million by the US Debtors and ranks subordinate to the DIP Lenders in the US. In the event that the APA closes, the debt owed to Sun Indalex in the US should be substantially satisfied by the proceeds of sale available in the US. To the extent that the APA does not close, Sun Indalex may have a claim of up to \$30 million against Indalex, which claim may be secured. Depending on the final quantum of this claim, the recovery available to the unsecured creditors could be reduced to zero in both the APA scenario and the liquidation scenario.

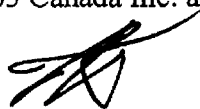
#### **APPLICANTS' REQUEST FOR APPROVAL OF INTERIM DISTRIBUTION**

35. The DIP Credit Agreement includes a provision requiring the Applicant's to make an interim distribution of the sale proceeds of a successful transaction to JP Morgan Chase, administrative agent of the DIP Lenders.
36. The interim distribution is subject to the priority claims of any unpaid and unassumed post-filing creditors, the Administration Charge of \$0.5 million and the Directors' Charge of \$1.0 million. In addition the Monitor intends to maintain a reserve of \$0.8 million for post closing fees and expenses. The reserve will be maintained pending the resolution of the guarantee claim of Sun.
37. In the event that the APA obtains the requisite approvals by the Court and the US Court, the Monitor respectfully recommends that the Court approve the Applicants' request for an interim distribution of sale proceeds less appropriate reserves.

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

Dated this 15<sup>th</sup> day of July, 2009.

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



*on behalf of*  
Nigel D. Meakin  
Senior Managing Director



Appendix A  
Responses to questions in respect of the  
SERP

**Questions for Monitor and Company  
Re: Executive Plan and Supplementary Pension Plan**

**Re: Indalex Limited CCAA  
Court File No. CV-09-8122-00CL  
July 2, 2009**

1. What efforts were pursued with the purchaser for the purchaser to take the Executive Plan and Supplementary Plan?
2. Did any potential purchaser express a willingness to take the Executive Plan and Supplementary Plan?
3. What is the company's intention with respect to the Executive Plan and Supplementary Plan?
4. What steps did the Company and Monitor take to look after the Executive Plan and Supplementary Plan?
5. Were the purchasers informed of the existence of the Executive Plan and Supplementary Plan?
6. What is the recommendation of the Monitor to the Court regarding the Executive Plan and Supplementary Plan?
7. What is the current funded status of the Executive Plan and Supplementary Plan?

# STIKEMAN ELLIOTT

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**BY EMAIL**

July 13, 2009  
File No.: 1096791002

Mr. Andrew J. Hatnay  
Koskie Minsky LLP  
20 Queen Street West,  
Suite 900  
Toronto, Ontario  
M5H 3R3

Dear Andrew:

Re: Indalex Limited, Indalex Holdings (B.C.) Ltd., 6326765 Canada Inc. and  
Novar Inc. ("Indalex"); Court File No. CV-09-8122-00CL

This letter is written in response to the Questions for Monitor and Company Re: Executive Plan and Supplementary Pension Plan you gave to counsel to Indalex and counsel to the Monitor on July 2, 2009. We have received responses from Indalex to each of your questions other than question 6, which was addressed to the Monitor. The responses are set forth below following each of your questions.

**1. What efforts were pursued with the purchaser for the purchaser to take the Executive Plan and Supplementary Plan?**

The Stalking Horse Asset Purchase Agreement was negotiated with a view to maximizing monetary recovery for Indalex's stakeholders, minimizing closing risks associated with the transaction and ensuring stable, continued employment for Indalex's current workforce. The Stalking Horse Bidder maintained consistently throughout the course of negotiations with Indalex that it was only prepared to accept certain liabilities arising prior to the closing date relating to employees who were being offered employment by the Stalking Horse Bidder.

The Stalking Horse Bidder expressed no interest in assuming the Retirement Plan for the Executive Employees of Indalex Canada and Associated Companies (the "Executive Plan") or the Supplementary Retirement Plan for Executive Employees of Indalex Canada and Associated Companies (the "Supplementary Plan") or otherwise paying direct consideration to any creditor of Indalex that would not have a continuing business or employment relationship with the Stalking Horse Bidder.

TORONTO

MONTREAL

OTTAWA

CALGARY

VANCOUVER

NEW YORK

LONDON

SYDNEY

**2. Did any potential purchaser express a willingness to take the Executive Plan and Supplementary Plan?**

No other potential bidder expressed any willingness to assume the Executive Plan or the Supplementary Plan or assume any liabilities relating to current or former employees who would not be offered employment with the bidder.

