

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

**LASALLE BUSINESS CREDIT, A DIVISION OF
ABN AMRO BANK N.V., CANADA BRANCH**

Applicant

- and -

GENFAST MANUFACTURING COMPANY

Respondent

**EIGHTH REPORT TO THE COURT OF KPMG INC.
IN ITS CAPACITY AS RECEIVER OF
GENFAST MANUFACTURING COMPANY**

January 11, 2008

Table of Contents

	<u>Page</u>
1.0 INTRODUCTION AND PURPOSE OF REPORT.....	1
1.1 Appointment of Receiver	1
1.2 Background	1
1.3 Previous Reports.....	2
1.4 Purpose of this Eighth Report	8
2.0 INVENTORY AND RECEIVABLES UPDATE.....	11
3.0 AGREEMENT WITH FORD MOTOR COMPANY.....	14
4.0 THE GM AGREEMENT AND LITIGATION	15
5.0 STATUS OF DISCUSSIONS WITH MAGNA	17
6.0 RECORDS REQUEST PROTOCOL.....	18
7.0 U.S. LITIGATION	21
8.0 AUCTION AND PREMISES	22
9.0 DISPUTED PENSION CLAIMS APPEAL	26
10.0 PREFERENCE REVIEW	28
11.0 RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS	30
12.0 FEES AND DISBURSEMENTS OF THE RECEIVER AND ITS COUNSEL.....	31
13.0 INTERIM DISTRIBUTION	33
14.0 RECOMMENDATIONS	37

1.0 Introduction and Purpose of Report

1.1 Appointment of Receiver

- 1.1.1 Pursuant to the Order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) dated April 5, 2007 (the “**Appointment Order**”) a copy of which is attached as **Schedule “A”**, KPMG Inc. (“**KPMG**”) was appointed as receiver (the “**Receiver**”) without security, of all of Genfast Manufacturing Company’s (“**Genfast**” or the “**Company**”) current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), effective at 3:00 p.m. (EST) immediately after the Bankruptcy Order (as defined below) became effective against the Company and the proceedings initiated by the Company under the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) on March 8, 2007 (the “**CCAA Proceedings**”) were terminated.
- 1.1.2 The application for the appointment of the Receiver was made by LaSalle Business Credit, A Division of ABM AMRO Bank N.V., Canada Branch (the “**Applicant**” or the “**Bank**”).

1.2 Background

- 1.2.1 Genfast is an unlimited liability corporation incorporated under the laws of the Province of Nova Scotia operating from leased facilities located in Brantford, Ontario (the “**Premises**”). The Company was in the business of manufacturing bolts, screws, rivets and other types of fasteners, primarily for the automotive industry.
- 1.2.2 Pursuant to the Order of the Honourable Mr. Justice Campbell dated March 8, 2007 (the “**Initial Order**”), a copy of which is attached as **Schedule “B”**, the Company was granted a stay of proceedings pursuant to the CCAA and Alvarez & Marsall Canada ULC was appointed as Monitor of the Company (the “**Monitor**”).

1.2.3 Prior to granting the Appointment Order, the Honourable Mr. Justice Campbell issued an Order adjudging the Company bankrupt effective as at 3:00 p.m. on April 5, 2007 (the “**Bankruptcy Order**”), a copy of which is attached as **Schedule “C”**. The Bankruptcy Order, among other things, appointed KPMG as Trustee of the Estate of Genfast (the “**Trustee**”). By separate Order dated April 5, 2007 of the Honourable Mr. Justice Campbell, the Court ordered that:

- (i) the CCAA Proceedings be terminated effective immediately upon the Bankruptcy Order becoming effective;
- (ii) the Monitor be discharged from any further obligations under the Initial Order (while retaining the discretion to oversee payment of certain amounts in respect of the supply of goods and services during the CCAA Proceedings); and
- (iii) the Directors’ Charge, the Administration Charge and the DIP Charge (all as defined in the Initial Order) continue to attach to the Property of the Company and continue to rank in priority to all other security interests, liens, charges and encumbrances affecting the Property, as set out in paragraph 39 of the Initial Order.

1.3 Previous Reports

1.3.1 The Receiver filed its First Report to the Court dated April 20, 2007 (the “**First Report**”), a copy of which is attached as **Schedule “D”**, in order to advise the Court of:

- (i) the initial activities of the Receiver, which included taking possession of, and securing, the Premises;
- (ii) potential claims against the Directors’ Charge (as defined in the First Report); and
- (iii) the proposed marketing process for the Company’s raw material inventory.

1.3.2 On April 24, 2007, the Honourable Mr. Justice Campbell granted an Order (the “**April 24 Order**”), a copy of which is attached as **Schedule “E”**, which, among other things:

- (i) approved the Receiver’s First Report and the Receiver’s activities described therein;

- (ii) directed the Receiver to make a cash distribution to each of the former employees of the Company in an amount equal to the sum of: (i) their unpaid Wages; and (ii) fifty percent of their Vacation Pay (each as defined in the April 24 Order);
- (iii) approved the claims process to identify claims against the Directors' Charge; and
- (iv) approved the marketing process for the Company's raw material inventory.

1.3.3 The Receiver filed its Second Report to the Court dated May 15, 2007 (the "**Second Report**"), a copy of which is attached as **Schedule "F"**, in order to advise the Court of:

- (i) the results of the review of security over the Company's assets by the Receiver's counsel; and
- (ii) the proposed marketing process for the Company's business and assets, which assets include the Company's machinery, equipment, and office furniture and equipment.

1.3.4 On May 22, 2007, the Honourable Mr. Justice Campbell granted an Order (the "**Marketing Process Order**") a copy of which is attached as **Schedule "G"**, which, among other things:

- (i) approved the Second Report and the Receiver's activities described therein;
- (ii) approved the marketing process as described in the Second Report, as amended to reflect that the Receiver would solicit expressions of interest pursuant to the Sale of Business Process and purchase/auction proposals pursuant to the Fixed Asset Sale/Auction Process which provide for both the inclusion and exclusion of the Utica Lease One Equipment (as such terms are defined in the Second Report and/or the Marketing Process Order) (the "**Marketing Process**"); and
- (iii) approved the timetable for the resolution of both the priority dispute between the Applicant and Utica Leaseco, LLC ("**Utica**") with respect to the Utica Lease One Equipment and whether the Utica Lease One Equipment should be included in any transaction the Receiver recommends to the Court pursuant to the Marketing Process.

1.3.5 The Receiver filed its Third Report to the Court dated June 25, 2007 (the "**Third Report**"), a copy of which is attached as **Schedule "H"**, in order to report to the Court on the results of the

Marketing Process and seek an Order, among other things, directing that the Utica Lease One Equipment be included in the Fixed Assets (as defined in the Third Report) transaction involving the successful bidder in the Marketing Process as determined by the Receiver and as approved by the Court.

