Court File No.:

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

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF THL-PMPL HOLDING CORP., PROGRESSIVE MOULDED PRODUCTS LIMITED, PROGRESSIVE MOLDED PRODUCTS INC. AND PROGRESSIVE MARKETING, INC.

Applicants

REPORT OF ERNST & YOUNG INC.
DATED JUNE 20, 2008

INTRODUCTION

Background

1. Ernst & Young Inc. (**"EYI"**) understands that THL-PMPL Holding Corp. (**"THL-PMPL"**), Progressive Moulded Products Limited (**"PMPL"**), Progressive Molded Products Inc. (**"PMPI"**) and Progressive Marketing, Inc. (**"Progressive Marketing"**) (collectively **"Progressive"** or the **"Applicants"**) has brought a motion before this Honourable Court for an Initial Order under the *Companies' Creditors Arrangement Act* (**"CCAA"**) in order to restructure the business and affairs of Progressive.

2. This is the first report of EYI, the Proposed Monitor in the Progressive CCAA proceedings. EYI has consented to act as Monitor in the CCAA proceedings.

3. The purpose of this report (**"Report"**) is to provide this Honourable Court with information on:

   i) Progressive's current liquidity crisis;

   ii) Progressive's decision to commence insolvency proceedings;

   iii) An overview of Progressive's three week daily cash flow projection;

   iv) Selected financial matters addressed in the proposed Initial Order;

   v) Restructuring alternatives; and

   vi) Conclusions and recommendations.

Terms of Reference

4. In preparing this Report, EYI has been provided with and, in making the comments herein, has relied upon unaudited financial information, Progressive's books and records, financial information prepared by Progressive, and discussions with management of Progressive. EYI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, EYI expresses no opinion or other form assurance in respect of such information contained in this Report. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants (**"CICA"**) Handbook, has not been performed. Future oriented financial information referred to in this report was prepared based on management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

5. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

6. Capitalized terms not defined in this Report are defined in the motion filed by Progressive in connection with these CCAA proceedings.

7. EYI was retained by Progressive on April 30, 2008, to assist it and its other professional advisors to analyze options available to refinance and restructure Progressive's operations.

8. EYI does not act as auditor to Progressive.

OVERVIEW

9. Progressive designs and manufactures automotive interior plastic systems and sub-systems. Its materials filed in connection with the commencement of CCAA proceedings state that it is a leading supplier to North American Original Equipment Manufacturers (**"OEMs"**) of fully integrated consoles, instrument panels and panel subsystems, air management systems and hard trim. Progressive's information indicates that, in 2007, approximately 90% of Progressive's annual revenues were generated from its three major OEM customers, General Motors, Ford and Chrysler.

10. Progressive conducts its manufacturing operations from 13 facilities located in Ontario, Michigan, Texas and Missouri. Progressive's head office is located in Concord, Ontario and approximately 82% of Progressive's consolidated sales revenues are generated from parts produced in Ontario and 18% from parts produced in the U.S. Progressive's corporate organization chart is attached at Appendix A.

11. THL-PMPL is a holding Company and has no active business operations.

12. PMPL operates 10 manufacturing plants and one research and development facility in Ontario. PMPL also includes Progressive's corporate head office located in Concord, Ontario which includes the Progressive executive management team, and all of Progressive's administrative functions, including: accounting, cash management, human resources and information technology.

13. PMPI operates manufacturing facilities in Missouri and Texas. The 124 hourly employees at the Missouri manufacturing facility are members of a union.

14. Progressive Marketing has approximately 40 sales and engineering staff operating from an office in Michigan, and is involved principally in product development for parts produced by PMPL and PMPI.

15. Progressive employs approximately 3,000 employees in total, of which 2,500 are employed by TMPL in Ontario.

PROGRESSIVE'S CAPITAL STRUCTURE

16. Progressive has total funded debt obligations, including capital lease obligations, of approximately $546.9 million (assuming a Canadian/U.S. dollar exchange rate at par). The total debt obligations are comprised of the following facilities:

