

**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

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

May 30, 2008

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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 “**CCAA Termination Order**”) 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) (collectively, the “**CCAA Charges**”) 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, 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 and the sale of the Ford Steel Coil Inventory (each 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.

1.3.12 The Receiver filed its Eighth Report to the Court dated January 11, 2008 (the “**Eighth Report**”), a copy of which is attached as **Schedule “O”**, which updated the Court regarding the Receiver’s activities to date, including its sale of Genfast’s inventory as approved by the November 5 Order and sought the relief contained in the January 16 Order (as defined below) (the “**January 16 Motion**”).

1.3.13 On January 16, 2008, the Honourable Mr. Justice Campbell granted an Order (the “**January 16 Order**”), a copy of which is attached as **Schedule “P”**, which, among other things:

- (i) approved the Eighth Report and the activities of the Receiver described therein;
- (ii) declared 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) authorized and directed 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 and that any Records which are marked “Accounting”, “Sales”, “Purchasing” and “Shipping” and all Records after 2003 shall not be destroyed except with the written consent of the USW or by further Order of the Court, with any review of the Records by the USW to be conducted pursuant to a timetable to be agreed upon between the Receiver and the USW;
- (iv) declaring that the security held by the Bank is valid and enforceable against the property, assets and undertaking of the Company and, subject to the Charges described at

paragraphs 18-24 of the Order of the Honourable Mr. Justice Campbell dated April 5, 2007, is first ranking in priority to all other liens, claims and encumbrances of any kind, other than:

- (a) any claim asserted by MNP Corporation (“MNP”), General Fasteners Company (“GFC”) or Utica; or
- (b) any liens, claims or encumbrances or trusts asserted by persons who have not received notice of this motion and which arise by operation of statute, common law, equity, or as determined by a court of competent jurisdiction, to the extent that these are determined by a court of competent jurisdiction, to be payable in priority to or *pari passu* with the Bank’s security;
- (v) declaring that the Receiver is hereby authorized and directed to reserve from the funds in the possession of the Receiver the amount of U.S. \$1,263,278.00 (the “**Lease One Reserve**”) and the amount of U.S. \$656,905.00 (the “**Lease Two Reserve**”) together with any accrued or occurring interest (the Lease One Reserve and the Lease Two Reserve are collectively referred to herein as the “**Priority Dispute Reserves**”), as defined in the Report, and to hold and not distribute the Priority Dispute Reserves pending further Order of the Court;
- (vi) declaring that, notwithstanding paragraph (iv) above, the priority in respect of the Priority Dispute Reserves is subject to agreement between the Applicant and Utica or further Order of the Court;
- (vii) declaring that, notwithstanding paragraph (v) above, the Receiver is hereby authorized and directed to distribute the Lease One Reserve or otherwise comply with an Order (from which all rights of appeal have expired, or in the event appeals have been instituted, all such appeals have been finally disposed of), rendered by this Honourable Court as a result of the motion heard October 30, 2007 to determine priority to those funds, or as agreed to in writing by the Bank and Utica;
- (viii) 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;

- (ix) 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, *nunc pro tunc*, 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;
- (x) 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;
- (xi) 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**");
- (xii) declaring that, subject to the Bank's obligation to disgorge any amount if it, by subsequent Order of a Court of competent jurisdiction, is found to have been overpaid, authorizing and directing the Receiver to forthwith distribute and pay U.S. \$13,606,457.45 to the Bank to be applied by the Bank to repay in full all

indebtedness secured by the DIP Charge (as defined in the Report), with the balance to be applied by the Bank as a permanent reduction of the Bank's remaining indebtedness;

- (xiii) declaring that, notwithstanding the pendency of these proceedings, or the provisions of any federal or provincial statute, the distribution of the funds in accordance with this Order shall be binding on the Trustee and shall not be voidable by creditors or claimants of the Company, nor shall the payments constitute nor be deemed to be settlements, fraudulent preferences, assignments, fraudulent conveyances or other reviewable transactions under the BIA or any other applicable federal or provincial legislation, nor do they constitute conduct which is oppressive, unfairly prejudicial to or which unfairly disregards the interest of any person; and
- (xiv) declaring that nothing in the January 16 Order shall be construed as or has the effect of limiting or extinguishing any claim, right of action, defence, or counterclaim available to the Bank, Utica, MNP, GFC, Craig Stormer or Thomas Klein in the U.S. Litigation (as defined in the Eighth Report).

1.3.14 On February 19, 2008, the Honourable Mr. Justice Campbell granted an Order, a copy of which is attached as **Schedule "Q"**, approving the fees and disbursements of the Receiver and its independent legal counsel up to November 30, 2007, as described in the Eighth Report, and directing and authorizing the Receiver to pay the fees and disbursements of the Receiver and its legal counsel forthwith.