1.3.6 The Receiver filed its Fourth Report to the Court dated July 18, 2007 (the “**Fourth Report**”) a copy of which is attached as **Schedule “I”**, in order to update the Court on the results of the Marketing Process and the D&O Claims Process (as defined below) as set out in the April 24 Order.

1.3.7 On July 25, 2007, the Honourable Mr. Justice Campbell granted an Order (the “**July 25 Order**”), a copy of which is attached as **Schedule “J”**, which, among other things:

- (i) approved the Third Report and Fourth Report and the activities of the Receiver described therein;
- (ii) approved the auction services agreement between Maynards Industries Ltd. (“**Maynards**”), and the Receiver (the “**Auction Services Agreement**”) and the transactions contemplated therein (the “**Transactions**”);
- (iii) declared that all right, title and interest of Genfast in and to the Assets (as defined in the Auction Services Agreement), including, without limitation, the Utica Lease One Equipment, shall be sold in the Auction sale and/or by Private Sale (as defined in the Auction Services Agreement) by Maynards as contemplated by the Auction Services Agreement;
- (iv) directed that the proceeds of the Auction sale and/or Private Sale of the Assets received by the Receiver under the Auction Services Agreement, net of the Receiver’s fees and expenses, (the “**Sale Proceeds**”) shall stand in the place and stead of the Assets and shall stand charged with all the Encumbrances (as defined in the July 25 Order) as existed in respect of the Assets which were released, discharged or otherwise displaced by the Auction sale and/or Private Sale of the Assets by Maynards as contemplated by the Auction Services Agreement and such Encumbrances on the Sale Proceeds shall enjoy

the same priorities as each such Encumbrance had in respect of the Assets as of the date of the Order of the Court directing the same, as if the sale of the Assets had not occurred, but the holder of any such Encumbrance shall have no further right in or against, or recourse to, the Assets;

- (v) directed that **Schedules “L” to “U”** to the Fourth Report, and an unredacted version of the Auction Services Agreement be temporarily sealed until completion of the Auction sale and/or Private Sale of the Assets as contemplated by the Auction Services Agreement or until further Order of this Court;
- (vi) declared that the Non-Pension Appealed Claims (as defined in the Fourth Report), do not constitute D&O Claims as defined in the April 24 Order and that such claims be forever barred and released against the Directors’ Charge;
- (vii) directed and authorized the Receiver to establish the Disputed Pension Claims Reserve (as defined in the Fourth Report) until adjudication or resolution of such Disputed Pension Claims (as defined in the Fourth Report); and
- (viii) directed the Receiver to distribute from funds on hand, the balance of the Directors’ Charge after deducting the Disputed Pension Claims Reserve to: (i) former Genfast Employees so entitled, in partial payment of their remaining Vacation Pay claims (each as defined in the April 24 Order); and (ii) the Pension Administrator, in partial payment of the Deducted/Unremitted Pension Contribution Claim (as defined in the Fourth Report), all as more particularly set out in **Schedule “FF”** to the Fourth Report.

1.3.8 The Receiver filed its Fifth Report to the Court dated October 29, 2007 (the **“Fifth Report”**), a copy of which is attached as **Schedule “K”** in order to update the Court on its efforts to realize on Genfast’s inventory, collect the Company’s outstanding accounts receivable and approve the Records Request Protocol (as defined in the Fifth Report).

1.3.9 The Receiver filed its Sixth Report to the Court dated November 2, 2007 (the **“Sixth Report”**), a copy of which is attached as **Schedule “L”**, in order to update the Court with respect to the details of the Ford Agreement, the finalization of the GFC Settlement Agreement and the status of the discussions and issues with Sivaco (all as defined in the Fifth Report).

1.3.10 The Receiver filed its Seventh Report to the Court dated November 4, 2007 (the “**Seventh Report**”), a copy of which is attached as **Schedule “M”**, in order to update the Court with respect to the status of negotiations with GM and the GM Settlement Agreement (as defined in the Fifth Report).

1.3.11 On November 5, 2007, the Honourable Mr. Justice Campbell granted an Order (the “**November 5 Order**”), a copy of which is attached as **Schedule “N”**, which among other things:

- (i) approved the Fifth Report, the Sixth Report and the Seventh Report and the activities of the Receiver described therein;
- (ii) authorized and directed the Receiver to establish a reserve from the proceeds of sale of the Steel Coil Inventory located at Sivaco (the “**Lien Coil**”) in an amount equal to the lesser of the gross proceeds of sale allocated to the Lien Coil, excluding taxes, and CDN\$89,430.11 (the “**Sivaco Reserve**”);
- (iii) directed that the Sivaco Reserve be held by the Receiver until the adjudication or resolution of the Sivaco Claim and that the Sivaco Reserve be segregated by the Receiver or shall be noted in the Receiver’s records as the “Sivaco Reserve”;
- (iv) directed that, subject to paragraph 4 of the November 5 Order, Sivaco shall cooperate with the Receiver and purchasers of the Lien Coil (including any of their respective employees and agents) in respect of the removal of all Lien Coil, including providing reasonable access to Sivaco’s premises to permit such removal;
- (v) declared that the removal of the Lien Coil from the possession of Sivaco shall not alter or vary the nature or priority of the Sivaco Claim, and the Sivaco Claim shall continue with respect to the Sivaco Reserve as though the Lien Coil had not been removed from Sivaco’s premises and the removal and retention of the Lien Coil shall be without prejudice to the respective rights of the Receiver and Sivaco to assert any and all claims and arguments with respect to the Sivaco claim;
- (vi) approved the sale of the Remaining Raw Materials Inventory (as defined in the Fifth Report) to MNP Corporation (“**MNP**”), B&D Thread Rolling Inc. (“**B&D**”) and Emerald Steel Processing, LLC (“**Emerald**”);

- (vii) authorized the Receiver to sell for scrap value that portion of the Remaining Raw Materials Inventory not sold to MNP, B&D and Emerald;
- (viii) authorized the Receiver to enter into and complete the CBC Agreement;
- (ix) authorized the Receiver to sell Genfast's thread die inventory to MNP;
- (x) authorized the Receiver to enter into and complete the GFC Settlement Agreement (as defined in the Fifth Report);
- (xi) authorized the Receiver to sell the Unsaleable Inventory (as defined in the Fifth Report) to K&K Recycling Services ("**K&K**"), for its scrap value;
- (xii) approved the Ford Agreement (as defined in the Sixth Report) and authorized the Receiver to complete the Ford Agreement, including the sale of WIP and finished goods inventory to Ford Motor Company ("**Ford**") and the sale of the Ford Steel Coil Inventory (as defined in the Sixth Report) to MNP and Emerald as set out in the Ford Agreement;
- (xiii) authorized the Receiver to, if the sale of any inventory being sold pursuant to the Ford Agreement or any portion thereof was not completed, to sell such inventory for its scrap value;
- (xiv) authorized the Receiver to enter into and complete the GM Agreement (as defined in the Seventh Report), including the vesting of all right, title and interest in and to the GM Steel Coil Inventory (as defined in the Fifth Report) in and to GM upon the filing of a Receiver's Certificate with the Court by the Receiver;
- (xv) authorized the Receiver to, if GM did not execute the GM Agreement by 2:00 p.m. E.S.T. on Wednesday, November 7, 2007, and if the sale of the GM Steel Coil Inventory was not completed for any reason, sell the unsold portion of the GM Steel Coil Inventory and any of the Rejected GM Steel Coil Inventory (as defined in the Seventh Report) for its scrap value; and
- (xvi) approved the Records Request Protocol.