**3. What is the company's intention with respect to the Executive Plan and Supplementary Plan?**

Indalex's focus has been on maintaining its post-filing obligations and securing a viable going concern solution for its business. As is evident from the court material filed to date, Indalex has not made any recommendations to the Court with respect to the wind-down of its estate following the sale of its assets and business to a Successful Bidder.

Following the completion of the asset sale, there will no longer be any active members of the Executive Plan. As discussed at the July 2, 2009 Court hearing, it is unlikely that any bidder will elect to absorb obligations owing by Indalex that provides no corresponding benefit to such bidder. Accordingly, it is expected that the Executive Plan will be fully wound up in accordance with the requirements of the *Pension Benefits Act* (Ontario). All unsecured claims, including those arising from the wind up of the Executive Plan and in connection with the Supplementary Plan, will be dealt with in accordance with applicable law.

**4. What steps did the Company and Monitor take to look after the Executive Plan and Supplementary Plan?**

Indalex has continued to make all required current service contributions to the Executive Plan. Contrary to Mr. Hatnay's statement in Court, Indalex made all required special payments to the Executive Plan prior to filing, and no requirement to make special payments has arisen or is currently outstanding since the commencement of these proceedings. Indalex is therefore not in default with respect to special payments to the Executive Plan. The Supplementary Plan has been dealt with in accordance with the terms of the Amended Amended and Restated Initial Order.

**5. Were the purchasers informed of the existence of the Executive Plan and Supplementary Plan?**

Both the Executive Plan and the Supplementary Plan were posted in the electronic data room made available for bidders in connection with their due diligence.

**6. What is the recommendation of the Monitor to the Court regarding the Executive Plan and Supplementary Plan?**

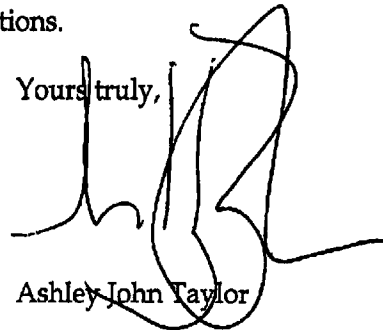
The Monitor has been informed that Indalex has made all required current service contributions and special payments with respect to the Executive Plan. The Monitor understands that a restructuring of Indalex is not feasible and that the best remaining alternative is to sell the business of Indalex as a going concern. The Monitor further understands that no bidders expressed any interest in assuming the Executive Plan or the Supplementary Plan. The only other available alternative appears to be a liquidation of Indalex. In neither scenario would the Executive Plan or the Supplementary Plan continue. Therefore, in the circumstances, it is unnecessary for the Monitor to make a recommendation with respect to the plan.

**7. What is the current funded status of the Executive Plan and Supplementary Plan?**

The most recently determined funded status of the Executive Plan (i.e., as at January 1, 2008) is as set out in the affidavit of Timothy Stubbs sworn April 3, 2009 (the "Stubbs Affidavit"). We understand Mr. Hatnay has a copy of the Stubbs Affidavit. The Supplementary Plan is an unfunded and unsecured arrangement.

Please call me if you have any questions.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ashley John Taylor', written over the typed name below it.

Ashley John Taylor

cc: Nigel Meakin and Toni Vanderlaan, *FTI Consulting Canada ULC*  
Lesley Mercer, *Stikeman Elliott LLP*  
Linc Rogers, Katherine McEachern and Jackie Moher, *Blake, Cassels & Graydon LLP*  
Tushara Weerasooriya, *McMillan LLP*  
Ken Kraft and John Salmas, *Heenan Blaikie LLP*

Appendix B  
Further responses to questions in respect of  
the SERP

## RESPONSES TO A. HATNAY

1. **What is the expected reduction to the retirees' pension and benefits on a wind-up of the Executive Plan?**

As you know, any reduction of pension and benefits will depend on the funded status of the plan. As you know, such determination cannot be made until after a plan is terminated.

2. **We understand that the company has stopped making required special payments to the Executive Plan while it is under CCAA protection. What is the amount of the special payments owing to the plan to date?**

Your understanding is incorrect. Indalex made all required special payments prior to commencement of the CCAA proceedings. No special payments have become due since the proceedings have commenced.

3. **Are all current service contributions owing to the plan by the company up to date? If not, how much is owing?**

All current service contributions to the Executive Plan are up-to-date.

4. **What is the current wind-up liability for the Executive Plan?**

The most recent actuarial valuation prepared in respect of the Executive Plan is effective as of January 1, 2008. A copy of this report was previously provided to you. No more recent estimate of the wind-up liability of the Executive Plan has been determined since the estimate set out in the January 1, 2008 report.