- THL-PMPL, PMPL and PMPI are parties to a credit agreement dated August 16, 2004 (the **"Senior Credit Agreement"**) with a syndicate of lenders (the **"First Lien Lenders"**). JP Morgan, Chase Bank, National Association, and JP Morgan Chase Bank, Toronto Branch (collectively **"JPMCB"**) act as administrative and collateral agents (the **"First Lien Agent"**). The facilities made available to Progressive under the Senior Credit Agreement consists of a senior revolving line of credit with a subfacility for borrowings by PMPL in the amount of $25 million and a subfacility for borrowings by PMPI in the amount of $20 million (the **"Senior Revolver"**), a term loan in the original principal amount of US$38 million (**"Term Loan A"**) and another term loan in the original principal amount of approximately US$228 million (**"Term Loan B"**) (collectively the **"First Lien Facilities"**). The aggregate principal amount currently outstanding under the First Lien Facilities is approximately $276.9 million plus accrued but unpaid interest thereon;

- PMPL is also party to an Indenture dated January 26, 2007, with Wells Fargo Bank, National Association, as Trustee (the **"Second Lien Trustee"**) pursuant to which PMPL issued 13.5% subordinated second priority secured notes due 2012 (the **"Second Lien Notes"**). The aggregate principal amount outstanding under the Second Lien Notes is $31.4 million;

- PMPL and PMPI are also parties to various equipment capital leases (the **"Capital Leases"**), with outstanding principal amounts owing of approximately $7.7 million;
- PMPL, PMPI, THL-PMPL are parties to a credit agreement dated April 28, 2006 with respect to a revolving credit facility of up to US$35.2 million (the **"Liquidity Revolver"**); and
- PMPL issued 11.5% senior subordinated notes due 2012 (the "**Mezzanine Notes**") with a principal balance outstanding of approximately $195.7 million. The Mezzanine Notes are unsecured and subordinate in priority to the Second Lien Notes.

17. The Proposed Monitor has not completed any review of these credit facilities. The Proposed Monitor has based its report on the assumption that all such agreements are valid and enforceable in accordance with their terms.

CURRENT LIQUIDITY CRISIS

18. Progressive has had success over the past several years increasing its market share in the interior automotive components sector despite the well publicized economic and competitive challenges faced by the North American OEM automotive manufacturers. Despite its increased market share and revenue growth, Progressive has incurred losses over the past two fiscal years and its earnings from operations have not been sufficient to support the service of its debt obligations. The principle reasons for Progressive's financial pressures include:

    - a significant decline in North American automotive sales since 2004;
    - the impact of the rising Canadian dollar relative to the U.S. dollar resulting in lower gross margins on U.S. currency denominated sales;
    - increase of raw material input costs for resins and for component parts used by Progressive in manufacturing interior automotive components;

- rapid expansion of the business in 2006 and 2007 associated with the assumption of work being done by other insolvent automotive parts manufacturers resulting in a need for additional funding; and
- significant debt levels relative to the cash flow generated by Progressive's operations.

19. Progressive has been further challenged due to the recently ended labour strike at American Axle who is a supplier to one of Progressive's major customers (General Motors). This strike led to a reduction in production at General Motors, and a resultant negative impact on orders being issued to Progressive.

20. EYI is advised by management of Progressive that Progressive's own suppliers have a heightened concern regarding their credit exposure to Progressive, and have been demanding more accelerated payment terms, including cash on delivery, from Progressive which has had a negative impact on Progressive's cash position.

21. As a result of these recent developments, Progressive is facing a severe and immediate liquidity crisis. Progressive has fully drawn on its facilities pursuant to the Senior Credit Agreement and the Liquidity Revolver; as such, it has no further access to liquidity other than cash remaining in its bank accounts.

22. In addition to the immediate liquidity crisis, the Mezzanine Notes, which have had payment in kind ("**PIK**") interest terms until April 2008, are now cash interest-bearing (in accordance with their terms). The first quarterly payment is due on July 31, 2008. This additional cash interest cost will further challenge Progressive's liquidity position.

23. Progressive has informed EYI that its OEM customers have significant concerns regarding Progressive's liquidity position and its ability to continue operations. The continued support of the OEMs is critical to the viability and success of Progressive.

24. In light of these factors, Progressive has been in discussions with its principal secured lenders, mezzanine lenders and shareholders regarding the need to restructure Progressive's capital structure. EYI has been informed by Progressive and its advisors

that the majority of its principal secured lenders, mezzanine lenders and shareholders have made significant progress in developing an agreement to restructure Progressive's capital structure and provide new financing. Any such arrangement will also require agreements to be put in place with Progressive's customers.

25. Progressive will require financing during the CCAA proceedings ("DIP Financing") in order to fund operations while it finalizes a restructuring plan and process.

26. Certain of the lenders under the First Lien Facilities have been working with Progressive to provide DIP Financing once arrangements are in place with other key stakeholders in the restructuring, including Progressive's largest customers.