1.4 Purpose of this Eighth Report

1.4.1 The purpose of this Eighth Report is to update the Court regarding the Receiver's activities to date, including its sale of Genfast's inventory as approved by the November 5 Order.

1.4.2 This Eighth Report is also in support of the request by the Receiver for an Order on this motion, among other things:

- (i) approving the Eighth Report and the activities of the Receiver described herein;
- (ii) declaring that any claims of privilege over the Records (as defined in the Fifth Report) of Genfast by all parties, including, but not limited to Genfast Manufacturing Inc., Genfast Holding Corporation and the Berman Family LLC, has been waived;
- (iii) authorizing and directing the Receiver to destroy any and all Records of Genfast which either pre-date October 2001 or relate to shipping, inspection, sales, quality, purchasing, freight, time sheet and accounts receivable records of Genfast located at Iron Mountain (as defined below) but that any records which are marked "Human Resources", "Accounting" and "Payroll" shall not be destroyed prior to the completion of production and examinations with respect to the Disputed Pension Claims (as defined below) or by further Order of this Court;
- (iv) authorizing and directing the Receiver to establish the Utica Lease One Reserve (as defined below) and the Utica Lease Two Reserve (as defined below) in the amounts of U.S.\$1,263,728 and U.S.\$656,905, respectively;
- (v) declaring that the Receiver was in occupation of the Premises no later than January 15, 2008 and that the Receiver is no longer responsible for occupancy costs, including utilities and security after January 15, 2008, provided, however, that the issue of the Receiver's liability for occupancy costs, if any, including security and utilities, for the period between December 25, 2007 and January 15, 2008 is all without prejudice to the Landlord and the Receiver's positions with respect to liability for occupancy costs and damages for that period, which determination of liability is subject to further order of the Court or agreement between the Landlord and the Receiver;

- (vi) directing that the Receiver shall discontinue the security and utilities in respect of the Premises as at 11:59 p.m. on January 15, 2008, all without prejudice to the Receiver's right to claim a credit (against amounts which are determined to be owed by the Receiver to the Landlord for occupancy costs or for damages, repairs or clean up costs), reimbursement or refund of any costs of the security and utilities from the Landlord in respect of the Premises incurred by the Receiver for the period between December 25, 2007 and January 15, 2008 and the Landlord's position to dispute the same, which claims are subject to further order of the Court or agreement between the Landlord and the Receiver;
- (vii) authorizing and directing the Receiver to establish a reserve in the maximum amount of CDN\$366,000 in respect of the maximum liability, if any, of the Receiver to the Landlord in connection with the Receiver's occupation of the Premises, including any occupancy costs, including utilities and security, and including damages, repairs and clean up costs to the Premises (the "**Landlord Reserve**"), such Landlord Reserve to be broken down in the following sub-reserves: (a) the maximum liability, if any, for disputed occupancy costs, including utilities and security, for the period from December 25, 2007 and January 15, 2008 shall be CDN\$266,000, (b) the maximum liability, if any, for alleged damages and repairs to and clean up in respect of the Premises shall be CDN\$90,000, and (c) the maximum liability, if any, for the Landlord's legal costs shall be CDN\$10,000 without prejudice to the Receiver's right to argue that it has no liability for such amounts;
- (viii) authorizing and directing the Receiver to establish a reserve for the CCAA Payables (as defined below) in the amount of CDN\$317,000 (the "**CCAA Payables Reserve**"); and
- (ix) approving the fees and disbursements of the Receiver and its independent legal counsel, as described herein, and directing and authorizing the Receiver to pay the fees and disbursements of the Receiver and its legal counsel forthwith.

1.4.3 This Report is also filed in support of the Bank's request for an Order on this motion approving a distribution by the Receiver to the Bank in the amount of U.S.\$13,610,300 from the net proceeds of realization of Genfast's Property to be applied by the Bank to repay in full the indebtedness of the Bank secured by the DIP Charge (as defined in the Appointment Order"), with the balance of

the proposed interim distribution to be applied by the Bank as a permanent reduction of the Bank's remaining indebtedness on account of the Bank's first priority security interest under its GSA (as defined below). As set out in paragraph 13.1.6 of this Report, the Bank has advised the Receiver that the aggregate amount outstanding to the Bank as at January 10, 2008 (inclusive of amounts secured by the DIP Charge) is CDN\$23,036,495.71, together with accrued fees and disbursements of its legal counsel.

2.0 Inventory and Receivables Update

2.1.1 As set out in the Fifth Report, the Sixth Report and the Seventh Report, the Receiver had arranged for various sales of Genfast's inventory, which transactions were approved by the November 5 Order. The sales approved by the November 5 Order have all been completed with the exception of the following:

- (i) the purchase of materials by MNP which are located at Mittal Canada Hamilton Inc. ("**Mittal**") which includes certain of the Remaining Raw Materials Inventory, GM Steel Coil Inventory and the Ford Steel Coil Inventory; and
- (ii) the B&D transaction involving steel located at the Sivaco premises.

2.1.2 As reflected in the Receiver's Statement of Receipt and Disbursements (the "**R&D Statement**"), these sales have generated funds in the amount of CDN\$666,036 and U.S.\$499,332.09. A summary of the amounts paid by each of Emerald, Ford and MNP is outlined in the Schedule attached as **Schedule "O"**.

2.1.3 Pursuant to the November 5 Order, the Receiver has established the Sivaco Reserve. During the removal of the Lien Coil (as defined in the November 5 Order), the Receiver agreed to pay Sivaco the costs of banding and loading the Lien Coil which was removed. The proceeds from the sale of the Lien Coil located at Sivaco amounted to U.S.\$57,317.32 while the estimated scrap value of the unsaleable Lien Coil is CDN\$49,000.00, which exceeds the amount of the Sivaco Claim and the Sivaco Reserve.

2.1.4 The November 5 Order approved the sale of Genfast's thread die inventory to MNP for the amount of approximately U.S.\$45,000. Prior to the completion of this sale, MNP advised that it was not interested in purchasing all of Genfast's thread die inventory because MNP did not receive certain contracts for which it had bid. Accordingly, a smaller portion of the thread die inventory was sold to MNP, the purchase price being approximately U.S.\$39,500 based on the

original Court-approved purchase price pro-rated for the number of dies actually bought. As the balance of this inventory was proprietary to Genfast's former customers, the Receiver was unable to arrange for an alternate sale, and therefore, the balance of the thread die inventory not purchased by MNP was scrapped with the Receiver being paid the scrap value of the steel.

