

**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

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

November 2, 2007

# *Table of Contents*

---

	<u>Page</u>
<b>1.0 INTRODUCTION AND PURPOSE OF REPORT.....</b>	<b>1</b>
1.1 Purpose of this Report.....	1
<b>2.0 AGREEMENT WITH FORD MOTOR COMPANY.....</b>	<b>3</b>
2.1 Accounts Receivable.....	3
2.2 WIP and Finished Goods Inventories.....	3
2.3 Steel Coil Inventory.....	4
<b>3.0 AGREEMENT WITH GENERAL FASTENERS CORPORATION.....</b>	<b>6</b>
<b>4.0 AGREEMENT WITH GENERAL MOTORS COMPANY.....</b>	<b>7</b>
<b>5.0 STATUS OF DISCUSSIONS WITH SIVACO WIRE GROUP L.P.....</b>	<b>8</b>
<b>6.0 RECEIVER’S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS.....</b>	<b>10</b>
<b>7.0 RECOMMENDATIONS.....</b>	<b>11</b>

## *Listing of Schedules*

---

- Schedule "A" - Fifth Report (without appendices or schedules)
- Schedule "B" - Ford Agreement (redacted version)
- Schedule "C" - Ford Accommodation Agreement
- Schedule "D" - Ford Steel Coil Inventory Listing
- Schedule "E" - GFC Settlement Agreement

## *1.0 Introduction and Purpose of Report*

---

### **1.1 Purpose of this Report**

1.1.1 The purpose of this Sixth Report is to supplement the Receiver's Fifth Report dated October 29, 2007 (the "**Fifth Report**") with respect to certain matters discussed in the Fifth Report that were not yet finalized as at the date of the Fifth Report. A copy of the Fifth Report (without appendices and schedules) is attached as **Schedule "A"**.

1.1.2 All initially capitalized terms not otherwise defined herein shall have the meanings given to them in the Fifth Report.

1.1.3 This Sixth Report is in support of the Receiver's request for an Order on its motion scheduled for November 5, 2007, among other things:

- (i) approving the Fifth Report and this Sixth Report and the activities of the Receiver described therein and herein;
- (ii) approving the sale of approximately 636,000 pounds of the Remaining Raw Materials Inventory (as defined in the Fifth Report) to MNP Corporation ("**MNP**") at the purchase price of approximately US \$144,000, plus applicable taxes;
- (iii) approving the sale of approximately 139,000 pounds of the Remaining Raw Materials Inventory to B&D Thread Rolling Inc. ("**B&D**") for a purchase price of approximately US \$28,000, plus applicable taxes;
- (iv) approving the sale of approximately 183,000 pounds of the Remaining Raw Materials Inventory to Emerald Steel Processing, LLC ("**Emerald**") for a purchase price of approximately US \$30,000, plus applicable taxes;
- (v) authorizing the Receiver to sell for scrap value that portion of the Remaining Raw Materials Inventory not sold to MNP, B&D and Emerald;
- (vi) authorizing the Receiver to enter into and complete the CBC Agreement;

- (vii) authorizing the Receiver to sell Genfast's thread die inventory to MNP for a purchase price of approximately US \$45,000, plus applicable taxes;
- (viii) authorizing the Receiver to enter into and complete the GFC Settlement Agreement;
- (ix) authorizing the Receiver to sell the Unsaleable Inventory to K&K Recycling Services ("K&K"), for its scrap value, plus applicable taxes;
- (x) approving the Ford Agreement (as defined below) and authorizing 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 below) to MNP and Emerald as set out in the Ford Agreement);
- (xi) authorizing the Receiver to, if the sale of any inventory being sold pursuant to the Ford Agreement or any portion thereof is not completed, sell such inventory for its scrap value;
- (xii) authorizing the Receiver to, if the GM Agreement (as defined below) has not been executed by GM (as defined below) by the return of this motion, or, if executed, the sale of all or any portion of the GM Steel Coil Inventory (as defined below) is not completed for any reason, sell all or such portion of the GM Steel Coil Inventory for its scrap value;
- (xiii) authorizing and directing the Receiver to establish the Sivaco Reserve (as defined below) from the proceeds of the sale of various raw materials located at the Sivaco premises over which Sivaco has asserted a processing and storage lien, to be dealt with in accordance with paragraph 5.1.3 of this Sixth Report; and
- (xiv) approving the Records Request Protocol.