27. Progressive and its advisors have informed EYI that it has made substantial progress finalizing these agreements, however, more time is necessary to complete this process. As a result, Progressive will have to commence the CCAA proceedings without having secured DIP Financing and will attempt to finalize an agreement to secure such financing shortly after the commencement of the proceedings.

PROGRESSIVE'S DECISION TO COMMENCE INSOLVENCY PROCEEDINGS

28. As a result of the severity of Progressive's liquidity crisis, Progressive has prepared concurrent applications for protection under the CCAA and relief under Chapter 11 of title 11 of the *United States Bankruptcy Code* ("**Chapter 11**") for both its Canadian operations, which include PMPL and THL-PMPL (collectively the **"Canadian Debtors")** and for its U.S operations, which include PMPI and Progressive Marketing (collectively the **"U.S. Debtors"**).

29. Given that proceedings will be taking place both in Canada and the United States for each of the Canadian Debtors and the U.S. Debtors, it is proposed that the Courts in both jurisdictions adopt a cross-border insolvency protocol. The Proposed Monitor has reviewed the protocol to be presented to the Courts and is of the view that the protocol is both beneficial to actively manage the nature of these proceedings and consistent with protocols adopted by the Courts in previous cross border insolvency proceedings.

OVERVIEW OF THE THREE WEEK DAILY CASH FLOW PROJECTION

30. Progressive has prepared a daily cash flow projection (the "**Cash Flow**") for the three week period from June 20, 2008 to July 11, 2008. A copy of the Cash Flow is attached as Appendix B to the Report. As a result of Progressive having no DIP Financing in place, the Cash Flow is based upon the following assumptions:

    i) Progressive's customers will be requested to pay on cash-on-delivery terms for all post-filing shipments; and

    ii) Raw materials will only be purchased upon the receipt of an advance from the OEMs or other customers, and that such advance cannot be set-off or otherwise used to reduce prepetition amounts owing by the customer to the Company.

31. Progressive's cash position at the commencement of the CCAA proceedings is estimated to be $10.7 million.

32. The Cash Flow indicates a net cash outflow of $1.9 million in the first week compared to a net cash outflow of $5.0 million and $2.4 million in weeks two and three due to Progressive's traditional two week summer shutdown period which coincides with the shutdown of certain of the OEM plants across North America. There is still a limited amount of production scheduled at various plants throughout the shutdown period; therefore receipts and raw material costs are projected at a rate of approximately 25% of the normal run rate.

33. In the Chapter 11 proceedings, the Applicants will be required to seek authorization from the U.S. Court and its secured lenders to use the cash collateral to fund operations (the "Cash Collateral Order"). As a result, Progressive will be seeking the authorization to use its cash collateral as reflected in the Cash Flow with a permitted variance in respect of aggregate disbursements from that set forth in the Cash Flow for any week on a rolling net basis not in excess of 15%.

SELECTED FINANCIAL MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

34. The proposed Initial Order provides for a number of charges and thresholds relating to asset sales, etc., including:

i) Administration Charge:

35. The Administration Charge as described in the proposed Initial Order provides for an amount of $3.6 million as security for the professional fees and disbursements incurred both before and after the making of the Initial Order in respect of these proceedings. The Administration Charge has been allocated as follows: $1.5 million for the Monitor, the counsel to the Monitor and the Applicants' Canadian counsel, $600,000 for the Applicants' U.S. counsel and $1.5 million for all of the Applicants' other professionals. The Cash Collateral Order will contain a carve-out for the same amount as the Administration Charge. The Administration Charge threshold has been established based on the various professionals' previous history and experience with cross border restructurings of similar magnitude and complexity. The Proposed Monitor believes that the charge is required and reasonable under the circumstances.

ii) Directors' Charge

36. The Directors' Charge, as described in the proposed Initial Order, provides for an amount of $7,000,000 to indemnify the directors and officers of Progressive from all claims, costs, charges and expenses if the Applicants fail to pay certain amounts after the date of the Initial Order. Specifically, if the directors and officers fail to pay amounts in respect of employee or former employee entitlements, statutory deemed trust amounts in favour of the Crown; which are required to be deducted from employees' wages, including amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes; and any amount payable to the Crown or any taxation authority in respect of municipal realty, municipal business or other taxes, which are entitled at law to be paid in priority to claims of secured creditors. The amount of the Directors' Charge

was estimated by Progressive taking into consideration the amount of its hourly and salaried payroll, sales commissions, vacation pay and sales and service taxes. The Proposed Monitor believes such charges are required and reasonable under the circumstances.