### Clarification

With respect to our answer to Question 1 of the Questions provided by you on July 2, 2009, for clarity, we should note one technical exception to the answer provided. Section 2.5 of the APA provides that certain obligations are to be assumed by the Stalking Horse Bidder. The obligations set out in Section 2.5(e) include certain priority accruals relating to current employees, such as vacation pay. These accruals would be payable in respect of current employees whether or not their employment is continued with the Stalking Horse Bidder. The Stalking Horse Bidder, however, is assuming all collective agreements and extending employment offers to substantially all Indalex employees. As already noted, the Stalking Horse Bidder was clear that it would not assume any severance, termination or pension benefit obligations to non-transferred employees or any other obligation not specifically agreed to.

## RESPONSES TO A. HATNAY

1. **What is the expected reduction to the retirees' pension and benefits on a wind-up of the Executive Plan?**

As you know, any reduction of pension and benefits will depend on the funded status of the plan. As you know, such determination cannot be made until after a plan is terminated.

2. **We understand that the company has stopped making required special payments to the Executive Plan while it is under CCAA protection. What is the amount of the special payments owing to the plan to date?**

Your understanding is incorrect. Indalex made all required special payments prior to commencement of the CCAA proceedings. No special payments have become due since the proceedings have commenced.

3. **Are all current service contributions owing to the plan by the company up to date? If not, how much is owing?**

All current service contributions to the Executive Plan are up-to-date.

4. **What is the current wind-up liability for the Executive Plan?**

The most recent actuarial valuation prepared in respect of the Executive Plan is effective as of January 1, 2008. A copy of this report was previously provided to you. No more recent estimate of the wind-up liability of the Executive Plan has been determined since the estimate set out in the January 1, 2008 report.

### Clarification

With respect to our answer to Question 1 of the Questions provided by you on July 2, 2009, for clarity, we should note one technical exception to the answer provided. Section 2.5 of the APA provides that certain obligations are to be assumed by the Stalking Horse Bidder. The obligations set out in Section 2.5(e) include certain priority accruals relating to current employees, such as vacation pay. These accruals would be payable in respect of current employees whether or not their employment is continued with the Stalking Horse Bidder. The Stalking Horse Bidder, however, is assuming all collective agreements and extending employment offers to substantially all Indalex employees. As already noted, the Stalking Horse Bidder was clear that it would not assume any severance, termination or pension benefit obligations to non-transferred employees or any other obligation not specifically agreed to.



# Appendix C

## Liquidation Analysis

**Indalex Limited**  
**Liquidation Analysis**  
Prepared as at July 15, 2009

US\$ 000's	APA	Forced Liquidation
<b>Accounts Receivable</b>		19,750
<b>Inventory</b>		3,150
<b>Plant and Equipment</b>		2,840
<b>Real Property</b>		26,930
<b>Estimated Proceeds / Liquidation Value</b>	<b>31,700</b>	<b>52,670</b>
<b>Trade Vendors Post filing not assumed</b>	-	4,956
<b>Post Closing Costs</b>	750	3,000
<b>EP / LV - after closing costs</b>	<b>30,950</b>	<b>44,714</b>
<b>Claims</b>		
<b>Priority Claims</b>		
Levy under s.147 BIA	-	58
Employees - wages (BIA only)	-	1,350
Employees - pension (BIA only)	-	48
Estimated Recovery %		100%
Other priority claims		
Admin Charge	500	500
Director's Charge	1,000	1,000
<b>Funds Available to Creditors after Priority Claims</b>	<b>29,450</b>	<b>41,758</b>
<b>Secured Claims</b>		
Senior Secured Lenders	26,175	26,175
Estimated Recovery %	100%	100%
Director's Charge subordinated to Secured Lenders	2,300	2,300
<b>Funds available to Creditors after Secured Claims</b>	<b>975</b>	<b>13,283</b>
Unsecured Claims		
Trade Vendors - pre-filing	25,816	25,816
Employee Severance and Termination	-	12,898
Registered Plan for Executive Employees	2,996	2,948
Registered Plan for Salaried Employees	2,253	2,253
Supplemental Retirement Plan for Executive Employees	2,966	2,966
Intercompany claims	1,453	1,453
Break Fee	-	1,283
Other Unsecured claims	-	-
<b>Identified unsecured claims</b>	<b>35,484</b>	<b>49,617</b>
<b>Estimated Recovery %</b>	<b>3%</b>	<b>27%</b>
<b>Unresolved or unquantified claims</b>		
Sun Indalex	30,000	30,000
<b>Other</b>	-	-