Court File No. 03-CL-5145

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF IVACO INC. AND THE APPLICANTS LISTED IN SCHEDULE "A"**

# SECOND REPORT OF THE MONITOR
**OCTOBER 7, 2003**

## INTRODUCTION

1. On September 16, 2003 Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants" or the "Companies") filed for and obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36, *as amended* (the "CCAA"). The terms of these proceedings are governed by an order of this Honourable Court dated September 16, 2003 (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. ("EYI") was appointed as monitor (the "Monitor") of the Applicants during these CCAA proceedings.

2. The sole purpose of this Second Report of the Monitor is to advise this Honourable Court of the Monitor's assessment and recommendation with respect to the Applicants' motion to approve new banking arrangements and ancillary relief for Ivaco Inc. ("Ivaco"), Docap (1985) Corporation ("Docap") and IFC (Fasteners) Inc. ("Fasteners").

3. As described in the First Report of the Monitor, the Applicants have experienced an extraordinarily high degree of difficulty in establishing working bank accounts since the initiation of these proceedings.

4. On September 25, 2003 this Honourable Court made an order authorizing certain of the Applicants to enter into banking agreements with Royal Bank of Canada ("RBC"). These arrangements were intended to satisfy the banking needs of the entire Ivaco Rolling Mills Inc. ("IRM") and Ifastgroupe Inc. ("Ifastgroupe") groups of companies through the execution and implementation of blocked account agreements.

5. RBC has since indicated concerns with respect to the operation of the accounts and certain risks relating to them. It advised the Applicants that it did not agree to establish accounts in the name of IFC (Fasteners) Inc. ("Fasteners"), a subsidiary of Ifastgroupe. As a result of the initial banking difficulties and then RBC's reluctance to open accounts for Fasteners, post-filing customer receipts of over $5 million have become "trapped" at Fasteners and are not available to repay the Ifastgroupe DIP loan or for operating purposes. RBC has indicated today that, upon reflection, it is prepared to enter into a blocked account agreement with Fasteners and GE Canada Finance Inc. ("GE") and to establish working bank accounts for Fasteners, subject to obtaining the approval of this Honourable Court of the blocked account agreement.

6. Similarly, Ivaco Inc. and Docap are in desperate need of operating bank accounts so as to release over $7 million of post-filing customer receipts. National Bank of Canada has agreed to provide continuing banking services on the condition that it obtains a court-ordered first priority charge on the assets of each of Ivaco and Docap to secure any post-filing fees, uncleared deposits (charge backs) and clerical errors.

7. The proposed form of blocked account agreement among GE, RBC and Fasteners is attached as Appendix 1.

8. The proposed form of agreements between National Bank of the first part, and Ivaco and Docap respectively, of the second part, are attached as Appendices 2 and 3.

## MONITOR'S ANALYSIS AND RECOMMENDATION

9. The immediate establishment of working bank accounts is critical to the continuing operations of Ivaco, Docap and Fasteners and by extension, other Applicants.

10. The Monitor recommends that this Honourable Court grant the relief requested by the Applicants to permit the establishment of bank accounts for Ivaco, Docap and Fasteners.

All of which is respectfully submitted this 7th day of October 2003.

**ERNST & YOUNG INC.**
In its capacity as Court-Appointed Monitor of
Ivaco Inc. and certain of its affiliates

Per:

Brian M. Denega
Senior Vice-President

**BLOCKED ACCOUNTS AGREEMENT**

Made as of October ___, 2003

Between

**IFC (Fasteners) Inc.**

as the **Borrower**

and

**GE CANADA FINANCE INC.**

as the **Secured Party**

and

**ROYAL BANK OF CANADA**

as the **Bank**

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**BLOCKED ACCOUNTS AGREEMENT**

This Agreement is made as of October **___**, 2003, between

**IFC (FASTENERS) INC.**

as the **Borrower**

**and**

**GE CANADA FINANCE INC.**

as the **Secured Party**

and

**ROYAL BANK OF CANADA**

as the **Bank**

## RECITALS

**A.** The Secured Party and Ifastgroupe Inc., in its capacity as general partner of Ifastegroupe and Company, Limited Partnership ("Ifastgroupe") are party to a DIP Commitment Letter dated as of September 15, 2003 (as amended, supplemented, restated or otherwise modified from time to time, the "**Credit Agreement**").