iii) Sale of Assets

37. The thresholds established in the proposed Initial Order for Progressive's right to dispose of redundant or non material assets provided that the price not exceed $500,000 in any one transaction or $1 million in aggregate, was established in relation to the size of Progressive's operations and value of its assets in order to facilitate the orderly restructuring of the enterprise without adding undue administrative burden that would not add value to the process. In our view, these thresholds are appropriate given the size of Progressive's operations.

iv) Creditor Notification

38. The threshold amount established for purposes of sending notice of the Initial Order, within 10 days to every known creditor of Progressive, other than employees, having a claim of more than $5,000, was established considering the number of creditors and balances owed to creditors. EYI will post a copy of the Initial Order on its website, and will provide copies to creditors as requested.

RESTRUCTURING ALTERNATIVES

39. At this preliminary stage, it is not possible to present a comprehensive restructuring strategy as Progressive and its advisors will need to continue discussions that have been ongoing with the secured creditors as well as certain of its other creditor stakeholders and its OEM customers in order to complete negotiations regarding DIP Financing and the development of a comprehensive restructuring plan. The CCAA and Chapter 11 proceedings will contribute a stable environment to enable Progressive to operate its business while these discussions occur. Progressive has a very significant market presence in the sectors which it operates. It has grown its operations notwithstanding the

very challenging North American automotive manufacturing environment over the last several years and generates earnings from its operations before debt service costs. As such, the Proposed Monitor believes that there are several different restructuring approaches that are available to Progressive including recapitalization of its debt structure, refinancing as well as asset sales, or a combination thereof, which will have to be further explored with Progressive's key stakeholders.

40. Progressive and its advisors will be able to update this Honourable Court on Progressive's restructuring alternatives as these discussions evolve.

CONCLUSIONS AND RECOMMENDATIONS

41. The Proposed Monitor believes that it is appropriate that Progressive be granted the benefit of protection under the CCAA, so it is able to stabilize operations while it negotiates DIP Financing and continues discussions with its key stakeholders regarding a restructuring under CCAA supervision in a manner that is in the best interests of its stakeholders.

42. In light of the fact that the Applicants have not secured DIP Financing, it is appropriate that the stay of proceedings be relatively brief, while Progressive attempts to secure DIP Financing with certain members of the First Lien Lenders and/or settles on funding arrangements with its key customers.

43. Further to EYI's review of the proposed Initial Order, EYI supports the thresholds in the proposed Initial Order, including;

i) An Administration Charge of $3.6 million;

ii) A Directors' Charge of $7.0 million;

iii) Asset sales of $0.5 million or $1 million in aggregate, and

iv) Notices to creditors with outstanding balances of $5,000 or more.

All of which is respectfully submitted this 20th day of June, 2008.