2.1.5 Upon B&D's inspection of that portion of the Remaining Raw Materials Inventory which it had purchased, it was determined that substantially all of such inventory was unusable due to its condition. Accordingly, this inventory will be sold for its scrap value. The proceeds expected to be generated from the steel being sold to B&D will therefore be reduced by approximately half, to approximately U.S.\$14,000.

2.1.6 The November 5 Order also approved the sale of the Unsaleable Inventory to K&K. Prior to the completion of this sale, K&K advised that it was not willing to pay the CDN\$220 per ton it had offered as the market for scrap value had deteriorated since it made its offer. The Receiver was not satisfied with the reduced price offered by K&K, as it was believed to be less than current market value for scrap. Accordingly, the Receiver sold the Unsaleable Inventory to Poscor Mill Services Corp. ("**Poscor**") for the price of CDN\$197 per ton resulting in proceeds of approximately CDN\$180,000. These funds are not reflected in the R&D Statement as they are still outstanding.

2.1.7 The November 5 Order also authorized the Receiver to enter into and complete the CBC Agreement for the resolution of a dispute over an asserted lien claim for unpaid brokerage, delivery and storage fees in respect of certain steel coil which was in transit to Genfast. The Receiver has received settlement funds in the net amount of U.S.\$67,693.13 after deduction of fees incurred for U.S. counsel in connection with the CBC Agreement.

2.1.8 The November 5 Order also approved the GFC Settlement Agreement. The Receiver has now received the settlement funds from GFC in the amount of approximately U.S.\$95,000 and GFC took possession of the related inventory.

3.0 Agreement with Ford Motor Company

- 3.1.1 The November 5 Order authorized the Receiver to enter into the Ford Agreement. Pursuant to the Ford Agreement, the Receiver has received payment from Ford in the amount of CDN\$56,780.00 with respect to accounts receivable; U.S.\$122,568.81 with regards to WIP and U.S.\$20,782.04 with respect to finished goods. Ford has completed its obligations under the Ford Agreement and therefore no other funds are owing from Ford under the Ford Agreement.
- 3.1.2 Pursuant to the Ford Agreement, Emerald has also purchased all of the raw materials inventory it was obligated to purchase except for approximately U.S.\$2,200 of inventory which could not be located at Mittal. MNP has completed the purchase of all but approximately U.S.\$2,000 of the inventory it was obligated to purchase (after excluding approximately U.S.\$18,600 of inventory at Sivaco which was rejected due to quality issues) as it has not completed the removal of the balance of the inventory located at Mittal's premises.

4.0 The GM Agreement and Litigation

4.1.1 As described above, the November 5 Order approved the GM Agreement and upon the filing of a Receiver's Certificate, vested all right, title and interest in and to the GM Steel Coil Inventory in and to GM. At the request of GM, the GM Steel Coil Inventory was assigned to MNP pursuant to an assignment agreement under which GM remains liable under the GM Agreement. In accordance with its rights under the GM Agreement, GM/MNP rejected approximately CDN\$96,000 worth of GM Steel Coil Inventory for quality reasons, which position the Receiver accepted once it had investigated the condition of the steel. The Receiver will be scrapping this rejected inventory in accordance with the November 5 Order. In addition, approximately CDN\$20,000 of GM Steel Coil Inventory could not be located at the Mittal premises, necessitating a further reduction in the purchase price. Due to the large volume of the GM Steel Coil Inventory, removal of it by MNP has taken longer than originally anticipated. To accommodate a staggered removal, MNP paid the gross amount of the GM Steel Coil Inventory purchase price specified under the GM Agreement inventory (i.e., approximately CDN\$902,000 after deduction of shipping costs and re-processing cost-allowances as per the terms of the GM Agreement) less the amount of the rejected and missing coil inventory, for a net amount of approximately CDN\$786,000, into a trust account held by the Receiver which funds are to be released to the Receiver as the GM Steel Coil Inventory is removed by MNP. As at the date of this Report, approximately CDN\$666,000 of inventory has been removed by MNP, with the balance expected to be removed by January 18, 2008.

4.1.2 GM has continued to refuse to pay the balance of its accounts receivable in the amount of approximately CDN\$876,000. In addition, despite additional requests by the Receiver, GM has continued to refuse to purchase WIP inventory in the amount of U.S.\$204,414.68 and finished goods inventory in the amount of U.S.\$34,494.29 pursuant to its obligations under the GM Accommodation Agreement. Given the Receiver's desire to vacate the Premises as soon as

possible after the completion of the auction due to the significant occupancy costs, the costs of re-locating and storing the GM inventory and the proprietary nature of the GM inventory which made it unsaleable to any other buyer, after providing GM with notice and receiving no response, the Receiver sold the WIP and finished goods inventory for scrap value. The Receiver is in the process of filing a Statement of Claim to commence litigation against GM to recover the foregoing amounts, less the scrap proceeds.

5.0 Status of Discussions with Magna

- 5.1.1 As described in the Fifth Report, the Receiver commenced the Magna Action (as defined in the Fifth Report) for, among other things, Magna's refusal to purchase WIP and finished goods inventory in accordance with the accommodation agreement which Magna entered into with the Bank and Genfast during the CCAA Proceedings. The Receiver's claim against Magna will be reduced by approximately CDN\$160,000, to approximately CDN\$255,000, due to the completion of certain inventory sale transactions approved pursuant to the November 5 Order.
- 5.1.2 The Receiver has been engaged in settlement discussions with Magna throughout November and December, and the parties convened a settlement meeting to narrow the issues and agree upon an exchange of documentation and information with respect to same. At the date of this Report, the parties have not yet been able to arrive at a settlement but continue to explore the possibility of settling some or all of the issues between the Receiver and Magna with respect to Genfast.

6.0 Records Request Protocol

- 6.1.1 The November 5 Order approved the implementation of the Records Request Protocol, as described in the Fifth Report. By letter from Receiver's counsel dated November 8, 2007, the shareholders of Genfast; Genfast Manufacturing Inc., Genfast Holding Corporation and the Berman Family, LLC (collectively, the "Shareholders") were advised that pursuant to the Records Request Protocol and the November 5, Order, the Shareholders had until November 30, 2007 to review the Records (as defined in the Fifth Report) and assert privilege over any of the Records in accordance with the Records Request Protocol. Although Cassels, Brock & Blackwell LLP ("CBB"), counsel for MNP and GFC, would not confirm that it was also counsel to the Shareholders (who the Receiver understands to be related parties), it was also copied with the letter. Despite subsequent correspondence to the Shareholders, neither the Receiver nor its counsel has received any response from any of the Shareholders or CBB with respect to the Records or privilege. Accordingly, in accordance with the Records Request Protocol, as of December 1, 2007 the Shareholders have waived all privilege over the Records. On this motion, the Receiver will be seeking confirmation from the Court that any claims of privilege over the Records have been waived by all persons.
- 6.1.2 As described in the Fifth Report, the Receiver was reviewing issues and potential solutions related to maintaining ongoing access to Genfast's computer records in light of the possibility that records maintained on Genfast's proprietary MANMAN Server may not be available if the server was moved offsite when the Premises were vacated by the Receiver. Accordingly, by letter dated December 5, 2007 with Strathallen & Capital Corp. (the "Landlord"), a copy of which is attached as **Schedule "P"**, the Receiver and the Landlord entered into an agreement to maintain the MANMAN Server in the office space where it is currently located at the Premises for minimal rental cost. Given that the Landlord is attempting to secure a new tenant for the Premises, the rental agreement can be terminated on 30 days notice by either the Landlord or the Receiver.