## 2.0 Agreement with Ford Motor Company

The Receiver and Ford have entered into Minutes of Settlement (the “**Ford Agreement**”), a copy of which are attached as **Schedule “B”** to resolve all outstanding issues involving Genfast, and which are conditional upon Court approval. The attached copy of the Ford Agreement has certain financial details redacted, including an accompanying schedule providing an analysis of the book values of the Ford Steel Coil Inventory being sold to Ford or its parts suppliers replacing Genfast, the amount of the purchase price, and the Receiver’s view as to the amount that Ford is obligated to purchase under the Ford Accommodation Agreement, given that the disclosure of same could affect other ongoing negotiations. An unredacted copy will be filed with the Court in advance of this motion.

### **2.1 Accounts Receivable**

2.1.1 The Receiver and Ford have completed reconciliations of Ford’s account receivable due to Genfast. Both Ford and the Receiver agree that Ford still owes Genfast \$56,780. Ford has agreed to pay this outstanding account upon Court approval of the Ford Agreement.

### **2.2 WIP and Finished Goods Inventories**

2.2.1 Ford has agreed to purchase WIP inventory with a value of U.S. \$122,568.81 and finished goods inventory with a value of U.S. \$20,782.04 from the Receiver pursuant to its accommodation agreement with Genfast (the “**Ford Accommodation Agreement**”), a copy of which is attached as **Schedule “C”**. Ford’s obligation under the Ford Accommodation Agreement was to, among other things, purchase “usable” and “merchantable” WIP and finished goods inventory. The Receiver has reviewed those purchase orders that Ford issued to Genfast and which were still outstanding and unfulfilled as at the date of the Receiver’s appointment in order to estimate what Ford would have been obligated to purchase under the Ford Accommodation Agreement. The

Receiver believes that the Ford Agreement represents a reasonable settlement of these issues after consideration of the incremental realizations in excess of the scrap value being obtained on certain of the Ford Steel Coil Inventory (as defined below) and the costs and delays associated with litigation that will be avoided by completing the Ford Agreement.

### **2.3 Steel Coil Inventory**

2.3.1 Pursuant to the Ford Accommodation Agreement, Ford was required to purchase “useable” and merchantable” steel coil inventory that was used to make Ford’s products, at a price equal to Genfast’s cost of the steel coil. The Receiver reviewed Ford’s purchase orders and determined the type of steel coil that was used to produce Ford products and thereafter created a listing of steel coil which Genfast had on hand and which was associated with Ford parts production. This list was provided to Ford with a request that it purchase same.

2.3.2 The book value of the steel coil inventory that the Receiver believed that Genfast’s customers had an obligation to purchase, pursuant to the various agreements between such customers and Genfast, totalled approximately \$1.584 million. However, Genfast’s steel coil inventory was generally multi-purpose such that it could be used to make product for several different customers. As a result, the listings of steel coil inventory that the Receiver requested each customer to purchase pursuant to the agreements they had entered into with Genfast (primarily Ford, GM and Magna) contained duplication. During the course of discussions with Ford, it became apparent that the parts suppliers who replaced Genfast were, in fact, the parties that would utilize any steel coil inventory that Ford was obligated to purchase under the Ford Accommodation Agreement. As a convenience to Ford, the Receiver has agreed to sell the steel coil inventory directly to the parts supplier who will be utilizing it.

2.3.3 Ford’s replacement suppliers for Genfast; MNP; and Emerald, have agreed to purchase approximately 986,000 pounds of steel coil having a book value of approximately of \$393,000

(the “**Ford Steel Coil Inventory**”). A list of the steel coil being purchased is attached as **Schedule “D”**. The Ford Steel Coil Inventory includes both coils that Ford was obligated to purchase under the Ford Accommodation Agreement and additional coils that Ford, through its suppliers, have agreed to purchase outside of Ford’s obligations under the Accommodation Agreement.