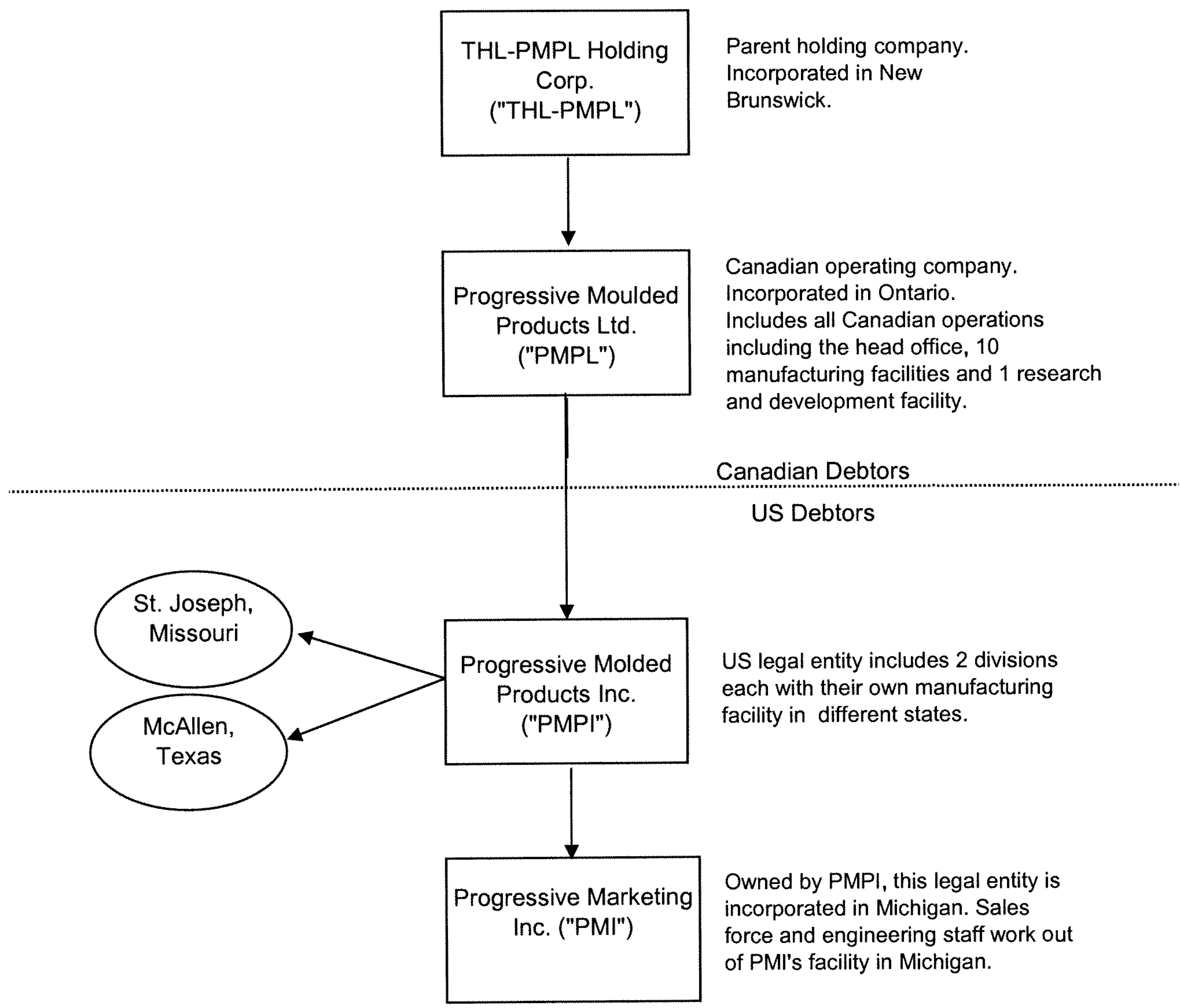
ERNST & YOUNG INC.
in its capacity as the Proposed Monitor of
THL-PMPL Holding Corp.,
Progressive Moulded Products Limited,
Progressive Molded Products Inc., and
Progressive Marketing, Inc.

Per:

Alex Morrison
Senior Vice President

APPENDIX A

Appendix A
Progressive Corporate Organization Chart



APPENDIX B

Progressive Consolidated Cash Flow Projection
Assumes COD Customer Payment Terms for Post-Filing Sales
(In Thousands of Canadian Dollars)