- 6.1.3 By letter dated November 27, 2007 (the “**November 27 Letter**”), a copy of which is attached as **Schedule “Q”**, counsel for the Receiver advised certain parties on the service list who are involved in ongoing litigation with respect to Genfast that it intended to seek Court approval to destroy the majority of all of the approximately 2,565 boxes of Records and stored at a third party storage facility, Iron Mountain Canada Corporation (“**Iron Mountain**”) located in Toronto, Ontario which were comprised of Records which either pre-date October 2001 or are related to shipping, inspection, sales, quality, purchasing, freight, time sheet and accounts receivable Records. The November 27 Letter included a detailed listing of the Records located at Iron Mountain by box as provided by Iron Mountain. (The Records located at Iron Mountain are in addition to those Records previously located at the Premises.) In order to facilitate the Receiver’s vacation of the Premises as soon as possible, all Records previously stored at the Premises were moved to a thirty party storage facility in Hamilton.
- 6.1.4 Only counsel for PricewaterhouseCoopers Inc. (the “**Pension Administrator**”), as administrator of Genfast’s Bargaining Unit Pension Plan for Members of the United Steelworkers of America and its Retirement Plan for Salaried Employees (collectively, the “**Pension Plans**”), responded and advised that the Pension Administrator objects to the destruction of any records listed in the inventory that are labelled “Human Resources”, “Accounting” and “Payroll”.
- 6.1.5 Accordingly, the Receiver will be seeking the Court’s approval on this motion to destroy any Records located at Iron Mountain which either predate October 2001 or relate to shipping, inspection, sales, quality, purchasing, freight, time sheet and accounts receivable records, but that any Records which are marked “Human Resources”, “Accounting” and “Payroll” shall not be destroyed prior to the completion of productions and discovery with respect to the Disputed Pension Claims.

6.1.6 The Receiver has received requests from the Bank and the USW (as defined in the Fifth Report) for access to the other Records, which access is being coordinated by the Receiver.

7.0 U.S. Litigation

- 7.1.1 As described in the Fifth Report, the Bank has commenced litigation in the State of Michigan against both MNP and GFC, seeking, among other things, payment by MNP and GFC of the outstanding receivables owing to Genfast pursuant to the terms of its subordination agreement entered into by MNP and GFC in favour of the Bank and damages arising from the usurpation of Genfast's business opportunities by certain related parties (the "U.S. Litigation"). The Receiver has been advised by the Bank that it was recently successful in obtaining an Order in the U.S. Litigation permitting it access to certain records of MNP and GFC.
- 7.1.2 The Receiver has also been advised by the Bank that the defendants in the U.S. Litigation are bringing a motion on or about February 6, 2008 to have the Bank's claim for usurpation of Genfast's business opportunities dismissed on the basis that such cause of action properly rests with Genfast not the Bank. Although the Receiver is advised by the Bank that it does not agree with the defendants' position, if the cause of action does properly reside in Genfast and not the Bank, the Bank has requested that the Receiver intervene in the U.S. Litigation to preserve the claim for the usurpation of business opportunities.
- 7.1.3 The Bank has agreed to fund all costs of the U.S. Litigation, including the Receiver's proposed participation in the U.S. Litigation. In addition, the Bank has agreed to provide the Receiver with an indemnity with respect to its participation. The Bank reserves the right to terminate its funding of the Receiver's costs in connection with the U.S. Litigation on 30 days notice.

8.0 Auction and Premises

- 8.1.1 As reflected in the R&D Statement, the Receiver has now received the balance of Maynards' net minimum guarantee of U.S.\$14,500,000.00 pursuant to the Auction Services Agreement along with approximately U.S.\$21,000 being net proceeds generated on the sale of certain miscellaneous assets that were not covered by the Auction Services Agreement. However, despite numerous requests by the Receiver, as at the date of this Report, Maynards has still not provided the accounting and other related information from the auction which they were obligated to provide to the Receiver within 10 days after the completion of the auction in order for the Receiver to verify the accounting of the auction proceeds. Further, the Receiver believes that Maynards may not have deposited all auction proceeds into the joint bank account as required under the Auction Services Agreement.
- 8.1.2 Pursuant to the Auction Services Agreement, as of Saturday, December 22, 2007 at 11:59 p.m. EST (the "**Vacation Date**"), Maynards was responsible for all occupation costs associated with the Premises. Further, the Auction Services Agreement provides that Maynards, among other things, restore the Premises to its condition prior to the auction, including, leaving the Premises in a clean, broom swept and safe condition.
- 8.1.3 By letter dated December 11, 2007, the Landlord advised the Receiver of numerous concerns and issues with respect to repairs and clean up which the Landlord requested that the Receiver complete prior to the vacation of the Premises including damage caused during the removal of assets and the clean up of oil and other lubricants. The Landlord also advised that it would hold the Receiver liable for any and all costs of clean up and repair not completed and for any occupation costs for the period in which such clean up and repairs were completed. By letter dated December 17, 2007, the Receiver reminded Maynards of its obligations pursuant to the

Auction Services Agreement and requested that Maynards address all concerns outlined in the Landlord's letter.

8.1.4 After a walk through inspection of the Premises with the Receiver, Maynards and the Landlord on December 21, 2007, Maynards advised the Receiver that it did not believe that it would be ready to vacate the Premises by the Vacation Date. Accordingly, on December 21, 2007, the Receiver again wrote to Maynards and its counsel putting Maynards on notice that, pursuant to the Auction Services Agreement, it was responsible for all occupancy costs after the Vacation Date and again requested that it address all concerns raised by the Landlord and take such other actions which are required to return the Premises to the condition required pursuant to the Auction Services Agreement.

8.1.5 On Saturday, December 22, 2007, Maynards advised the Receiver that it intended to vacate the Premises on Monday, December 24, 2007, and requested that the Receiver arrange a final inspection with the Landlord at that time. A dispute has arisen between the Receiver, the Landlord and Maynards regarding the date on which the Receiver's occupation of the Premises ceased (which the Receiver has given notice to the Landlord on December 24, 2007 as being effective on that date, which date the Landlord has disputed), the liability, if any, for occupancy costs, including utilities and security after December 24, 2007, the condition of the Premises and the liability, if any, for damages, repairs and clean up costs in respect of the Premises. The Receiver is of the view that to the extent that the Receiver is liable to the Landlord for any damages, repairs and clean-up costs, this liability is for the account of Maynards. Maynards has disputed this.

