

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

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

**ELEVENTH REPORT OF THE MONITOR
February 1, 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.

**ELEVENTH 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 has been assigned to Judge Walsh.

3. 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**”).
4. 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.
5. The Stay Period has been extended a number of times and currently expires February 5, 2010 pursuant to the Order of the Honourable Mr. Justice Campbell granted October 27, 2009.
6. 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.
7. 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.
8. 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.
9. 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**”).
 10. 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.
 11. On October 27, 2009, the Court granted an 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 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 Eleventh Report, is to inform the Court on the following:
 - (a) The status of the SERP Motion;
 - (b) The status of the Deemed Trust Motions and the Bankruptcy Leave Motion;
 - (c) The status of the Claims Procedure; and
 - (d) The request for an extension of the Stay Period until May 7, 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://cfcanada.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.
17. On September 17, 2009, the Registrar of the Court of Appeal issued a Notice of Intention to Dismiss for Delay if the moving party’s motion record and factum were not filed by October 2, 2009.
18. On October 2, 2009, the Retired Executives filed a motion, returnable October 22, 2009, seeking an order extending the time to file their motion record and factum to the date which was 30 days after the Court of Appeal released its decision in the *Nortel Networks Corp.* matter, bearing Court of Appeal file numbers M37770 and M37771 (the “**Nortel Appeal**”), which was heard by the Court of Appeal on October 1, 2009.
19. Counsel to the Monitor discussed the motion with counsel to the Retired Executives and the Applicants, among others. On October 22, 2009, the Honourable Mr. Justice Doherty of the Court of Appeal issued an order on consent extending the time by which the Retired Executives may file their motion record and factum for leave to appeal from the SERP Decision until 14 days after the Court of Appeal released its decision in the Nortel Appeal.

20. The Court of Appeal released its decision in the Nortel Appeal on November 26, 2009. On December 10, 2009 (14 days after the release of the Court of Appeal's decision in the Nortel Appeal) the Retired Executives filed a motion returnable December 22, 2009 seeking a further extension of the time to file their motion record and factum for leave to appeal until ten days after the Supreme Court of Canada releases its decision regarding the leave to appeal application to be filed by the former Nortel employees from the decision of the Court of Appeal in the Nortel Appeal, or if leave is granted by the Supreme Court of Canada ten days after the decision of the Supreme Court of Canada is released. The Monitor opposed the further extension.
21. The Court of Appeal denied the motion and ordered the Retired Executives to file their leave materials by January 13, 2010. The Retired Executives have since filed their motion record and factum for the leave to appeal motion and the Monitor is in the process of preparing its responding material.

DEEMED TRUST MOTIONS AND BANKRUPTCY LEAVE MOTION

22. On August 28, 2009, certain retired executives of the Applicants and the United Steelworkers Union brought motions seeking determinations 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.
23. 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.
24. The Deemed Trust Motions and the Bankruptcy Leave Motion were heard by Justice Campbell on August 28, 2009. The decisions remain under reserve, and as a result no assignment in bankruptcy has been filed and no trustee in bankruptcy has been appointed in respect of any of the Applicants.

STATUS OF CLAIMS PROCEDURE

25. 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.
26. 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, 5:00 p.m. (Toronto time) on August 28, 2009.
27. A determination as to the validity of Claims is being held in abeyance pending a determination as to whether there will be funds to distribute to 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 Deemed Trust Motions and the resolution of the secured claim of Sun Indalex Finance, LLC ("**Sun**"), as reported in the Monitor's Eighth Report.
28. 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. The Monitor has discussed the D&O Claims with counsel to those individuals who were directors and officers of the Applicants during the CCAA Proceedings.

29. Based on its review of the D&O Claims filed, but subject to the outcome of the Retired Executive's motion for leave to appeal and possible appeal of the SERP Decision, the Monitor has formed the opinion 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) and the Monitor has considered bringing a motion seeking such a declaration and an order releasing the Directors' Charge. However, the outcome of the Retired Executive's motion for leave to appeal may impact the Monitor's view of the applicability of the Directors' Charge, and therefore the Monitor is deferring such motion until after the leave to appeal motion and possible appeal have been dealt with.

SAPA TRANSACTION WORKING CAPITAL CALCULATION

30. 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.
31. Pursuant to the Asset Purchase Agreement, the Canadian Cash Purchase Price will be adjusted to the extent that the Closing Date Statements differ from the Estimated Closing Date Statements, subject to a maximum adjustment in the Purchaser's favour equal to the Canadian Escrow amount, being \$2.75 million. The Closing Date Statements are to be delivered by the Purchaser not later than sixty days following the Closing Date, with the Sellers having twenty days after receipt to object.

32. The Asset Purchase Agreement provides for adjustments to the Canadian Purchase Price based on the difference between the amount of the Canadian Current Assets and Canadian Assumed Liabilities as estimated and as calculated as at the Closing Date, and provides a timetable for the determination of such adjustments. The timetable has been extended a number of times. The Monitor met with Sapa, Sun, who was authorized by order of the US Court in the Ch.7 Proceedings to negotiate the working capital adjustments on behalf of the US Sellers, 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. The Monitor is continuing to discuss the purchase price adjustments with Sapa and Sun and expects to reach a resolution in the near future.

EXTENSION OF THE STAY PERIOD

33. The Stay Period currently expires on February 5, 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, determining whether any claims exist against the Directors' Charge, responding to the Retired Executive's motion for leave to appeal the SERP Decision, responding to the pending decision from the Deemed Trust Motions and the Bankruptcy Leave Motion. 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 May 7, 2010.
34. 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.
35. The Monitor therefore respectfully requests that this Honourable Court grant an extension of the Stay period to May 7, 2010.

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

Dated this 1st day of February, 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
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