**B.** The Borrower is a wholly-owned subsidiary of Ifastgroupe.

**C.** Pursuant to the terms of the Order of the Ontario Superior Court of Justice (Commercial List**)** issued and entered on September 16, 2003, in the matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended and in the matter of A Plan or Plans of Compromise or Arrangement of Ivaco Inc. and the Applicants listed in Schedule "A" of the aforementioned Order ("Ontario Court Order") the Borrower was deemed to guarantee repayment to the Secured Party of all amounts owing under the facilities provided to Ifastgroupe pursuant to the Credit Agreement and the Secured Party has been granted a fixed charge, mortgage, hypothec, security interest and lien over all of the present and future property, assets and undertaking of the Borrower.

**D.** The Credit Agreement requires the implementation of the cash management arrangements satisfactory to the Secured Party in its sole discretion.

FOR VALUE RECEIVED, the parties agree as follows:

## SECTION 1
## INTERPRETATION

### 1.1 Definitions

In this Agreement:

(a) ***Activation Date*** means the date of this Agreement.

(b) ***Branch of Account*** means the branch of the Bank located at

●

(c) ***Business Day*** means any day on which the Branch of Account is open for business to the public and, for the purposes of communications to Secured Party under Section 7.5, any day that is not a Saturday or Sunday or a day on which banks are required or permitted to be closed in the city of Toronto.

(d) "***Canadian Dollar***" means the lawful currency of Canada.

(e) ***Receivables*** means all present and future accounts, accounts receivable, debts and book debts of any nature or type of the Borrower.

(f) ***Secured Party*** means **GE Canada Finance Inc.** under the Credit Agreement.

(g) "***US Dollar***" means the lawful currency of the United States of America.

### 1.2 Interpretation

In interpreting this Agreement, the headings and the division of the Sections are inserted for convenience only and are to be ignored in construing this Agreement; all references to Sections, subsections, clauses and Schedules are to Sections, subsections, clauses and Schedules to this Agreement; the words "hereto," "herein," "hereof," "hereunder," "this Agreement" and similar expressions mean this Agreement as a whole and not any particular Section, subsection or Schedule unless expressly so stated; grammatical variations of any term defined herein shall have similar meanings and words importing the singular shall include the plural and vice versa; reference herein to any agreement or other document shall be deemed to include reference to such agreement or other document as the same may from time to time be amended, supplemented, restated or otherwise modified.

## SECTION 2
## ACKNOWLEDGEMENT OF SECURITY

### 2.1 Acknowledgement of Security

The Borrower acknowledges that Secured Party has a first priority perfected security interest in:

(a) its interest in all Cheques and other remittances received by the Borrower.

(b) the Canadian Dollar and US Dollar depository accounts in the name of the Borrower described in Schedule A hereto as blocked accounts (the "**Blocked Accounts**"), including all sums now on deposit in or payable to and any interest accrued or payable on the credit balances therein; and

(c) the Canadian Dollar and US Dollar disbursement accounts described in Schedule A hereto as disbursement accounts (the "**Disbursement Accounts**"), including all sums now on deposit in or payable to and any interest accrued or payable on the credit balances therein;

and the Bank consents to the granting of security interests described above to Secured Party in the Blocked Accounts, the Disbursement Accounts and the Lock Box referred to below, together with any and all additions and accretions thereto.

**SECTION 3**
**COLLECTION OF RECEIVABLES**

**3.1 Lock Box**

The Bank and the Borrower shall maintain the lock box in the name of the Borrower described in Schedule B hereto (the "**Lock Box**").

**3.2 Direction to Lock Box**

The Borrower shall direct the obligors in respect of its Receivables to send all Cheques to the Lock Box. If the Borrower receives any Cheque relating to a Receivable or other proceeds thereof, the Borrower shall send such item when received to a Blocked Account on the date received and until such item is deposited, it shall be held by the Borrower in trust for Secured Party, segregated from the other funds of the Borrower.

**3.3 Operation of Lock Box.**

(a) Except as otherwise provided in this Agreement, all of the rights of the Borrower pertaining to or in respect of the Lock Box shall be under the sole dominion and control of Secured Party and, subject only to the rights of the Bank in respect thereof, neither the Borrower nor any person or entity claiming by, through or under the Borrower shall have any access to, control over the use of, or any right to withdraw or obtain any cash or Cheque from the Lock Box. Subject to applicable law, the Bank shall take no action in connection with the Lock Box, except in accordance with its standard procedures, as expressly modified by this Agreement.

(b) Until Secured Party otherwise notifies the Bank, the Bank shall have exclusive and unrestricted access to the Lock Box and shall have complete and exclusive authority to receive, pick up and open all regular, registered, certified or insured mail received in the Lock Box (the "**Mail**").