8.1.6 The parties have been in discussions in an effort to resolve these disputes but no resolution has been reached at the time of this Report. In the interim, the Receiver and the Landlord have

agreed to cap the maximum amount of liability in dispute and in this regard, the Receiver will be seeking the following relief from the Court on this motion:

- (i) a declaration from the Court that the Receiver was in occupation of the Premises no later than January 15, 2008 and that the Receiver is no longer responsible for occupancy costs, including utilities and security after January 15, 2008, provided, however, that the issue of the Receiver's liability for occupancy costs, if any, including security and utilities, for the period between December 25, 2007 and January 15, 2008 is all without prejudice to the Landlord and the Receiver's positions with respect to liability for occupancy costs and damages for that period, which determination of liability is subject to further order of the Court or agreement between the Landlord and the Receiver;
- (ii) direction from the Court that the Receiver shall discontinue the security and utilities in respect of the Premises as at 11:59 p.m. on January 15, 2008, all without prejudice to the Receiver's right to claim a credit (against amounts which are determined to be owed by the Receiver to the Landlord for occupancy costs or for damages, repairs or clean up costs), reimbursement or refund of any costs of the security and utilities from the Landlord in respect of the Premises incurred by the Receiver for the period between December 25, 2007 and January 15, 2008 and the Landlord's position to dispute the same, which claims are subject to further order of the Court or agreement between the Landlord and the Receiver; and
- (iii) a direction from the Court that the Receiver shall establish the Landlord Reserve in the maximum amount of CDN\$366,000 in respect of the maximum liability, if any, of the Receiver to the Landlord in connection with the Receiver's occupation of the Premises, including any occupancy costs, including utilities and security, and damages, repair and clean up costs, such Landlord Reserve to be broken down in the following sub-reserves: (a) the maximum liability, if any, for disputed occupancy costs for the period from December 25, 2007 and January 15, 2008 shall be CDN\$266,000, (b) the maximum liability, if any, for alleged damages to the Premises shall be CDN\$90,000, and (c) the maximum liability, if any, for the Landlord's legal costs shall be CDN\$10,000.

8.1.7 If the parties are unable to reach a resolution of the outstanding matters in dispute relating to occupancy costs and damages, repairs and clean up costs and it becomes necessary for the

Receiver to seek the Court's directions with respect to such outstanding disputes, the Receiver will be filing a supplementary report detailing the outstanding matters in dispute and the parties' positions with respect thereto.

9.0 Disputed Pension Claims Appeal

- 9.1.1 As described in greater detail in the Receiver's Fourth Report to the Court dated July 18, 2007 (the "**Fourth Report**"), the Disputed Pension Claims include two appealed claims filed in the D&O Claims Process from the Pension Administrator and Her Majesty the Queen in the Right of Ontario as represented by the Superintendent of Financial Services Commission of Ontario ("**FSCO**"). Both claims are for the same amount with respect to the same unpaid special and regular pension contributions to April 5, 2007, the date of the receivership/bankruptcy, but each claim is based on different theories of liability. The Receiver disallowed the Disputed Pension Claims except for a small amount of CDN\$1,509.14 in respect of contributions deducted by Genfast from employee wages prior to the Receiver's appointment but not remitted.
- 9.1.2 The Pension Administrator has also asserted a claim for the same amount pursuant to paragraph 8 of the CCAA Termination Order. As described in the Fifth Report, the Receiver provided all information with respect to payables from the CCAA proceedings (the "**CCAA Payables**") to the Monitor and the Bank. On this motion, the Receiver will be seeking direction to establish a reserve in the amount of CDN\$317,00 with respect to the CCAA Payables (the "**CCAA Payables Reserve**"), which is without prejudice to the Bank's and the Monitor's position with respect to the CCAA Payables. The quantum of the CCAA Payables has been generated from Genfast's accounting records, which may be incomplete. The Receiver has ensured that collectively between the CCAA Payables Reserve and the Disputed Pension Claims Reserve that there are sufficient funds to fund any potential outcome with respect to the CCAA Payables and the Disputed Pension Claims.
- 9.1.3 Pursuant to the July 25 Order, the Receiver established the Disputed Pension Claims Reserve in the amount of CDN\$248,502.98 until adjudication or resolution of the Disputed Pension Claims. The Disputed Pension Claims Reserve represents the amount asserted by each of the Pension

Administrator and FSCO and not the aggregate amount of such claims as each claim is in respect of the same unpaid pension contributions. As described in the Fourth Report, the purpose of the Disputed Pension Claims Reserve is to ensure that there will be sufficient funds to fund distribution of the Disputed Pension Claim if it is finally determined to be entitled to distribution by Court Order or settlement. The Disputed Pension Claims Reserve is not being held and shall not be deemed to be held in trust by the Receiver for the Disputed Pension Claim, the Pension Administrator or FSCO and has not been segregated by the Receiver. It is also not being held for the Pension Administrator's CCAA payables claim.

9.1.4 The Receiver has recently received two extensive requests for the production and inspection of documents from the Pension Administrator, copies of which are attached as **Schedule "R"** to this Report. The Monitor has also received a separate request for production and inspection of documents from the Monitor. FSCO had advised the Receiver and the Monitor that it adopts the requests made by the Pension Administrator. The Pension Administrator has further advised that, after its review of documents, it will be seeking to examine former officers and directors of Genfast and possibly certain personnel from the Bank and the Monitor. The Receiver is currently reviewing these various requests with its Counsel.

10.0 Preference Review

- 10.1.1 The Receiver and the Trustee have been conducting a review of Genfast's records for preference payments and reviewable transactions.
- 10.1.2 In the case of preference payments, Genfast's bank statements were obtained for the three months prior to the date of bankruptcy and, through a review of returned cheques, all payments in excess of CDN\$100,000 were identified and the supporting documentation associated with each payment subsequently reviewed. Nothing unusual was noted in the review.
- 10.1.3 In the case of reviewable transactions, for the period January 2, 2006 to April 5, 2007, the following was reviewed:
- (i) returned cheques and wire transfers associated with Genfast's bank statements; and
 - (ii) Genfast's general ledger account summaries associated with "Balances Due To/Due From Related Parties";

to identify all transactions in excess of CDN\$10,000 associated with related parties. A list of the parties identified as related parties is attached as **Schedule "S"** to this Report. No out of the ordinary course of business transactions were noted, other than the Utica Lease One and Utica Lease Two transactions which have been previously discussed in the Second Report. However, the Receiver did note that the balance due from GFC for parts shipped to GFC by Genfast increased by approximately U.S.\$497,000 between December 31, 2006 and April 5, 2007 as compared to sales to GFC during the same period of approximately U.S.\$671,000. As previously discussed in the U.S. Litigation section of this Report, the Bank has commenced the U.S. Litigation against GFC and other parties, for, among other things, the funds which GFC owes to Genfast. It should be noted that, the Receiver and the Trustee have not, and do not, intend to examine the issue of whether Genfast's related parties usurped Genfast's business opportunities

or otherwise conducted themselves in a manner that would give rise to some form of oppression remedy under the Nova Scotia *Business Corporations Act* as the Bank has advised the Receiver that it is not agreeable at this time to the use of Genfast proceeds over which it has first priority security to fund such investigations.