	Notes	Monday 23-Jun-08	Tuesday 24-Jun-08	Wednesday 25-Jun-08	Thursday 26-Jun-08	Friday 27-Jun-08	Week ended 29-Jun-08	Monday 30-Jun-08	Tuesday 1-Jul-08	Wednesday 2-Jul-08	Thursday 3-Jul-08	Friday 4-Jul-08	Week ended 06-Jul-08	Monday 7-Jul-08	Tuesday 8-Jul-08	Wednesday 9-Jul-08	Thursday 10-Jul-08	Friday 11-Jul-08	Week ended 13-Jul-08
OPENING BANK BALANCE	1	10,678	10,415	9,819	8,336	8,861	10,678	8,763	7,750	7,070	3,986	3,619	8,763	3,742	3,620	2,865	1,599	1,377	3,742
RECEIPTS																			
Trade	2	1,899	1,899	1,899	1,899	475	8,069	475	475	475	475	475	2,373	475	475	475	475	475	2,373
Tooling	2	-	3,000	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-
Other	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		1,899	4,899	1,899	1,899	475	11,069	475	475	475	475	475	2,373	475	475	475	475	475	2,373
DISBURSEMENTS																			
Raw Material and Freight	3	(1,220)	(1,220)	(1,220)	(1,000)	-	(4,659)	(305)	(305)	(305)	(305)	(305)	(1,525)	(305)	(305)	(305)	(505)	(505)	(1,925)
Tooling	4	-	(3,000)	-	-	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-
In-transit Freight	5	(500)	-	-	-	-	(500)	-	-	-	-	-	-	-	-	-	-	-	-
Payroll and Benefits	6	-	(56)	(2,001)	(374)	-	(2,431)	(1,057)	(56)	(2,151)	(287)	-	(3,552)	-	(56)	(1,185)	(191)	-	(1,432)
Rent and Utilities		-	(350)	-	-	(123)	(473)	-	-	(838)	(249)	(47)	(1,135)	-	-	(116)	-	-	(116)
GST		-	-	-	-	(450)	(450)	-	-	-	-	-	-	-	-	-	-	-	-
Sales, General and Administrative	7	(150)	(444)	-	-	-	(594)	-	(394)	(105)	-	-	(498)	-	(469)	-	-	-	(469)
Capex - maintenance	8	(292)	-	-	-	-	(292)	(125)	-	-	-	-	(125)	(292)	-	-	-	-	(292)
Restructuring Costs	9	-	(425)	(160)	-	-	(585)	-	(400)	(160)	-	-	(560)	-	(400)	(135)	-	-	(535)
Total Disbursements		(2,161)	(5,495)	(3,381)	(1,374)	(573)	(12,984)	(1,487)	(1,155)	(3,559)	(841)	(352)	(7,394)	(597)	(1,230)	(1,741)	(696)	(505)	(4,768)
NET WEEKLY CASH INFLOW/(OUTFLOW)		(263)	(596)	(1,482)	525	(98)	(1,915)	(1,013)	(680)	(3,084)	(367)	123	(5,021)	(122)	(755)	(1,266)	(222)	(30)	(2,395)
CLOSING BANK BALANCE		**10,415**	**9,819**	**8,336**	**8,861**	**8,763**	**8,763**	**7,750**	**7,070**	**3,986**	**3,619**	**3,742**	**3,742**	**3,620**	**2,865**	**1,599**	**1,377**	**1,347**	**1,347**

Notes to Progressive's Unaudited Consolidated Cash Flow Projection

The cash flow projection includes receipts and disbursements in both Canadian and US currency. The foreign exchange rate used in the business plan upon which this projection is based is CDN$1.00 = US$1.02.

1. **Opening Bank Balance** – as a result of the Companies' concurrent filing for relief under Chapter 11, the Companies are unable to use their cash collateral until they receive authorization to do so in US Bankruptcy Court on Monday June 23, 2008. Therefore, the cash flow projection begins on Monday June 23, 2008 and assumes the bank balance will not have changed between the date of filing on Friday June 20, 2008 and Monday June 23, 2008.

2. **Receipts** – Trade receipts are funds received from OEMs and other customers for products sold and are projecting to be received from customers on a cash-on-delivery basis. Tooling receipts are funds received with respect to re-imbursement by customers for tooling costs incurred by the Companies. Other receipts include GST refunds and other miscellaneous receipts.

3. **Raw Materials and Freight-** Includes purchases of raw materials used in production and freight costs relating to raw material receipts and customer deliveries. It is assumed to be paid on a cash-on-delivery basis.

   The Company agrees that Raw Materials will be purchased only in the event that (i) there is received from the OEMs or other customers an advance in an amount equal to the purchase to be made and (ii) it is agreed by such OEM or other customer that such advance shall not reduce, by way of setoff or otherwise, prepetition accounts payable owed by such OEM or other customer to the Company.

4. **Tooling -** Includes purchases of tooling used in production. Any disbursements made or to be made by the Company for purchase of tooling parts and related items using the proceeds of payments ("Pass Through Payments") that are both (a) received by the Company prior to making such disbursements and (b) expressly made by an OEM or other customer specifically for the purpose of funding such purchases, and any such Pass Through Payments shall not be subject to or reflected in the budget, except for the amount of $3 million which has been reflected as receipt ("Other Non-Trade-Tooling") and as a disbursement ("Tooling") on June 24, 2008.

5. **In-transit Freight** – Includes freight costs relating goods in-transit.

6. **Payroll and Benefits** – Includes payroll costs related to hourly and salaried employees including related benefit costs, statutory tax payments and vacation pay.

7. **Sales, General & Administrative** – Includes sales, general and administrative costs incurred as well as taxes and insurance.

8. **Capital Maintenance** – Includes costs relating to ongoing capital maintenance and are based on the Companies current capital maintenance budgets.

9. **Restructuring Costs** – Includes the costs related to the Applicants' Canadian and US advisors and the Monitor and its counsel as well as the First Lien Agent's advisors. It is assumed that the Applicants' US advisors are paid in a period outside of the three week cash flow projection period based on a Chapter 11 approval process.