(c) On each Business Day that access to any Lock Box is available to the Bank, the Bank shall remove all Mail from such Lock Box, open such Mail and inspect the enclosures. The Bank shall process all Cheques and deal with the accompanying correspondence in accordance with the Bank's usual banking practices and "lock box arrangements", subject to the provisions of this Agreement and any modifications expressly agreed to in writing among Secured Party, the Bank and the Borrower. Except as otherwise contemplated by this Agreement, the Bank shall deposit all cash and all Cheques received by it for deposit in the applicable Blocked Account, except those Cheques not acceptable for deposit in accordance with the Bank's usual banking practices, in such Blocked Account pursuant to the Bank's standard procedures.

## SECTION 4
## BLOCKED ACCOUNTS OPERATION

### 4.1 Blocked Account

From and including the Activation Date, the Bank shall transfer, prior to the end of each Business Day, all amounts on deposit in the Blocked Accounts to Secured Party's account or accounts or such other account or accounts with such depositories as Secured Party may from time to time designate in writing (each, a "**Collection Account**", and, collectively, the "**Collection Accounts**"); provided that, prior to the Bank transferring amounts on deposit in the Blocked Accounts to the Collection Account, the Bank shall convert all funds denominated in US Dollars in the Blocked Accounts into Canadian Dollars at the Bank's exchange rate then in effect for making such conversions of similar amounts of US Dollars into Canadian Dollars. As of the date hereof, the only Collection Accounts are the collection accounts described in Schedule A hereto. The transfers of amounts from the Blocked Accounts to the Collection Accounts shall be effected in accordance with the Bank's usual banking practices on each Business Day on which amounts are on deposit in the Blocked Accounts.

### 4.2 Instructions

After the Activation Date, the Blocked Accounts shall be subject to written instructions only from Secured Party which alone, as between the Borrower and Secured Party, shall have all authority and right in connection with the Blocked Accounts. The Bank shall be entitled to act upon the instructions of any person who the Bank believes, acting reasonably, is a person that Secured Party has identified in writing from time to time to the Bank as being a person authorized by Secured Party to give instructions to the Bank.

### 4.3 Payment Not Realization

The Borrower and Secured Party acknowledge and agree that:

(a) the actions and proceedings contemplated by this Section 4 are instrumental to the operation of the cash management system that is required by the Credit Agreement; and

(b) any action or proceeding pursuant to this Section 4 shall not be considered as a realization on, or enforcement of, security or a demand for payment under the Credit Agreement but rather, among other things, following the Activation Date, a standing irrevocable direction by the Borrower to the Bank to thereafter transfer daily to the appropriate Collection Account on the direction of Secured Party all credit balances in the Blocked Accounts as contemplated by Section 4.1.

### 4.4 Wire Transfers

The Bank shall apply and credit to the applicable Blocked Account all wire transfers directed to that Blocked Account in accordance with the Bank's standard procedures.

## SECTION 5
## RECORDS AND INFORMATION

### 5.1 Records

The Bank shall maintain a record of all money, Cheques and other remittance items deposited in and transfers to the Blocked Accounts and the Disbursement Accounts in accordance with the Bank's standard procedures.

### 5.2 Provision of Information

The Bank shall provide to the Borrower and Secured Party, at the Borrower's expense, monthly statements summarizing the daily activity in each Blocked Account and Disbursement Account. The Bank shall also provide to Secured Party, at the Borrower's expense, such information compiled by the Bank in accordance with the activity, on a daily, weekly or monthly basis, in each Blocked Account and Disbursement Account, as may be reasonably requested by Secured Party in writing.

## SECTION 6
## FEES, EXPENSES, CHARGEBACKS AND INDEMNITY

### 6.1 Waiver of The Bank's Rights

Except as expressly provided in Sections 6.2 and 6.3, the Bank agrees with Secured Party not to assert, and hereby waives, with respect to all of its existing and future claims against the Borrower, all existing and future rights of set-off, compensation, banker's liens, rights of reimbursement or retention or any security against funds on deposit in each Blocked Account or Disbursement Account and all Cheques (and proceeds thereof) that come into its possession in connection with each Blocked Account or Disbursement Account.

