

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

**FOURTH REPORT OF ERNST & YOUNG INC.
DATED JULY 24, 2008**

INTRODUCTION

1. On June 20, 2008, 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**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("**CCAA**"). Pursuant to the Order of this Honourable Court dated June 20, 2008 (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as the Monitor of the Applicants (the "**Monitor**") in the CCAA proceeding. The Initial Order provided for a stay of proceedings through to July 9, 2008. The stay of proceedings was subsequently extended to August 17, 2008 (the "**Stay Period**") pursuant to an Order of this Honourable Court dated July 7, 2008.
2. The Applicants concurrently filed motions on June 20, 2008 for relief under Title 11 of Chapter 11 of the United States Code ("**Chapter 11**") for both their Canadian operations, which include PMPL and THL-PMPL (collectively the "**Canadian Applicants**") and for

their U.S. operations, which include PMPI and Progressive Marketing (collectively the “U.S. Applicants”).

3. The Monitor is advised that, in light of the winding up of Progressive’s operations as more fully reported in the Monitor’s Second and Third Reports, the United States Trustee has brought a motion in the Chapter 11 proceedings seeking to convert the Chapter 11 cases to Chapter 7 liquidation proceedings. The Applicants have filed a response to this motion, and a cross-motion, indicating that the Applicants consent to the conversion of the Chapter 11 cases of the U.S. Applicants, but opposing the conversion in respect of the Canadian Debtors, and seeking an expedited hearing. Instead, the Applicants are of the view that it is in the best interests of the Canadian Applicants, their estates, creditors and other affected parties to dismiss the Chapter 11 cases in respect of the Canadian Applicants.

PURPOSE

4. The purpose of this Fourth Report of the Monitor (the “**Fourth Report**”) is to report to this Honourable Court with respect to the Applicants’ motion for an Order to approve the appointment of Mr. Donald S. MacKenzie (“**MacKenzie**”) as the Chief Restructuring Officer (the “**CRO**”) of the Canadian Applicants and the related engagement of Conway MacKenzie, Inc. (“**CM&D**”) to perform services as required by the CRO pursuant to an engagement letter between the Canadian Applicants and CM&D (the “**CRO Agreement**”), the form of which is attached to Appendix A of this Fourth Report.

TERMS OF REFERENCE

5. In preparing this Report, EYI has been provided with and in making the comments herein 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.

6. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.
7. Capitalized terms not defined in this Report are defined in the Initial Order or EYI's Report dated June 20, 2008 (the “**First Report**”), the second Report dated July 7, 2008 (the “**Second Report**”) or the Third Report dated July 11, 2008 (the “**Third Report**”).

BACKGROUND

8. Progressive designed and manufactured automotive interior plastic systems and sub-systems from 13 facilities in Ontario, Michigan, Texas and Missouri and its head office is located in Concord, Ontario. Progressive’s materials filed in connection with the commencement of CCAA proceedings state that it was a leading supplier to North American Original Equipment Manufacturers of fully integrated consoles, instrument panels and panel subsystems, air management systems and hard trim. Approximately 90% of Progressive’s annual revenues were generated from its three major OEM customers, General Motors, Ford and Chrysler (collectively, the “**OEMs**”).

CHIEF RESTRUCTURING OFFICER APPOINTMENT

9. As set out in the Second and Third Reports, the Applicants are implementing an orderly liquidation of their business, and are working to:
- i) facilitate the removal of the OEM tooling and equipment as contemplated in the GM and Ford Tooling Order and the Chrysler Tooling Order;
 - ii) obtain information regarding the rights and interests of third party lessors, parties claiming liens and security interests and other persons asserting rights or interests against any of the property and assets of the Applicants;
 - iii) process invoicing to GM and Ford for raw materials, packaging, finished inventory, secondary and tooling and machinery and equipment purchased pursuant to the GM and Ford Term Sheets;
 - iv) process invoicing to Chrysler for raw materials, packaging, finished inventory, secondary tooling and machinery and equipment purchased pursuant to a term sheet entered into between the Applicants and Chrysler on July 15, 2008 and approved by this Honourable Court on July 23, 2008 (the "Chrysler Term Sheet");
 - v) continue production for Ford pursuant to the GM and Ford Term Sheet, at the Applicants' Missouri plant through July 25 and assist Ford with the removal of all its tooling and equipment by July 31, 2008;
 - vi) implement a wind-down process for the Texas plant;
 - vii) develop a plan to sell or wind-down the remaining assets and operations;
 - viii) complete a reconciliation of amounts owed by the OEMs, and other customers, to the Applicants as described in the Second Report;
 - ix) reconcile receipts from asset dispositions of non-customer owned property and assets;

- x) finalize all payroll and employee issues; and
 - xi) implement a plan to wind-down the organization.
10. As a result of the Applicants being unable to implement a restructuring of their business and having to commence an orderly wind-down of their operations, certain of the key executive officers of Progressive have resigned from Progressive since the commencement of the CCAA proceedings. Specifically, the Chief Executive Officer and the Chief Financial Officer have each resigned.
 11. In order to implement the wind-down and liquidation of Progressive's operations, and to manage the specific activities noted above, the Applicants obtained approval from this Honourable Court on July 15, 2008 to implement an Employee Retention Program for 22 key employees of the Applicants (the "ERP"). The ERP provides certainty of employment to these key management personnel for a three month period as well as the payment of additional retention incentives in exchange for remaining with Progressive for the three month period. The Monitor has been advised that notwithstanding the implementation of the ERP, one of the 22 key employees has since resigned.
 12. Currently Mr. Tim Safar, who acts in the capacity of Chief Operating Officer of the Canadian Applicants, is providing management leadership responsibilities at Progressive. He has been assisted by MacKenzie and CM&D in their role as financial advisor to Progressive since April 2008. Mr. Safar however requires additional management support with financial and restructuring expertise to provide oversight with respect to the wind-down of the operations and the implementation of the activities noted above. As a result, the Canadian Applicants have determined that it is appropriate to appoint MacKenzie with the support of CM&D as the CRO in the CCAA proceedings to lead the wind-down of the Applicant's operations.
 13. It is the Monitor's view that MacKenzie and CM&D are very well suited to act in the capacities envisaged by the Canadian Applicants' motion, given their experience working with the Applicants since April, 2008 as financial advisor with respect to the restructuring process. Further MacKenzie and CM&D have extensive experience in managing