1.3.15 By separate Orders of the Honourable Mr. Justice Campbell dated January 25, 2008 in both these proceedings and the CCAA proceedings, the Receiver was directed to pay the amount of CDN \$80,330.87 from the CCAA Payables Reserve to Genfast creditors from the FA Period as set out in Appendix "C" to the Orders (the "**CCAA Payables Orders**"). The CCAA Payables Orders also directed the Receiver to pay the amount of CDN \$57,863 from the CCAA Payables Reserves to post FA period creditors as follows:

- (i) \$27,390.17 to the Landlord; and

- (ii) the remaining balance of \$30,472.83 on a pro rata basis to the remaining Post FA Period creditors as set out in Appendix “B” to the CCAA Payables Orders.

1.4 The Purpose of this Ninth Report

1.4.1 The purpose of this Ninth Report is to update the Court regarding the Receiver’s activities to date and to support its request for an Order:

- (i) approving the agreement between the Receiver and Sivaco Ontario (“Sivaco”) dated January 30, 2008 (the “Sivaco Settlement Agreement”) including mutual releases with respect to the Lien Coil and the Receiver’s payment in the amount of \$41,000 to Sivaco from the Sivaco Reserve, *nunc pro tunc*, with the remaining balance to be released from the Sivaco Reserve to the Receiver and made available for distribution by the Receiver pursuant to a further Order of this Court;
- (ii) approving the allocation of the CCAA Charges and the Receiver’s Charge, including its fees and those of its counsel, the Landlord Reserve, the Disputed Pension Claims Reserve, the Future Professional Fees Reserve, the Contingency Reserve, and the CCAA Payables Reserve among Genfast’s secured creditors as described in the Allocation Schedules (as defined below);
- (iii) reducing the CCAA Payables Reserve, the Landlord Reserve, the Future Professional Fees Reserve and the Contingency Reserve, as described herein, with the released amounts made available for distribution by the Receiver pursuant to a further Order of this Court; and
- (iv) approving the fees and disbursements of the Receiver and its independent legal counsel for the period from December 1, 2007 to April 30, 2008 (as described herein) and directing and authorizing the Receiver to pay the fees and disbursements of the Receiver and its independent legal counsel forthwith.

2.0 Sivaco Agreement

- 2.1.1 As advised in the Sixth Report, and pursuant to the November 5 Order, the Receiver established the Sivaco Reserve with respect to Sivaco's lien claim for processing charges and storage costs against the Lien Coil.
- 2.1.2 Pursuant to the Sivaco Settlement Agreement, a copy of which is attached as **Schedule "R"**, which includes mutual releases with respect to the Lien Coil, the Receiver and Sivaco have resolved all outstanding issues for payment by the Receiver to Sivaco in the amount of \$41,000.
- 2.1.3 On or about February 21, 2008, the Receiver paid Sivaco the \$41,000 payment, subject to a reimbursement agreement with Sivaco that, if this Honourable Court did not approve the Final Sivaco Agreement, Sivaco would reimburse such payment to the Receiver.
- 2.1.4 Accordingly, on this motion, the Receiver will be seeking approval of the Sivaco Settlement Agreement and the payment made thereunder, *nunc pro tunc*, with the balance of the Sivaco Reserve to be released to the Receiver and made available for distribution pursuant to a further Order of this Honourable Court.

3.0 Production and Review of Records

- 3.1.1 By letter dated March 7, 2008, a copy of which is attached as **Schedule “S”**, counsel for the Receiver provided counsel for the Pension Plan Administrator with a CD containing copies of certain electronic records of Genfast with respect to the Disputed Pension Claim. This letter was in response to multiple requests for the production of documents related to the Disputed Pension Claim made by counsel for the Pension Plan Administrator. As set out in the letter, the files on the CD were obtained by Genfast’s former IT Manager from Genfast’s server and the computers of former employees.
- 3.1.2 By separate letter dated March 6, 2008, a copy of which is attached as **Schedule “T”**, the Receiver sent an additional CD to various parties containing a listing of Genfast’s books and records, including listings of all files contained on Genfast’s server and Genfast’s paper records stored at third party storage facilities. This letter was also in response to numerous requests for the production of documents by various parties with respect to the U.S. Litigation, Disputed Pension Claim and the USW Grievance (as defined below).
- 3.1.3 The Receiver has received three (3) responses with respect to the above correspondence, one from each of the USW (with respect to the USW Grievance), the Bank’s U.S. counsel (with respect to U.S. Litigation) and counsel to the Pension Plan Administrator. The Receiver is in the process of providing access to the records and documents sought by the USW and the Bank’s U.S. counsel. The Disputed Pension Claim is discussed below in Section 9.0.
- 3.1.4 In its letter to various parties dated March 7, 2008, the Receiver advised that it wished to have all reviews of Genfast’s paper records completed within sixty (60) days so that it could destroy the records being held in order to reduce ongoing storage costs. However, given the delay in the USW Grievance (as discussed below), and the time required to review these records, counsel for the USW has requested an extension of time. The Receiver has agreed for the time

being to extend the timeframe for review of the records with the issue to be re-examined at some future time.