### 6.2 Borrower's Fee Obligations

The Borrower hereby agrees that it is responsible for all normal and customary fees and expenses established by the Bank from time to time for the services provided hereunder (all such amounts, the "**fees and expenses**"). If any of the fees and expenses are not paid by the Borrower when due, the Bank shall be entitled to automatically debit, by mechanical, electronic or manual means, any of the Disbursement Accounts for such fees and expenses. If there are insufficient funds in the Disbursement Accounts for the Bank to recover the fees and expenses, the Bank may automatically debit, by mechanical, electronic or manual means, any of the Blocked Accounts in an amount equal to the deficiency of funds in the Disbursement Accounts. If there are insufficient funds in the Disbursement Accounts and the Blocked Accounts for the Bank to recover the fees and expenses, Secured Party shall pay to the Bank the amount of the deficiency in the funds in the Disbursement Accounts and the Blocked Accounts, subject to a cap such that the Bank may not recover from Secured Party in any event an amount greater than six months of Bank's fees and expenses.

### 6.3 Chargebacks

Notwithstanding Section 6.1, the Bank shall be entitled to automatically debit, by mechanical, electronic or manual means, any one or more of the Blocked Accounts and the Disbursement Accounts at any time and from time to time solely for:

(a) the amount of any Cheque deposited in a Blocked Account after the date hereof which is subsequently returned to the Bank unpaid or is otherwise unpaid for any reason whatsoever;

(b) the amount of any required adjustments due to clerical errors or calculation errors directly related to any Blocked Account or Disbursement Account.

(all such amounts in clauses (a) and (b) being collectively, the "**Chargebacks**"); and provided, further, that if the Bank has transferred to a Collection Account the funds on deposit in a Blocked Account in respect of which the Bank is entitled to a Chargeback and the funds in the Blocked Accounts and the Disbursement Accounts are insufficient to cover the amount of the relevant Chargeback, Secured Party shall pay to the Bank the lesser of (i) the amount of the deficiency in funds in the Blocked Accounts and the Disbursement Accounts, and (ii) the amount transferred to a Collection Account or otherwise paid to or to the order of Secured Party, within three (3) Business Days of receipt of a statement signed by the Bank confirming the details of such Chargeback and the Bank's entitlement to it under this Section 6.3 in form satisfactory to Secured Party; provided however, Secured Party shall only be required to make any such payment if the Bank has made such request for payment, in a case of a Cheque that is returned to the Bank unpaid or for any other reason whatsoever, within ninety-five (95) days after the date that such Cheque is so returned to the Bank or, within forty-five (45) Business Days after the date the error forming the basis for the Chargeback is made, as applicable.

### 6.4 Indemnity

The Borrower hereby agrees to pay, indemnify and hold harmless the Bank and Secured Party from and against any and all loss, liability, cost, claim and expense incurred by either of them with respect to the performance of this Agreement by the Bank or any of the Bank's or Secured Party's directors, officers, or employees, unless arising from its or their own violation of law, gross negligence or willful misconduct, including, without limitation, any claims that the Bank was not properly authorized to transfer credit balances to a Collection Account.

## SECTION 7
## GENERAL PROVISIONS

### 7.1 Power of Attorney

The Borrower constitutes and irrevocably appoints Secured Party its true and lawful attorney, with full power of substitution, without limitation, to demand, collect, receive and, following an Event of Default (as defined in the Credit Agreement or any form of guarantee executed by the Borrower in connection therewith) that is continuing, sue for all amounts which may become due or payable in respect of any lock box, any Blocked Account or any Disbursement Account, and, before or after an Event of Default, to execute all withdrawal receipts or other orders for the Borrower, in its own name or in the Borrower's name or otherwise, which Secured Party deems necessary or appropriate to protect and preserve its right, title and interest in each lock box, any Blocked Account or any Disbursement Account, and, otherwise, to carry out the provisions and purposes of this Agreement.

### 7.2 Limitation of Bank's Liability

The Bank undertakes to perform only such duties as are expressly set forth in this Agreement and to deal with the Blocked Accounts and Disbursement Accounts with the degree of skill and care that the Bank accords to all accounts and funds maintained and held by it on behalf of its customers. Notwithstanding any other provision of this Agreement, it is agreed by the parties hereto that the Bank shall not be liable for any action taken by it or any of its directors, officers or employees in accordance with this Agreement except for its or their own violation of law, negligence or wilful misconduct. In no event shall the Bank be liable for losses or delays resulting from computer malfunctions or interruption of communication facilities which are beyond the Bank's control or from other causes which are beyond the Bank's control or from force majeure or for indirect, special or consequential damages.

### 7.3 Collection of Accounts

Anything in this Agreement to the contrary notwithstanding, the Borrower shall remain liable under each Receivable to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Receivable. Neither Secured Party nor the Bank shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of any of this Agreement or any other agreement or the receipt by Secured Party or the Bank of any payment relating to such Receivable nor shall Secured Party or the Bank be obligated in any manner to perform any of the obligations of the Borrower under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Receivable (or any agreement giving rise thereto) to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been hypothecated to it, or in which a security interest may have been created in its favour, or to which it may be entitled at any time or times.