restructuring processes in the automotive parts industry in Canada and the U.S. and have shown themselves to be effective in the roles they have fulfilled thus far with Progressive. In addition, MacKenzie and CM&D have had a leadership role advising the Applicants with respect to their relationships with the OEMs and have been directly involved in communications with the OEMs throughout the CCAA proceedings. A significant amount of work is still required between the Applicants and the OEMs to settle outstanding accounts receivable and invoicing to the OEMs for raw materials, packaging, finished inventory, secondary and tooling and machinery and equipment purchase pursuant to the GM and Ford Term Sheets and the and the Chrysler Term Sheet, and that is a key task in the preservation of value for the stakeholders.

14. As set out in the CRO Agreement, and in the Order requested, MacKenzie and CM&D will be authorized to make decisions with respect to all aspects of the management and operation of the Canadian Applicants during the wind-down, including, without limitation, to:
 - a) cause the Canadian Applicants to do all things necessary to implement the terms of the Initial Order and subsequent Orders of this Court;
 - b) realize and dispose of the property of the Canadian Applicants including negotiating and entering into any agreements necessary with respect to the sale of the Property (as defined in the Initial Order) of the Canadian Applicants and take any steps as the CRO deems necessary to effect the wind-down and termination of their business and operations;
 - c) take such steps as in the opinion of the CRO are necessary or appropriate to maintain control over all receipts and disbursements arising out of the operations of the Canadian Applicants, including, without limiting the generality of the foregoing, take such steps as are necessary or desirable to control and use all bank accounts of the Canadian Applicants and to open new accounts as appropriate, with the approval of the Pre-Petition Agents;

- d) take steps for the preservation, protection and/or realization of the Property of the Canadian Applicants;
- e) execute such documents as may be necessary, for and on behalf of the Canadian Applicants, to convey title of any of the Property;
- f) retain and terminate employees and otherwise deal with human resources issues in relation to the Applicants;
- g) implement and complete the ERP, including the execution of any documents required to be executed under the provisions of the ERP on behalf of the Applicants;
- h) apply for and obtain any vesting order or orders which may be necessary or appropriate, in the opinion of the CRO, in order to convey the Property to a purchaser or purchasers thereof;
- i) collect accounts receivable of the Canadian Applicants including negotiations and settlement of disputes in connection with the collection of such receivables;
- j) represent the Canadian Applicants in any negotiations with any other party conducting business with the Canadian Applicants;
- k) settle litigation and disputes relating to third party tooling and receivables, or otherwise;
- l) vacate any leased premises occupied by the Canadian Applicants, in accordance with the provisions of the Initial Order;
- m) provide information to the Monitor and the Pre-Petition Agents (and their advisors) regarding the business and affairs of the Applicants;
- n) commence any proceeding and seek any order, or respond to any motion or application brought by any other person, in the CCAA proceedings or otherwise;

- o) deal with the cases in the United States Bankruptcy Court for the District of Delaware on behalf of the Applicants, including instructing U.S. counsel, filing any materials or pleadings required and communicating with the United States Trustee or any committee representing creditors;
 - p) exercise any rights of the Canadian Applicants as a shareholder of the U.S. Applicants; and
 - q) take all steps and incur any expenses and obligations necessary in connection with the orderly wind-down of the Canadian Applicants.
15. In exercising its powers as contemplated by the draft Order, the CRO would be required to consult with, and in certain cases obtain the prior approval of, the Monitor (and in many cases, the Pre-Petition Agents) before taking certain types of actions.
16. The CRO Agreement provides that MacKenzie and CM&D will continue to charge for their services in acting as the CRO on the same hourly rate basis at which they were billing the Applicants as financial advisor as set out in the CRO Agreement.
17. The draft Order approving the appointment of the CRO contemplates that the Canadian Applicants will indemnify MacKenzie and CM&D from all claims which they sustain or incur in relation to their acting in the capacity as CRO of the Canadian Applicants (the “**CRO Indemnity**”). The draft Order also provides that MacKenzie and CM&D will also be entitled to the benefit of a charge (the “**CRO Charge**”) with respect to the fees and disbursements of CM&D and with respect to the CRO Indemnity. The CRO Charge would have priority after the Administration Charge and the Directors’ Charge as set out in the draft Order.

RECOMMENDATION

18. CM&D and MacKenzie are well suited to act in the capacities envisaged by the Canadian Applicants' motion due to their experience with Progressive through its restructuring

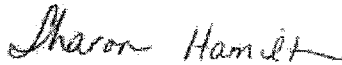
process, as well as their in-depth experience with automotive industry restructuring matters.

19. The Canadian Applicants are in need of executive management to oversee the wind-down process and the liquidation of their remaining assets. The Monitor has reviewed the terms and conditions contained in the CRO Agreement and is of the view that they are reasonable in the circumstances. The Monitor therefore recommends to this Honourable Court that the relief sought by the Canadian Applicants in this motion be granted.

All of which is respectfully submitted this 24th day of July, 2008.

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

Per:



Sharon S. Hamilton
Senior Vice President