11.0 Receiver's Statement of Receipts and Disbursements

- 11.1.1 Attached, as **Schedule "T"**, to this report is the R&D Statement for the period from April 5, 2007 to January 7, 2008.
- 11.1.2 The Receiver has generated from Genfast's working capital assets receipts of approximately CDN\$5.6 million and U.S.\$3.4 million, being primarily from the collection of accounts receivable, sales of raw material, WIP and finished goods inventories, and the sale of natural gas. The Receiver is also holding approximately U.S.\$14.7 million associated with realization from Genfast's fixed assets, being the U.S.\$14.5 million of funds received from Maynards pursuant to the Auction Services Agreement (the "**Auction Funds**") plus interest earned thereon.
- 11.1.3 The Receiver has incurred disbursements of approximately CDN\$3.5 million and U.S.\$20,000 consisting primarily of rent payments for the Premises, payments to Genfast's former employees for wages and vacation pay outstanding as at the Receiver's appointment pursuant to the April 24 Order and the July 25 Order, payroll for the Receiver's temporary employees, and utilities for the Premises.
- 11.1.4 Accordingly, the Receiver currently has approximately CDN\$3.4 million and U.S.\$17 million in net funds as at January 7, 2008, after converting approximately U.S.\$1.1 million into approximately \$1.2 of CDN funds, consisting of approximately CDN\$278,000 and U.S.\$83,000 in current accounts and approximately CDN\$3.1 million and U.S.\$16.9 million in term deposits. The Receiver's net funds outlined above are before consideration of the Receiver's accrued and estimated liabilities and expenses in connection with the administration of the receivership, including the fees and disbursements of the Receiver and those of its legal counsel, and before consideration of the various Reserves (e.g. Sivaco Reserve, the Disputed Pension Claims Reserve, the Priority Dispute Reserve (as defined below), the CCAA Payables Reserve and the Landlord Reserve).

12.0 Fees and Disbursements of the Receiver and its Counsel

- 12.1.1 The Receiver and its independent legal counsel Blake, Cassels & Graydon LLP (“**Blakes**”) have maintained detailed records of their professional time and costs in connection with the receivership.
- 12.1.2 The fees and disbursements of the Receiver up to November 30, 2007 total CDN\$1,175,472.96 exclusive of GST, comprising fees in the amount of CDN\$1,161,138 and expenses and disbursements in the amount of CDN\$14,334.96. The time spent by KPMG personnel is more particularly described in the Affidavit of Nicholas Brearton of KPMG sworn January 11, 2008, a copy of which is attached as **Schedule “U”**, which includes copies of all accounts rendered by KPMG during this period.
- 12.1.3 The legal fees and disbursements incurred by the Receiver from up to November 30, 2007 for services provided by Blakes total CDN\$514,673.45 exclusive of GST, comprising CDN\$505,127.00 for fees, together with expenses and disbursements in the amount of CDN\$9,546.45. The time spent by Blakes personnel in these proceedings is more particularly described in the Affidavit of Milly Chow sworn January 11, 2008, a copy of which is attached as **Schedule “V”**, which includes copies of all accounts rendered by Blakes during this period.
- 12.1.4 It is the Receiver’s belief that the fees and disbursements of Blakes are fair, reasonable and justified in the circumstances and accurately reflect the work done in services provided in connection with these receivership proceedings.
- 12.1.5 The Receiver’s intent is to seek approval of its fees and disbursements and those of counsel on this motion. However, CBB, counsel for MNP, GFC and Utica has advised that they may require additional time to review the Receiver’s fees and disbursements and as such, may request

that this part of the motion be adjourned to a later date. The Receiver has agreed to do so if requested.

13.0 Interim Distribution

- 13.1.1 As described in the Receiver's Second Report to the Court dated May 15, 2007 (the "**Second Report**"). The Bank is the operating lender of the Company pursuant to a credit agreement dated November 30, 2000, as amended by agreements dated April 18, 2001, June 21, 2002, October 1, 2003 and November 18, 2005 (collectively, the "**Credit Agreement**"). Pursuant to the terms of the Credit Agreement, the Bank extended a revolving loan facility and a term loan facility to the Company. As security for its indebtedness to the Applicant, the Company executed and delivered to the Applicant, among other things, a general security agreement dated November 30, 2000 (the "**GSA**") and a general assignment of book debts dated November 30, 2000. The Applicant registered its security interests against the Company pursuant to the Personal Property Security Act (Ontario) on November 22, 2000 against all classes of collateral except "consumer goods".
- 13.1.2 As described in greater detail in the Second Report, the Receiver received an opinion from Blakes that, subject to the usual qualifications, the GSA creates a valid security interest in favour of the Bank. The opinion was provided to KPMG in its capacity as proposed Trustee of Genfast, immediately prior to Genfast's bankruptcy. The opinion has been relied on by the Receiver, with the permission of Blakes.
- 13.1.3 As background for the Bank's distribution motion, the Receiver has prepared a Schedule of Funds Available for Distribution as at January 7, 2008 (the "**Distribution Schedule**"), a copy of which is attached hereto as **Schedule "W"**, which indicates that approximately U.S.\$13,610,300 is available for distribution to the Bank.
- 13.1.4 The Distribution Schedule allocates the Receiver's receipts, disbursements and various reserves amongst the following three secured creditor classes as follows:

- **Utica Re: Utica Lease One:** Utica has asserted a first priority charge over the assets comprising Utica Lease One, which priority the Bank is disputing. All auction proceeds generated from the sale of assets comprising the Utica Lease One along with interest earned thereon, which collectively total U.S.\$1,263,728, have been allocated to this class. A reserve in the amount of U.S.\$1,263,728, has also been allocated to this class to reflect the priority dispute between Utica and the Bank (the “**Utica Lease One Reserve**”).
- **Utica Re: Utica Lease Two:** The Receiver has been advised by Utica that it disputes the Bank’s priority over these assets. As outlined in more detail in the Second Report, it is the Receiver’s counsel’s view that Utica Lease Two is a financing lease not a true lease. All auction proceeds generated from the sale of the assets comprising Utica Lease Two assets along with interest earned thereon, which collectively total U.S.\$656,905, have been allocated to this class. A reserve in the amount of U.S.\$656,905 has also been allocated to this class to reflect the priority dispute between Utica and the Bank (the “**Utica Lease Two Reserve**”, collectively with the Lease One Reserve, the “**Priority Dispute Reserves**”).
- **The Bank:** The Bank has a first ranking security interest over all of Genfast’s assets, the only dispute being over whether it attached to the assets comprising Utica Lease One and Utica Lease Two. The Receiver has therefore allocated to this class: (i) all proceeds generated from Genfast’s working capital and other assets, in the amount of CDN\$5,599,000 and U.S. \$3,389,700; (ii) all auction proceeds generated from Genfast’s fixed assets other than those related to Utica Lease One and Utica Lease Two, in the amount of U.S.\$12,621,259; and (iii) all interest earned thereon in the amount of CDN\$49,700 and U.S.\$164,100. The following disbursements and reserves have also been included in this class:

- the Receiver's liabilities incurred up to January 7, 2008, in the amount of CDN\$63,320, which are secured by the Receiver's Charge;
- the Receiver's estimated liabilities as at January 7, 2008, along with the estimated costs to complete the estate, in the amount of CDN\$479,000, which are secured by the Receiver's Charge;
- the Receiver's and its counsel's professional fees, exclusive of GST, incurred up to November 30, 2007 of approximately CDN\$1,175,000 and CDN\$514,000 respectively, which are secured by the Receiver's Charge;
- the Receiver's and its counsel's estimated professional fees for the period December 1, 2007 to the completion of these proceedings of CDN\$425,000 and CDN\$650,000, respectively, which are secured by the Receiver's Charge;
- the Disputed Pension Claims Reserve in the amount of CDN\$248,502.98;
- the Sivaco Reserve in the amount of CDN\$89,430;
- the Landlord Reserve in the amount of CDN\$366,000;
- the CCAA Payables Reserve in the amount of CDN\$317,000; and
- a contingency reserve, which is intended to cover any unforeseen expenses and liabilities of the Receiver, in the amount of U.S.\$500,000.

13.1.5 Given the ongoing priority dispute between the Bank and Utica over Utica Lease One and Utica Lease Two, the Receiver intends that the allocation to the Bank of all costs and reserves other than the Disputed Pension Claims Reserve and the Sivaco Reserve is being made on a "without prejudice" basis to the Bank.

- 13.1.6 The Bank has advised the Receiver that as of January, 10, 2008, the aggregate amount outstanding to the Bank under the Credit Agreement is CDN\$23,036,495.71.
- 13.1.7 The Receiver supports the Bank's motion for an interim distribution to the Bank from the Genfast estate in the amount of U.S.\$13,610,300.
- 13.1.8 In respect of the various court-ordered charges referenced in paragraphs 18-24 of the Appointment Order (all as defined in the Appointment Order), the Administration Charge was terminated pursuant to the April 24, 2007 Order, the Directors' Charge was reduced to CDN\$248,502.98 as described in the Fourth Report, being the amount currently held by the Receiver in the Disputed Pension Claims Reserve. As noted in paragraph 1.4.3 above, the proposed interim distribution to the Bank will be applied by the Bank to repay in full all indebtedness secured by the DIP Charge, with the balance of the proposed interim distribution to be applied by the Bank as a permanent reduction of the Bank's remaining indebtedness. The various Receiver's accrued and estimated liabilities as described in this Report continue to be secured by the Receiver's Charge created by the Appointment Order.

14.0 Recommendations

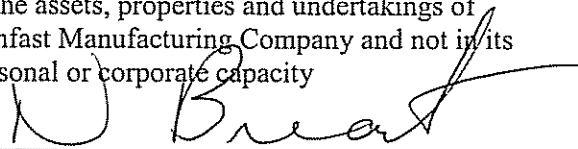
14.1.1 For the reasons set out above, the Receiver respectfully requests that this Honourable Court grant an Order, among other things,

- approving this Eighth Report and the activities of the Receiver described herein;
- declaring that any claims of privilege over the Records of Genfast by all parties, including, but not limited to, the Shareholders, has been waived;
- authorizing and directing the Receiver to destroy any and all Records of Genfast which either pre-date October 2001 or relate to shipping, inspection, sales, quality, purchasing, freight, time sheet and accounts receivable records of Genfast located at Iron Mountain but that any records which are marked “Human Resources”, “Accounting” and “Payroll” shall not be destroyed prior to the completion of production and examinations with respect to the Disputed Pension Claims or by further Order of this Court;
- authorizing and directing the Receiver to establish the Priority Dispute Reserves;
- declaring that the Receiver was in occupation of the Premises no later than January 15, 2008 and that the Receiver is no longer responsible for occupancy costs, including utilities and security after January 15, 2008, provided, however, that the issue of the Receiver's liability for occupancy costs, if any, including security and utilities, for the period between December 25, 2007 and January 15, 2008 is all without prejudice to the Landlord and the Receiver's positions with respect to liability for occupancy costs and damages for that period, which determination of liability is subject to further order of the Court or agreement between the Landlord and the Receiver;

- directing that the Receiver shall discontinue the security and utilities in respect of the Premises as at 11:59 p.m. on January 15, 2008, all without prejudice to the Receiver's right to claim a credit (against amounts which are determined to be owed by the Receiver to the Landlord for occupancy costs or for damages, repairs or clean up costs), reimbursement or refund of any costs of the security and utilities from the Landlord in respect of the Premises incurred by the Receiver for the period between December 25, 2007 and January 15, 2008 and the Landlord's position to dispute the same, which claims are subject to further order of the Court or agreement between the Landlord and the Receiver
- authorizing and directing the Receiver to establish the Landlord Reserve, such Landlord Reserve to be broken down in the following sub-reserves: (a) the maximum liability, if any, for disputed occupancy costs, including utilities and security, for the period from December 25, 2007 and January 15, 2008 shall be CDN\$266,000, (b) the maximum liability, if any, for alleged damages and repairs to and clean up in respect of the Premises shall be CDN\$90,000, and (c) the maximum liability, if any, for the Landlord's legal costs shall be CDN\$10,000 without prejudice to the Receiver's right to argue that it has no liability for such amounts;
- authorizing and directing the Receiver to establish the CCAA Payables Reserve; and
- approving the fees and disbursements of the Receiver and its independent legal counsel, as described herein, and directing and authorizing the Receiver to pay the fees and disbursements of the Receiver and its legal counsel forthwith.

All of which is respectfully submitted this 11th day of January, 2008.

KPMG Inc.,
solely in its capacity as Court-Appointed Receiver
of the assets, properties and undertakings of
Genfast Manufacturing Company and not in its
personal or corporate capacity

A handwritten signature in black ink, appearing to read "N Brearton", written over a horizontal line.

Per: Nicholas Brearton
Senior Vice President

LaSalle Business Credit, A Division of ABM AMRO Bank N.V., Canada Branch v.
Genfast Manufacturing Company Respondent

Court File No: 07-CL-6926

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

Proceeding commenced at Toronto

**EIGHTH REPORT TO THE COURT
DATED JANUARY 11, 2008**

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