### 7.4 Termination.

Subject to the other provisions of this Section 7.4, this Agreement shall remain in full force and effect and be binding in accordance with and to the extent of its terms until the obligations of the Borrower to Secured Party under the Credit Agreement have been paid and performed in full and Secured Party has no further obligation to make any further advances to the Borrower under the Credit Agreement. Either the Borrower (with the prior written consent of the Secured Party) or the Secured Party may terminate this Agreement at any time upon 7 days prior written notice to the Bank and the Borrower. The Bank may terminate this Agreement only upon 60 days' prior written notice to the other parties hereto. Upon termination of this Agreement, the Bank shall, at the written direction of Secured Party and without liability to the Bank, deliver all Cheques received by it to Secured Party or as Secured Party may direct in writing. Until such

Cheques are so delivered, the Bank shall hold such Cheques as agent, and for the benefit of Secured Party.

**7.5 Notices**

Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration or other communication to be served, given or delivered by one party to the other in connection with or under this Agreement shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon transmission, when transmission occurs at or before 5:00 p.m. on any Business Day, or, if transmission occurs after such time on such Business Day, on the Business Day immediately following such Business Day, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery as otherwise provided in this Section 7.5), (b) one Business Day after deposit with a reputable overnight courier with all charges prepaid, or (c) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated below or to such other address (or facsimile number) as may be substituted by notice given as herein provided.

(a) Communications with the Borrower shall be addressed as follows:

IVACO INC.
20th Floor
Place Mercantile
770 Sherbrooke Street West
Montreal (Quebec)
H3A 1G1

Attention: Hugh Blakely

Telephone No.: 514 288 4545
Telecopier No.: 514 288 7814

With a copy to:

Davies Ward Phillips & Vineberg LLP
1 First Canadian Place
44th Floor
Toronto (Ontario)
M5X 1B1

Attention: I. Berl Nadler

Telephone No.: 416 863 5512
Telecopier No.: 416 863 0871

(b) Communications with the Bank shall be addressed as follows:

Royal Bank of Canada
6880 Financial Drive

2nd Floor, Mezzanine
Mississauga, Ontario
L5N 7Y5

| | |
|---|---|
| Attention: | Nancy Lee |
| Telephone No.: | (905) 286-7269 |
| Telecopier No.: | (905) 286-7262 |

With a copy to:

Aylesworth Thompson Phelan O'Brien LLP
Ernst & Young Tower, Toronto-Dominion Centre
P.O. Box 124, 18th Floor
222 Bay Street
Toronto, Ontario M5K 1H1

| | |
|---|---|
| Attention: | James M. McKeon |
| Telephone No.: | (416) 777-4019 |
| Telecopier No.: | (416) 865-1398 |

(c) Communications with Secured Party shall be addressed as follows:

GE Canada Finance Inc.
c/o General Electric Commercial Finance, Inc.
500 West Monroe Street
12th Floor
Chicago, IL 60661

Attention: Thomas Sullivan

| | |
|---|---|
| Telecopier No.: | (312) 463-3840 |
| Telephone No.: | (312) 463-2300 |

(d) with copies to:

GE Canada Finance Inc.
c/o General Electric Capital Corporation
500 West Monroe Street
12th Floor
Chicago, IL 60661

Attention: Corporate Counsel-Commercial Finance

| | |
|---|---|
| Telecopier No.: | (312) 441-6876 |
| Telephone No.: | (312) 463-2451 |

and

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada
M5X 1B8

Attention: Robin Schwill

Telecopier No.: (416) 862-6666
Telephone No.: (416) 862-4208

**7.6 Governing Law**

This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of all matters pertaining to this Agreement.

**7.7 Amendments**

This Agreement may only be amended or modified by written instrument signed by Secured Party, the Borrower and the Bank.

**7.8 Severability**

Any provision of this Agreement that is or becomes unenforceable shall be unenforceable to the extent of such unenforceability without invalidating the remaining provisions hereof. To the extent permitted by Applicable Law, each of the parties hereby waives any provision of law that renders any provision hereof unenforceable in any respect.

**7.9 Authorization**

For the purposes of this Agreement, any attorney, officer, employee or agent of Secured Party shall be authorized to act, and to give instructions and notice, on behalf of Secured Party hereunder, and any attorney, officer, manager or agent of the Bank shall be authorized to act and give instructions and notice on behalf of the Bank hereunder.