4.0 The GM Litigation

- 4.1.1 As advised in the Eighth Report, the Receiver was in the process of filing a Statement of Claim to commence litigation against GM to recover amounts owing with respect to accounts receivable and unpurchased WIP Inventory and Finished Goods Inventory pursuant to GM's obligations under the GM Accommodation Agreement.
- 4.1.2 On January 14, 2008, the Receiver commenced legal proceedings against GM by issuing a Statement of Claim, a copy of which is attached as **Schedule "U"**.
- 4.1.3 On March 11, 2008, GM served its Statement of Defence, a copy of which is attached as **Schedule "V"**.
- 4.1.4 Counsel for the Receiver and GM are in the process of establishing a timetable for the conduct of this litigation.

5.0 USW Grievance

- 5.1.1 By letter dated February 13, 2008, a copy of which is attached as **Schedule “W”**, counsel for the Receiver and Trustee advised Labour Management Services and the Ontario Labour Relations Board that the Receiver and Genfast’s Trustee would not be participating in or filing any materials with respect to the grievance commenced by USW, as described in the Fifth Report (the “**USW Grievance**”). This is consistent with the Receiver and Trustee’s position throughout these proceedings, including on the motion by the USW to lift the stay of proceedings before this Honourable Court on November 5, 2007.
- 5.1.2 Accordingly, the Arbitrator has been advised that neither the Receiver nor the Trustee will be responsible or liable for any of the Arbitrator’s fees with respect to the USW Grievance. The Arbitrator has confirmed that it will not seek to recover Genfast’s share of the Arbitrator’s fees from the Receiver or the Trustee at the present time but reserved its rights if funds were to become available in the estate at some future time to pay for such fees.
- 5.1.3 The Receiver has been advised by the Ontario Labour Relations Board that the USW Grievance hearing which was originally scheduled for May 20 and June 2, 2008 has been adjourned.

6.0 FSCO Notice

- 6.1.1 On or about March 3, 2008, the Receiver received a Notice of Proposal to Make a Declaration under Section 83 of the *Pension Benefits Act* (Ontario) respecting the Genfast Manufacturing Company Bargaining Unit Pension Plan for members of United Steel Workers of America Registration No. 697284 (the “**Union Plan**”) that the Pension Benefits Guarantee Fund applies to the Union Plan, a copy of which is attached as **Schedule “X”**. The Receiver did not request a hearing before the Financial Services Tribunal to which it is entitled pursuant to Section 89(6) of the *Pension Benefits Act*, nor did it take any position on the proposed declaration, which was consistent with the position the Receiver took in its Fifth Report with respect to the wind-up of the Union Plan and the Genfast Manufacturing Company Retirement Plan for Salaried Employees (the “**Salaried Plan**”). The declaration was subsequently issued on April 18, 2008 in the amount of an estimated claim against the Pension Benefit Guarantee Fund of \$7,516,623 as at October 31, 2007, a copy of which is attached to this Report as **Schedule “Y”**.
- 6.1.2 Counsel for the Receiver has been advised by the Plan Administrator that a declaration was issued with respect to the Salaried Plan on April 30, 2008 in the amount of an estimated claim against the Pension Benefits Guarantee Fund of \$3,694,081 as of November 30, 2007, a copy of which is attached to this Report as **Schedule “Z”**.

7.0 U.S. Litigation

- 7.1.1 As described in the Fifth Report, the Bank 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**").
- 7.1.2 The Receiver has been advised that substantially all of the Bank's usurpation claim against MNP and GFC was dismissed by the Michigan Court on the basis that the Bank did not have standing. The only remaining claim is based on whether or not MNP and GFC breached the subordination agreement by claiming set-off with respect to inter-company accounts receivable. Further, MNP and GFC have amended their defence to allege that the Bank had failed to properly mitigate its losses by refusing to consent to a proposed sale of Genfast's assets.
- 7.1.3 Further to the Eighth Report, the Receiver was ultimately not requested to participate in the U.S. Litigation.
- 7.1.4 The Bank continues to litigate its remaining claim against MNP and GFC.