2.3.4 Pursuant to the Ford Agreement, the Receiver has also agreed to provide a release to Ford (the “**Ford Release**”) upon Ford, MNP and Emerald performing their respective obligations as described, above. The Ford Release will cover all actions, liabilities and claims that Genfast has in connection with the Ford Accommodation Agreement.

2.3.5 Accordingly, given the additional steel coil inventory being purchased at a price in excess of its scrap value and the avoidance of the costs and delay associated with litigation, the Receiver recommends that the Ford Agreement, including the Ford Release, and the sales of the Ford Steel Coil Inventory to Emerald and MNP be approved and requests this Court’s approval of same. For greater clarity, the Emerald and MNP purchases under the Ford Agreement are incremental to their purchases of the Remaining Raw Materials Inventory described in the Fifth Report.

2.3.6 If for any reason the sale of any inventory pursuant to the Ford Agreement, including the Ford Steel Coil Inventory (or any portion thereof) to Emerald and MNP is not completed, the Receiver requests that this Court authorize the Receiver to sell any portion of such inventory for its scrap value.

### ***3.0 Agreement with General Fasteners Corporation***

---

- 3.1.1 As reported in the Fifth Report, the Receiver, GFC and GFC Mexico had reached an agreement and were in the process of documenting same. A copy of the final form of settlement agreement (the “**GFC Settlement Agreement**”) is attached as **Schedule “E”**.
- 3.1.2 The Receiver recommends that the Court authorize it to enter into the GFC Settlement Agreement as it believes that the payment of approximately US \$95,000 is a reasonable settlement of GFC’s obligation under the agreement it signed with Genfast in March 2007 and GFC Mexico’s requirement under the Bill of Sale it signed with the Receiver after consideration of the costs and delays the Receiver would otherwise incur if it pursued the GFC Litigation.

## ***4.0 Agreement with General Motors Company***

---

- 4.1.1 Despite ongoing discussions, the Receiver and GM have not finalized an agreement in respect of the purchase by GM of the GM Steel Coil Inventory (the “**GM Agreement**”). Discussions are ongoing and the Receiver hopes to bring the GM Agreement forward for Court approval on this motion.
- 4.1.2 If the GM Agreement has not been executed by GM by the return of this motion, or, if executed, the sale of all or any portion of the GM Steel Coil Inventory is not completed for any reason, the Receiver requests that this Court authorize the Receiver to sell all or such portion of the GM Steel Coil Inventory for its scrap value.

## 5.0 Status of Discussions with Sivaco Wire Group L.P

- 5.1.1 As described in the Fifth Report, certain of Genfast's steel coil inventory is stored at the premises of Sivaco Ontario, a Division of Sivaco Wire Group L.P. ("Sivaco") located in Ingersoll, Ontario.
- 5.1.2 Sivaco has asserted a claim under the *Repair and Storage Liens Act* (Ontario) for processing charges and storage costs against a certain amount of Genfast's steel located at Sivaco's facility. The amount of the liens asserted by Sivaco aggregate \$89,430.11, which includes storage until October 31, 2007 (the "**Sivaco Claim**"). The Receiver disputes both the validity and the quantum of the Sivaco Claim. Although the Receiver reported in its Fifth Report that it believed it had reached agreement with Sivaco on the substantive business issues, the Receiver has been unable to conclude a settlement agreement with Sivaco.
- 5.1.3 In order not to delay the sales of the steel coil inventory to the various purchasers set out in the Fifth Report, to Ford and GM as set out in this Sixth Report and to any future purchasers of the Genfast steel coil inventory, the Receiver requests an Order of this Court as follows:
- i) The Receiver will establish a reserve from the proceeds of sale of the steel coil inventory located at Sivaco, in an amount equal to the lesser of the gross proceeds of sale, excluding taxes, and \$89,430.11 (the "**Sivaco Reserve**").
  - ii) The Sivaco Reserve shall be held by the Receiver until adjudication or resolution of the Sivaco Claim.
  - iii) The Sivaco Reserve is not being held and shall not be deemed to be held in trust by the Receiver for the Sivaco Claim or for Sivaco and will not be segregated by the Receiver.
  - iv) The Receiver will pay Sivaco \$6 per square foot, on an annualized basis, in storage costs from and after November 1<sup>st</sup> until all the Genfast steel coil inventory is removed. (The Receiver believes that \$6 per square foot is a reasonable storage fee given that the current market for storage fees in the Greater Toronto Area average approximately \$6 per square foot, which it believes is higher than in the Ingersoll area. The Receiver intends to sell the remaining steel coil inventory by no later than December 31, 2007.)
  - v) Sivaco shall co-operate with the Receiver and any purchasers of the Genfast steel coil inventory (including any of their respective employees and agents) in respect of the

removal of all Genfast steel coil inventory, including providing reasonable access to permit such removal.