**7.10 Remedies Cumulative**

The rights enumerated in this Agreement are in addition to and not in substitution for any other rights of Secured Party pursuant to any security held by Secured Party and except as otherwise contemplated in this Agreement, nothing in this Agreement is to be interpreted as restricting the rights of Secured Party pursuant to any security held by Secured Party.

**7.11 Further Assurances**

The parties shall at all times do, execute, acknowledge and deliver such acts, deeds and agreements as may be reasonably necessary or desirable to give effect to the terms of this Agreement.

**7.12 No Fiduciary Obligations**

Nothing in this Agreement shall constitute any party to this Agreement a fiduciary in relation to any other party to this Agreement.

**7.13 Counterparts**

This Agreement may be executed in counterparts and by facsimile, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**[INTENTIONALLY LEFT BLANK]**

The parties have executed this Agreement.

**ROYAL BANK OF CANADA**

By: ______________________________
Name:
Title:

**GE CANADA FINANCE INC.**

By: ______________________________
Name:
Title:

**IFC (FASTENERS) INC.**

By: ______________________________
Name:
Title:

# SCHEDULE A

# ACCOUNTS

Part 1 – Blocked Accounts

Part 2 – Disbursement Accounts

Part 3 – Collection Accounts

# SCHEDULE B

# LOCK BOX

**IVACO INC.**
Place Mercantile
770 rue Sherbrooke Ouest
Montreal, QC H3A 1G1

October 7, 2003

**BY COURIER**

National Bank of Canada
600, rue de La Gauchetière Ouest
4e étage
Montreal, QC H3B 4L2

Attention: D. William Kennedy,
Vice-President Special Loans

Dear Sirs:

**Ivaco Accounts**

We are writing to confirm our agreement on the terms upon which National Bank of Canada ("**National**") will make operational the accounts listed in Schedule "A" attached hereto (collectively, the "**Accounts**") that it has established for Ivaco Inc. ("**Ivaco**"):

(i) the Accounts consist of, with respect to Ivaco, a U.S. dollar account, a Canadian dollar account (the "**Ivaco Cdn $ Account**") and a Canadian dollar payroll account (the "**Payroll Account**"), with respect to Sivaco Québec (a division of Ivaco), a U.S. dollar account and a Canadian dollar account and with respect to Sivaco Ontario (a division of Ivaco), a U.S. dollar Account and a Canadian dollar account;

(ii) an order (the "**Order**"), in the form of the draft attached hereto as Schedule "B", of the Ontario Court of Justice will be sought by Ivaco granting National a "super-priority" lien in favour of National (the "**Bank's Lien**") over all of the present and future assets of Ivaco to secure **(a)** the payment by Ivaco of normal and customary fees and expenses established by National from time to time for services related to the Accounts as well as such other fees as may be agreed to between National and Ivaco, **(b)** the amount of any deposit in an Account which is subsequently returned to National unpaid or is otherwise unpaid for any reason whatsoever, and **(c)** the amount of any required adjustments due to clerical errors or calculation errors directly related to any Account (collectively, the "**Secured Obligations**");

(iii) National waives, with respect to all of its claims arising prior to the order made September 16, 2003 by the Ontario Superior Court of Justice relating to the application made by Ivaco and others under the *Companies' Creditors Arrangement Act* (Canada) against Ivaco, all rights of set-off, compensation, banker's liens, rights of reimbursement or retention or any security against funds on deposit in each Account;

(iv) National will not holdback any amount in any Account without notice to Ivaco, except that National, on a cheque by cheque basis, may holdback amounts relating to cheques for amounts exceeding Cdn$250,000 or US$175,000 without notice to Ivaco. The intent of the parties being that, except for what in the opinion of National, in its sole discretion, constitutes unusual circumstances or a change in circumstances for Ivaco, National will not hold back any amount in any Account relating to cheques for amounts of less than Cdn$250,000 or US$175,000;

(v) each of National and Ivaco shall have the right to terminate the arrangements contemplated by this Letter Agreement on 30 days prior written notice to the other provided, however that the rights created in favour of National pursuant to the Bank's Lien and the Order to secure the Secured Obligations shall survive such termination;