8.0 Proposed Allocation of Court Charges

8.1.1 As described in paragraph 1.2.3 of this Report, pursuant to the CCAA Termination Order, the Directors' Charge, the Administration Charge and the DIP Charge (all as defined in the Initial Order) continued to attach to the Property of the Company and continued to rank in priority to all other security interests, liens, charges and encumbrances as set out in paragraph 39 of the Initial Order. In addition, the Appointment Order established a Receiver's Charge against all Property of Genfast (the "**Receiver's Charge**", collectively with the CCAA Charges and all related reserves described herein, the "**Court Charges**"). None of the Court Orders set out any specific methodology for the allocation of the Court Charges against the proceeds of realization of Property where such Property is subject to security interests of multiple secured creditors.

8.1.2 For the reasons described below and as described in the schedules attached to this Report as **Schedule "AA"** (the "**Allocation Schedules**"), the Receiver proposes to allocate the Court Charges up to April 30, 2008, as follows (the "**Proposed Allocation**"):

Utica Lease 1 Assets	\$336,886
Utica Lease 2 Assets	\$175,176
Bank Assets	\$7,333,020

8.1.3 As provided in paragraph 5 of the January 16 Order and described in the Eighth Report, the security held by the Bank is valid and enforceable against the Property of Genfast, and subject to the charges described at paragraphs 18-24 of the Appointment Order, is first ranking in priority to all other claims other than any claim asserted by MNP, GFC or Utica to the extent that they are determined by a court of competent jurisdiction.

8.1.4 Pursuant to the July 25 Order, this Court ordered, over the opposition of Utica, that the Utica Lease One Equipment be included in the Auction. At the return of this motion, Utica submitted that, assuming it established priority, due to its concerns with respect to ultimate

realizations achieved by the Receiver and costs which would be allocated to these assets, it should receive assurances that it be paid the full amount owing on Utica Lease One of approximately CDN\$977,500 plus legal fees, or that it be permitted to remove the Utica Lease One Equipment from the Auction.

8.1.5 As described in the Eighth Report, Utica asserted a priority charge over the assets comprising Utica Lease One vis-à-vis the Bank, which priority was disputed by the Bank. This dispute was the subject of a motion by the Bank heard before this Honourable Court on October 31, 2007 in which the Bank sought a declaration of its priority vis-à-vis Utica's interests in the Utica Lease One Equipment. As the Honourable Mr. Justice Campbell's decision in respect of this motion had not yet been released at the time of the January 16 Motion, paragraph 6 of the January 16 Order directed the Receiver to establish the Utica Lease One Reserve in the amount of \$1,263,278.00 (representing the proceeds of the Utica Lease One Equipment plus interest earned thereon up to January 7, 2008,) pending the resolution of this dispute. Subsequent to the January 16 Motion, by Endorsement dated January 23, 2008, the Honourable Mr. Justice Campbell denied the Bank's motion claiming priority over Utica to the proceeds of the Utica Lease One Equipment.

8.1.6 As described in the Eighth Report, Utica has also asserted a priority over the assets comprising the Utica Lease Two Equipment, which the Bank is disputing. Accordingly, pursuant to paragraph 6 of the January 16 Order, the Receiver also established the Utica Lease Two Reserve in the amount of US \$656,905.00 (representing the proceeds of the Utica Lease Two Equipment plus interest earned thereon up to January 7, 2008,) pending resolution of this dispute.

8.1.7 The Receiver has been advised by the Bank that on the return of this motion, the Bank will be seeking a declaration that it has a first priority interest over the proceeds of the Utica Lease

Two Equipment and as such, will be seeking the distribution of the Utica Lease Two Reserve, less any amount of the Court Charges which this Court determines should be allocated to the assets comprising the Utica Lease Two Equipment.

8.1.8 For the reasons described below, the Receiver believes that it is reasonable and fair to allocate the Court Charges against some or all of the proceeds of the Property, including the proceeds from assets subject to the Bank's security and the proceeds of the Utica Lease One Equipment and the Utica Lease Two Equipment. The Receiver believes that the Proposed Allocation takes into consideration and reflects both those costs which benefited all creditors and those which can be more fairly allocated to one or more creditors due to a connection between the costs incurred and the benefits derived. In particular, the Receiver submits that the Proposed Allocation reflects a reasonable link between the benefits received by Genfast's creditors and the costs incurred to obtain such benefits.

8.1.9 As set out in Schedule AA.3 of the Allocation Schedules, the following items related to the CCAA Charges have been allocated directly to Utica Lease One, Utica Lease Two and the Bank, based on gross realizations:

- the Receiver's disbursements associated with the CCAA Charges, including the wage and vacation pay distributions pursuant to the April 24 Order and the July 25 Order and the CCAA Payables distribution pursuant to the CCAA Payables Orders;
- the Disputed Pension Claims Reserve; and
- the CCAA Payables Reserve.