## ***6.0 Receiver's Interim Statement of Receipts and Disbursements***

- 6.1.1 The Receiver wishes to clarify that the approximately \$7.01 million in net funds as at October 4, 2007 reported in its Fifth Report is inclusive of the Auction Deposit amount, as more particularly set out in Schedule "R" of the Fifth Report.

## *7.0 Recommendations*

---

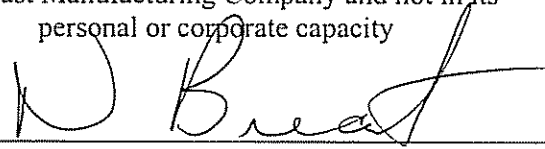
7.1.1 For the reasons set out in the Fifth Report and this Sixth Report, the Receiver respectfully requests that this Honourable Court grant an Order, among other things,

- approving the Fifth Report and this Sixth Report and the activities of the Receiver described therein and herein;
- approving the sale of approximately 636,000 pounds of the Remaining Raw Materials Inventory to MNP at the purchase price of approximately US \$144,000, plus applicable taxes;
- approving the sale of approximately 139,000 pounds of the Remaining Raw Materials Inventory to B&D at a purchase price of approximately US \$28,000, plus applicable taxes;
- approving the sale of approximately 183,000 pounds of the Remaining Raw Materials Inventory to Emerald at a purchase price of approximately US \$30,000, plus applicable taxes;
- authorizing the Receiver to sell for scrap value that portion of the Remaining Raw Materials Inventory not sold to MNP, B&D and Emerald;
- authorizing the Receiver to enter into and complete the CBC Agreement;
- authorizing the Receiver to sell Genfast's thread die inventory to MNP for approximately US \$45,000, plus applicable taxes;

- authorizing the Receiver to enter into and complete the GFC Settlement Agreement;
- authorizing the Receiver to sell the Unsaleable Inventory to K&K for its scrap value, plus applicable taxes;
- approving the Ford Agreement and authorizing the Receiver to complete the Ford Agreement, including the sale of the WIP and finished goods inventory to Ford and the sale of the Ford Steel Coil Inventory to MNP and Emerald;
- authorizing the Receiver to, if the sale of any inventory being sold pursuant to the Ford Agreement or any portion thereof is not completed, sell such inventory for its scrap value;
- authorizing the Receiver to, if the GM Agreement has not been executed by GM by the return of this motion, or, if executed, the sale of all or any portion of the GM Steel Coil Inventory is not completed for any reason, to sell all or such portion of the GM Steel Coil Inventory for its scrap value;
- authorizing and directing the Receiver to establish the Sivaco Reserve from the proceeds of the sale of various raw materials located at the Sivaco premises over which Sivaco has asserted a processing and storage lien, to be dealt with in accordance with paragraph 5.1.3 of this Sixth Report; and
- approving the Records Request Protocol.

All of which is respectfully submitted this 2nd day of November, 2007.

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, and Genfast Manufacturing Company  
A Division of ABM AMRO Bank N.V., Canada Branch  
Applicant Respondent

Court File No: 07-CL-6926

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

Proceeding commenced at Toronto

**SIXTH REPORT TO THE COURT DATED  
NOVEMBER 2, 2007**

**Blake, Cassels & Graydon LLP  
Barristers & Solicitors  
199 Bay St., Suite 2800  
Commerce Court West  
Toronto, ON M5L 1A9**

**Milly Chow LSUC#: 35411D  
Tel: 416-863-2594**

**Michael McGraw LSUC#46679C  
Tel: 416-863-4247**

**Fax: 416-863-2653**

**Solicitors for the Receiver**