(vi) Ivaco acknowledges and agrees that it is its responsibility to ensure that at any time that National is requested or required to process a payroll, there are sufficient funds in the Payroll Account for such payroll and the payment of the fees associated with such payroll. Ivaco acknowledges that the Payroll Account shall be used by it exclusively for the purpose of funding its payroll and accordingly that the only debits that Ivaco shall be entitled to request from the Payroll Account shall be in respect of its payroll and the fees associated with such payroll. In the event there are insufficient funds in the Payroll Account to process a payroll, National shall delay processing such payroll until such time as there are sufficient funds in the Payroll Account, it being understood that, on the fifth ($5^{th}$) Business Day following the date as of which a payroll should have been processed, if there are still insufficient funds to process such payroll, then the request to process such payroll shall be deemed to have been cancelled and any funds then held in the Payroll Account on account of such payroll shall be transferred to the Ivaco Cdn $ Account. National shall have no duty or obligation to inform Ivaco that the processing of a payroll has been delayed or that there are insufficient funds in the Payroll Account to process a payroll and National shall incur no liability or have any obligation to any person as a result of its decision to delay the processing of a payroll in such circumstances. Ivaco acknowledges and agrees that there may be a delay of a few days (as of the date hereof, such delay is of

2 Business Days) between the time that National processes a payroll and the time that National debits the Payroll Account for the full amount of such payroll and, accordingly, Ivaco acknowledges and agrees that they shall have no further rights in respect of the amount of such payroll even though it has not yet been debited from the Payroll Account;

(vii) in the event that, on any Business Day, there are insufficient funds in any Account to cover all of the cheques and debits drawn on such Account and required to be paid on any day, National shall be entitled to refuse payment on any of such cheques or debits as it considers appropriate. Ivaco acknowledges that it is its responsibility to ensure that, on any day, there are sufficient funds in each of the Accounts to cover all of the cheques and debits drawn on each such account and presented for payment to National on such day. National shall have no obligation to inform Ivaco that there are insufficient funds in any Account to cover the cheques and debits drawn on such Account and presented for payment and National shall incur no liability or have any obligation to any person as a result of its decision to refuse payment on any such cheques and debits in such circumstances;

(viii) Ivaco agrees that it is responsible for the payment of the normal and customary fees and expenses established by National from time to time for services related to the Accounts as well as such other fees as may be agreed to from time to time between National and Ivaco. On the due date for the payment of any such fees and expenses, National shall be entitled to automatically debit, by mechanical, electronic or manual means, any of the Accounts for such fees and expenses; and

(ix) it is expressly understood and agreed that National shall have the right to exercise set-off and compensation against any of the Accounts with respect to any amount owing to it on account of the Secured Obligations or on account of any other amount owing to National and arising after September 15th, 2003;

We understand that the Accounts have been opened and will be operational as soon as the Order is granted.

If the foregoing accurately reflects our agreement with respect to the Accounts, we would be grateful if you would execute and return to us one copy of this Letter Agreement.

Yours very truly,

**IVACO INC.**

by ________________________________
Name:
Title:

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The foregoing accurately reflects our agreement with respect to the Accounts.

**DATED** this 7th day of October, 2003.

**NATIONAL BANK OF CANADA**

by ________________________________
Name:
Title:

## SCHEDULE "A"

## ACCOUNTS

### Part 1 – Canadian dollar Accounts

### Part 2 – U.S. dollar Accounts

### Part 3 – Payroll Account

## SCHEDULE "B"

## ORDER

**DOCAP (1985) CORPORATION**
Place Mercantile
770 rue Sherbrooke Ouest
Montreal, QC H3A 1G1

October 7, 2003

**BY COURIER**

National Bank of Canada
600, rue de La Gauchetière Ouest
4e étage
Montreal, QC H3B 4L2

Attention: D. William Kennedy,
Vice-President Special Loans

Dear Sirs:

**Docap Accounts**

We are writing to confirm our agreement on the terms upon which National Bank of Canada ("**National**") will make operational the accounts listed in Schedule "A" attached hereto (collectively, the "**Accounts**") that it has established for Docap (1985) Corporation ("**Docap**"):

(i) the Accounts consist of a U.S. dollar account, a Canadian dollar account (the "**Cdn $ Account**") and a Canadian dollar payroll account (the "**Payroll Account**");

(ii) an order (the "**Order**"), in the form of the draft attached hereto as Schedule "B", of the Ontario Court of Justice will be sought by Docap granting National a "super-priority" lien in favour of National (the "**Bank's Lien**") over all of the present and future assets of Docap to secure **(a)** the payment by Docap of normal and customary fees and expenses established by National from time to time for services related to the Accounts as well as such other fees as may be agreed to between National and Docap, **(b)** the amount of any deposit in an Account which is subsequently returned to National unpaid or is otherwise unpaid for any reason whatsoever, and **(c)** the amount of any required adjustments due to clerical errors or calculation errors directly related to any Account (collectively, the "**Secured Obligations**");