These items were not allocated to the four (4) categories described below to which items related to the Receiver's Charge were allocated, as they do not relate to the Receiver's activities. To the extent that the Disputed Pension Claims Reserve and the CCAA Payables Reserve are not paid out in full, the Receiver will refund any undisbursed amounts to

Genfast's secured creditors on the same pro rata basis that they were allocated the applicable reserve.

Finally, the Receiver has not addressed the allocation of the DIP Charge other than as it relates to the above disbursements or reserves. As described in the Eighth Report, the Bank has been paid in full for the indebtedness secured by the DIP Charge; however, this repayment was made solely from proceeds of assets over which the bank had a first ranking priority. However, there remains the possibility that the Bank's security position deteriorated during the CCAA period, and as such, the Bank may be in a position to argue that the DIP Charge allows them to allocate their resulting loss amongst all of Genfast's secured creditors.

8.1.10 The Receiver has categorized its activities and the related disbursements made and reserves it created into the following four (4) broad categories, with each category representing a different set of stakeholders:

- (i) **General and Administrative:** This category is comprised of activities associated with the Receiver's statutory obligations pursuant to the BIA and the Appointment Order and its requirements to deal with other general matters, including security reviews, return of third party equipment, payment of outstanding wages and issuance of T4s and Records and Employment, corresponding and meeting with numerous stakeholders, preserving Genfast's books and records and responding to requests for access to and copies of same, and determining the quantum of claims against the CCAA Charges and administering payment of same, and Court Reports and attendances related thereto. As set out in the Allocation Schedules, the Receiver proposes that these costs, fees and related reserves should be allocated to the Bank, Utica Lease One and Utica Lease Two based on their pro rata share of gross realizations generated from all of Genfast's assets. These costs were a necessary part of the receivership and as such, it would be inequitable if all secured creditors did not share in these costs;
- (ii) **Occupation and Possession:** This category is comprised of activities related to the possession, safeguarding and maintenance of the Premises. As set out in the Allocation Schedules, the Receiver proposes to allocate these costs, fees and related reserves to the Bank, Utica Lease One and Utica Lease Two based on their respective pro rata share of realizations from the physical assets which occupied the Premises (i.e., the inventory,

machinery and equipment physically located at the Premises). The Receiver believes that the proposed allocation is fair and reasonable as it matches the expenses incurred with respect to the Premises to the benefits derived from realizations on assets located at the Premises.

- (iii) **Marketing and Auction:** This category is comprised of activities related to the Marketing Process, including the preparation and distribution of the information package, reviewing proposals, negotiating the Auction Services Agreement with Maynards and subsequently dealing with the Landlord and Maynards regarding vacating the Premises and the condition in which the Premises were to be left. The Receiver proposes to allocate these costs, fees and related reserves to the Bank, Utica Lease One and Utica Lease Two based on their respective realizations from the gross Auction Proceeds. The Receiver believes that the proposed allocation is fair and reasonable as it matches the expenses incurred in the Marketing and Auction process with the benefits derived by each secured creditor from realizations on the assets sold through this process. Fees incurred after December 22, 2007 (the vacation date under the Auction Services Agreement) and the Landlord Reserve have not been allocated to Utica Lease One and Utica Lease Two on the basis of the Receiver's belief that substantially all of the outstanding issues with respect to the Landlord and Maynards do not relate to the Utica Lease One Equipment and the Utica Lease Two Equipment; and
- (iv) **Bank:** This category is comprised of activities associated with the administration of assets subject to the Bank's security other than fixed assets (i.e., inventory, GST and tax refunds and accounts receivable, and including the Magna litigation, the GM litigation and issues related to Sivaco). The Receiver proposes to allocate these costs, fees and related reserves exclusively to the Bank on the basis that the Bank derived the sole benefit from these expenses.

8.1.11 As set out in Schedule AA.4 of Schedule AA, the Allocation Schedules, the following items were allocated among these four (4) categories described above:

- The Receiver's Charge and the fees of the Receiver and its counsel and related disbursements;
- The Landlord Reserve;

- The Future Professional Fees Reserve; and
- The Contingency Reserve.

The Receiver and its independent legal counsel reviewed the various activities with which their personnel were involved and have allocated their fees and disbursements up to April 30, 2008 among the four (4) categories described above in paragraph 8.1.10.