(iii) National waives, with respect to all of its claims arising prior to the order made September 16, 2003 by the Ontario Superior Court of Justice relating to the application made by Docap and others under the *Companies' Creditors Arrangement Act* (Canada) against Docap, all rights of set-off, compensation, banker's liens, rights of reimbursement or retention or any security against funds on deposit in each Account;

(iv) National will not holdback any amount in any Account without notice to Docap, except that National, on a cheque by cheque basis, may holdback amounts relating to cheques for amounts exceeding Cdn$250,000 or US$175,000 without notice to Docap. The intent of the parties being that, except for what in the opinion of National, in its sole discretion, constitutes unusual circumstances or a change in circumstances for Docap, National will not hold back any amount in any Account relating to cheques for amounts of less than Cdn$250,000 or US$175,000;

(v) each of National and Docap shall have the right to terminate the arrangements contemplated by this Letter Agreement on 30 days prior written notice to the other provided, however that the rights created in favour of National pursuant to the Bank's Lien and the Order to secure the Secured Obligations shall survive such termination;

(vi) Docap acknowledges and agrees that it is its responsibility to ensure that at any time that National is requested or required to process a payroll, there are sufficient funds in the Payroll Account for such payroll and the payment of the fees associated with such payroll. Docap acknowledges that the Payroll Account shall be used by it exclusively for the purpose of funding its payroll and accordingly that the only debits that Docap shall be entitled to request from the Payroll Account shall be in respect of its payroll and the fees associated with such payroll. In the event there are insufficient funds in the Payroll Account to process a payroll, National shall delay processing such payroll until such time as there are sufficient funds in the Payroll Account, it being understood that, on the fifth ($5^{th}$) Business Day following the date as of which a payroll should have been processed, if there are still insufficient funds to process such payroll, then the request to process such payroll shall be deemed to have been cancelled and any funds then held in the Payroll Account on account of such payroll shall be transferred to the Cdn $ Account. National shall have no duty or obligation to inform Docap that the processing of a payroll has been delayed or that there are insufficient funds in the Payroll Account to process a payroll and National shall incur no liability or have any obligation to any person as a result of its decision to delay the processing of a payroll in such circumstances. Docap acknowledges and agrees that there may be a delay of a few days (as of the date hereof, such delay is of 2 Business Days) between the time that National processes a payroll and the time that National debits the Payroll Account for the full amount of such payroll and, accordingly, Docap acknowledges and agrees that they shall have no further rights in respect of the amount of such payroll even though it has not yet been debited from the Payroll Account;

(vii) in the event that, on any Business Day, there are insufficient funds in any Account to cover all of the cheques and debits drawn on such Account and required to be paid on any day, National shall be entitled to refuse payment on any of such cheques or debits as it considers appropriate. Docap acknowledges that it is its responsibility to ensure that, on any day, there are sufficient funds in each of the Accounts to cover all of the cheques and debits drawn on each such account and presented for payment to National on such day. National shall have no obligation to inform Docap that there are insufficient funds in any Account to cover the cheques and debits drawn on such Account and presented for payment and National shall incur no liability or have any obligation to any person as a result of its decision to refuse payment on any such cheques and debits in such circumstances;

(viii) Docap agrees that it is responsible for the payment of the normal and customary fees and expenses established by National from time to time for services related to the Accounts as well as such other fees as may be agreed to from time to time between National and Docap. On the due date for the payment of any such fees and expenses, National shall be entitled to automatically debit, by mechanical, electronic or manual means, any of the Accounts for such fees and expenses; and

(ix) it is expressly understood and agreed that National shall have the right to exercise set-off and compensation against any of the Accounts with respect to any amount owing to it on account of the Secured Obligations or on account of any other amount owing to National and arising after September 15$^{th}$, 2003;

We understand that the Accounts have been opened and will be operational as soon as the Order is granted.

If the foregoing accurately reflects our agreement with respect to the Accounts, we would be grateful if you would execute and return to us one copy of this Letter Agreement.

Yours very truly,

**DOCAP (1985) CORPORATION**

by ______________________________

Name:
Title:

______________________________

The foregoing accurately reflects our agreement with respect to the Accounts.

**DATED** this 7th day of October, 2003.

**NATIONAL BANK OF CANADA**

by ______________________________
Name:
Title:

# SCHEDULE "A"

# ACCOUNTS

**Part 1 – Canadian dollar Account**

**Part 2 – U.S. dollar Account**

**Part 3 – Payroll Account**

# SCHEDULE "B"

# ORDER