- 8.1.12 On the basis that the personnel involved in collecting accounts receivable could have been easily relocated to a nearby short term leased office rather than incur significant occupancy costs, in preparing the Allocation Schedules, the Receiver has allocated \$5,000 per month of occupancy costs to the receivable realizations.
- 8.1.13 The fees incurred by the Receiver and its legal counsel with respect to the CCAA Charges, which have been included in the General and Administrative category, could instead have been identified and treated as part of the allocation of the CCAA Charges. However, as these fees are being allocated on the same basis as the CCAA Charges (i.e., based on gross realizations), the result is the same, and as such, the Receiver and its counsel have not incurred the time and effort to conduct this analysis.
- 8.1.14 For the purposes of the Proposed Allocation, expenses and reserves in U.S. dollars have been converted into Canadian dollars at an exchange rate of U.S.\$1.00 = CDN\$1.00.
- 8.1.15 The Receiver is still pursuing the recovery of several receivables (ie. GM and Magna) and could generate additional funds from Maynards depending on the outcome of any litigation with respect to the Auction Process and the issues related to the Premises. Any additional recoveries, other than those associated with the Landlord Reserve and the related dispute between the Receiver, Maynards and the Landlord, will require a revision to the allocation of fees and expenses outlined herein, the net result being a reduction in the amounts otherwise allocated to Utica Lease One and Utica Lease Two (as these future recoveries will accrue to the

Bank as the assets are subject to their security). The Receiver proposes to deal with this issue by recalculating the allocations once all realizations have been completed, at which time Utica will be reimbursed for any “over-allocation” of fees and expenses, such reimbursements being funded from these future realizations, if any. Consistent with the allocation of these fees and expenses to date, any future costs associated with these receivables, which comprise substantially all of the Future Professional Fees Reserve, will continue to be allocated to the Bank.

8.1.16 As set out in the Eighth Report, the Receiver established reserves in the amounts of CDN \$425,000 and CDN \$650,000 in respect of the fees of the Receiver and its counsel, respectively, which are secured by the Receiver’s Charge, to cover their fees from December 1, 2007 to the completion of these proceedings (the “Future Professional Fees Reserve”). As described below, the Receiver and its counsel have incurred fees and disbursements since December 1, 2007 for which they are seeking approval on this motion. Upon approval, these fees will be paid from the Future Professional Fees Reserve with the remaining balance being an estimate of future fees. The Receiver proposes that, based on the proposed payment of its fees and those of its counsel in the aggregate amount of \$511,611.73 (excluding GST) described below in Section 14.0, that the Future Professional Fees Reserve be reduced from \$1,075,000 to \$563,400, (i.e. \$157,000 for the Receiver and \$406,400 for its counsel).

8.1.17 As described in the Eighth Report, the Receiver continues to hold a Contingency Reserve in the amount of U.S.\$500,000 to cover any unforeseen expenses and liabilities. The Contingency Reserve has been allocated exclusively to the Bank as substantially all of the remaining issues for which these funds may be used relate to assets subject to the Bank’s security. The Receiver proposes that the Contingency Reserve be reduced to U.S.\$250,000.

9.0 Disputed Pension Claim Appeal

- 9.1.1 As described in the Eighth Report, the Disputed Pension Claims include two appealed claims filed in the D&O Claims Process by the Pension Plan Administrator and 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.
- 9.1.2 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. Further, pursuant to the CCAA Payables Orders, in the event that the Disputed Pension Claims by the Pension Plan Administrator and FSCO are unsuccessful, but the claims made by the Pension Administrator and FSCO pursuant to the Order of the Honourable Mr. Justice Campbell dated April 5, 2007 in the CCAA Proceedings terminating the CCAA Proceedings are successful, the Disputed Pension Claims Reserve shall be used to fund any amount of the CCAA claims not completely funded by the CCAA Payables Reserve.
- 9.1.3 As described above, the Receiver has provided counsel for the Pension Plan Administrator with CDs containing copies of electronic records of Genfast with respect to the Disputed Pension Claim and a listing of Genfast's books and records. Counsel for the Pension Plan Administrator has also advised that they intend to examine certain former directors and employees of Genfast. The Receiver has advised counsel for the Pension Plan Administrator that it is free to schedule and conduct these examinations subject to the right of the Receiver to have counsel in attendance.

9.1.4 The Receiver and the Bank have further advised counsel for the Pension Plan Administrator that they intend to bring a motion on a date to be set by the Commercial List seeking, among other things, a declaration that the Disputed Pension Claims do not constitute D&O Claims pursuant to the D&O Claims Process and that the Disputed Pension Claims are dismissed and forever extinguished and barred. The Receiver will also be seeking to dispose of the claims by the Pension Plan Administrator and FSCO in the CCAA proceedings which form part of the CCAA Payables Reserve.

10.0 Landlord Reserve and Dispute

- 10.1.1 As described in the Eighth Report, and pursuant to the January 16 Order, the Receiver established the Landlord Reserve in the 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. The Landlord Reserve is comprised of CDN \$266,000 for occupancy costs (including utilities and security) (collectively the "**Occupancy Costs**"); CDN \$90,000 for any damages, repair and cleanup costs (collectively, the "**Damages**") and CDN \$10,000 for the landlord's legal fees in dealing with this matter.
- 10.1.2 As more particularly described in **Schedule "BB"**, the Receiver proposes that the Landlord Reserve should be reduced to CDN \$244,251 to reflect the fact that the Receiver has made payments with respect to Occupancy Costs (i.e., utility and security costs) for the period December 25, 2007 to January 15, 2008. In particular, these payments total \$53,561 (i.e. security in the amount of \$18,180, hydro in the amount of \$13,312 and gas in the amount of \$22,069) which compares to an estimate of CDN\$143,000 which was used to determine the initial balance of the Landlord Reserve. The Receiver has also increased the Landlord Reserve by \$21,250, representing rent for the period December 23 and 24, 2007 which the Receiver has not yet paid, along with a correction to the original rent estimate.
- 10.1.3 The Receiver has been unable to arrive at a reasonable settlement with Maynards with respect to Maynards' liability to the Receiver related to Occupancy Costs, Damages, and professional and legal fees arising from Maynards' occupation of the Premises. Given this and the number of parties included in the issue, the Receiver believes that the most appropriate mechanism to resolve the issues between the parties is for the Receiver to bring a motion before this Court for advice and directions. The Receiver understands that MNP is the guarantor of the Genfast

lease of the Premises and therefore may have an interest in the outcome of these outstanding issues.

10.1.4 On this motion, the Receiver will seek the Court's advice and direction with respect to: (i) the liability, if any, of the Receiver to the Landlord related to Occupancy Costs, Damages and legal fees; and (ii) the liability of Maynards, if any, to the Receiver for Occupancy Costs, Damages and professional and legal fees. Further, the Receiver will be seeking an accounting from the Landlord of the deposit held by the Landlord pursuant to its lease with Genfast.

10.1.5 The Receiver is preparing a separate Receiver's Report in support of this motion. Counsel for the Receiver has advised counsel for Maynards, the Landlord and MNP that once the Receiver's Report on the foregoing outstanding issues is finalized, the Receiver's counsel will provide them with a copy of such Report and at the same time canvass dates with respect to that motion.

11.0 Status of Discussions with Magna

11.1.1 As described in the Eighth Report, the Receiver has been engaged in ongoing settlement discussions with Magna with respect to the Receiver's claim against Magna, originally in the amount of approximately CDN\$415,000 subsequently reduced to approximately CDN\$255,000 due to the completion of certain inventory sales. As of the date of this Report, settlement discussions are ongoing.

12.0 CCAA Payables

12.1.1 Pursuant to the CCAA Payables Orders, the Receiver distributed a portion of the CCAA Payables Reserve. In preparing to make the payments pursuant to the CCAA Payables Orders, the Receiver discovered a discrepancy in the classification of certain deductions at source from the March 24, 2007 payroll that were classified as Post-FA Period payables due to the fact that the cheque on which the deductions were being remitted was issued during the Post-FA Period. These deductions, related to credit union loan payments and a garnishment payable to CRA, totalling \$5,010.98 and if re-classified to the FA Period would be paid at 100% instead of the approximately 33% pro rata share for the Post-FA Period payables. Given the amounts involved, the Receiver re-classified these amounts to the FA Period, resulting in an incremental payout of approximately \$3,400 as compared to the schedules attached to the CCAA Payables Orders.

12.1.2 The Receiver also determined that certain CCAA Payables amounts owing to CRA and Family Support were either previously paid by the Receiver or deducted from Genfast's final GST refund which was previously paid to the Receiver. Accordingly, these claims have been subrogated to the Receiver as CRA no longer has a claim having been paid in full. Accordingly, the quantum of the FA Period claims payable to the Receiver are \$17,977.09 payable at 100%, and Post-FA Period claims are \$14,178.74 payable at 33%, for a total amount released from the CCAA Payables Reserve to the Receiver of \$22,600. The Receiver ultimately paid out \$85,452.78 for the FA Period payables and \$57,863.00 for the Post-FA Period payables.

12.1.3 Given the payments made above, the Receiver proposes that the CCAA Payables Reserve be reduced from CDN \$317,000 to CDN \$105,122. As described in the Eighth Report, collectively, the CCAA Payables Reserve and the Disputed Pension Claim Reserve are

sufficient to fund any outcome in which the Disputed Pension Claim and the outstanding D & O Vacation Pay claims are determined to be either a valid D & O Claim and/or a valid CCAA Payable.

13.0 Receiver's Statement of Receipts and Disbursements

13.1.1 Attached as **Schedule "CC"** to this Report is the Receiver's R&D Statement for the period from April 5, 2007 to April 30, 2008.

13.1.2 The Receiver has generated non-auction related proceeds from Genfast's assets of approximately CDN\$6.2 million and U.S.\$3.5 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 has also generated realizations of approximately U.S. \$14.7 million associated with the auction of certain of Genfast's machinery and equipment.

13.1.3 The Receiver has incurred disbursements, exclusive of the fees and disbursements of the Receiver and its counsel, of approximately CDN \$4.2 million and U.S. \$20,460.20 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. Pursuant to paragraph 13 of the January 16 Order, the Receiver distributed to the Bank, U.S.\$13,606,457.45 representing payment in full of all indebtedness secured by the DIP Charge with the balance to be applied by the Bank as a permanent reduction of the Bank's remaining indebtedness.

13.1.4 After converting approximately U.S.\$1.1 million into approximately \$1.2 of CDN funds, the Receiver currently has approximately CDN \$1.53 million and U.S. \$3.46 million in funds as at April 30, 2008, consisting of approximately U.S. \$25,800 in current accounts and approximately CDN \$1.53 million and U.S. \$3.44 million in term deposits. The Receiver's 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 after April 30, 2008, and

before consideration of the various Reserves (e.g. the Disputed Pension Claims Reserve, the Priority Dispute Reserve and the Landlord Reserve).

13.1.5 The Receiver has received an Examiner's Statement of Account from CRA dated April 2, 2008, a copy of which is attached to this Report as **Schedule "DD"**, advising that there are no funds owing for the receivership period.

13.1.6 The Receiver has issued T4s to Genfast's former employees for the year 2007.

14.0 Fees and Disbursements of the Receiver and its Counsel

- 14.1.1 The Receiver and its independent legal counsel Blake, Cassels & Graydon LLP (“Blakes”) have continued to maintain detailed records of their professional time and costs in connection with the receivership.
- 14.1.2 The fees and disbursements of the Receiver for the period from December 1, 2007 to April 30, 2008 total CDN \$267,967.48 exclusive of GST, comprising fees in the amount of CDN \$265,937.00 and expenses and disbursements in the amount of CDN \$2,030.48. The time spent by KPMG personnel is more particularly described in the Affidavit of Nicholas Brearton of KPMG sworn May 30, 2008, a copy of which is attached as **Schedule “EE”**, which includes copies of all accounts rendered by KPMG during this period.
- 14.1.3 The legal fees and disbursements incurred by the Receiver from December 1, 2007 to April 30, 2008 for services provided by Blakes total CDN \$243,644.25 exclusive of GST, comprising CDN \$239,784.00 for fees, together with expenses and disbursements in the amount of CDN \$3,860.25. The time spent by Blakes personnel is more particularly described in the Affidavit of Milly Chow sworn May 29, 2008, a copy of which is attached as **Schedule “FF”**, which includes copies of all accounts rendered by Blakes during this period.
- 14.1.4 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 and the services provided in connection with these receivership proceedings.

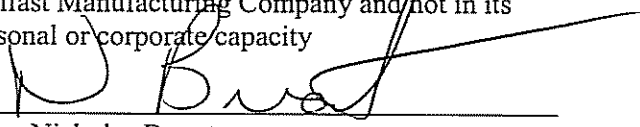
15.0 Recommendations

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

- approving this Ninth Report and the activities of the Receiver described herein;
- approving the Sivaco Settlement Agreement including mutual releases with respect to the Lien Coil and the Receiver's payment in the amount of \$41,000 to Sivaco from the Sivaco Reserve, *nunc pro tunc*, with the remaining balance of the Sivaco Reserve to be released from the Sivaco Reserve to the Receiver and made available for distribution by the Receiver pursuant to further order of this Honourable Court;
- approving the Proposed Allocation as described herein;
- reducing the CCAA Payables Reserve, the Landlord Reserve, the Future Professional Fees Reserve and the Contingency Reserve, as described herein, with the released amounts available for distribution by the Receiver pursuant to a further Order of this Court; and
- approving the fees and disbursements of the Receiver and its independent legal counsel for the period from December 1, 2007 to April 30, 2008 (as described herein) and directing and authorizing the Receiver to pay the fees and disbursements of the Receiver and its independent legal counsel forthwith.

All of which is respectfully submitted this 30th day of May, 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



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

**NINTH REPORT TO THE COURT
DATED MAY 30, 2008**

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