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"

THIRD REPORT OF THE MONITOR
OCTOBER 9, 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. This Third Report of the Monitor (the "Report") is provided to this Honourable Court as an update in respect of the activities of the Applicants and certain events occurring since the date of the Initial Order, including the following:

- Initiation of Foreign Proceedings;
- Notice to Creditors
- Banking and Operations;

- Restructuring Activities;
- Preparation of Business Plan;
- Financial Performance and Cash Flow Projections;
- Status of DIP Financing;
- Information Requests From Stakeholders;
- Pension Plans and Other Retirement Benefits;
- Estimated Directors' and Officers' Liabilities;
- Ivaco Inc. Liquidation Analysis;
- IMT Corporation;
- Approval for the Sale of Ivaco's Virginia Property; and
- Request for an Extension to the Stay of Proceedings.

3. Capitalized terms not defined in this Report are as defined in the Initial Order. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

4. In preparing this Report, the Monitor has relied upon unaudited financial information, company records, company prepared financial information and discussions with management of the Applicants. The Monitor has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events

and actual results achieved will vary from this information and the variations may be material.

OVERVIEW

5. The threshold and critical question that needs to be answered to justify the continuation of the CCAA stay is whether the enterprise has more value as a whole (including each of its component parts) than the respective stakeholders could garner from attempting a separate realization of the pieces. The Companies' preliminary position is that the continuation of the enterprise will result in greater recovery to the different stakeholder groups while a few others have expressed the contrary view. The Monitor considers that its most important task is to reach a fully informed and reasoned conclusion on that issue (including whether parts of the business should be sold), advise all stakeholders in the form of a report and then support its conclusion. As a result of the early turbulence in the establishment of banking arrangements, the Monitor has not yet had the opportunity to martial the facts necessary to reach a reasoned opinion one way or the other. The Monitor sets out herein some of the salient factors that it has identified to date for the consideration of the stakeholders who will hopefully provide their thoughts and input.

6. At present it is not possible to say reasonably that the preliminary position of the Applicants so lacks a credible basis that the inquiry and therefore CCAA process should end now. The Monitor considers that it will be important for all stakeholders to know the extent to which operations are practically interwoven and the likely impact that any interlinking will have on values and realizations in alternative scenarios. The Monitor expects to be in a position to provide its report on these matters by November 14, 2003. It does appear that there would be harm occasioned to all creditors by a precipitous or unplanned separation in the short term and that all parties will not be prejudiced and indeed likely will benefit whatever the ultimate outcome, by continuation of the stay for the period requested.

BACKGROUND

7. The Applicants included in the Initial Order consist of, amongst others, Ivaco, Ivaco Rolling Mills Inc. ("IRM"), Ifastgroupe Inc. ("Ifastgroupe"), IFC (Fasteners) Inc. ("IFC"), and Docap (1985) Corporation ("Docap"). The related limited partnerships have also been granted protection under the Initial Order.

8. The Applicants produce steel and fabricated steel products from manufacturing and distribution facilities in Ingersoll, Mississauga and L'Orignal, Ontario and Marieville, Quebec. They employ approximately 2,400 employees and conduct regular business with over 2,000 suppliers. The Companies' modern steel operations include Canada's largest rod mill in L'Orignal, Ontario, which has a rated production capacity of 900,000 tons of wire rods per annum. In addition, their fabricated steel products operations in Canada have a rated production capacity of approximately 350,000 tons per annum of wire, wire products and processed rod, and over 175,000 tons per annum of fastener products. Attached as Appendix 1 is a summary of the various types of transactions normally entered into between the three main legal entities, Ivaco, IRM and Ifastgroupe.

9. The Companies' performance and liquidity declined in 2003 due to a variety of different factors, including, but not limited to:

- Currency: significant strengthening of the Canadian dollar versus the U.S. dollar since the beginning of 2003. The Companies sell a substantial amount of product to customers in the U.S. based on U.S. dollar pricing while most of their costs are incurred in Canadian dollars;

- Anti-dumping: up-front U.S. anti-dumping duty deposits of 9.9% on certain wire rod products;

- Operating costs: increase in scrap metal prices and energy costs;

- Labour: increased labour costs in IRM and Sivaco Wire Group due to new contracts in the fourth quarter of 2002; and

- Pension: substantial pension and other legacy costs at the corporate (Ivaco) level.

INITIATION OF FOREIGN PROCEEDINGS

10. Pursuant to the terms of the Initial Order, the Monitor was appointed the Foreign Representative of the Applicants and was authorized, directed and empowered to apply to any other Court in any other jurisdiction for an order recognizing this proceeding or to take such steps, actions or proceedings as may be necessary or desirable for the receipt, preservation, protection, maintenance or disposal of all or any part of the property of the Applicants.

11. Immediately after the Initial Order was made, the Monitor sought and received interim recognition of these CCAA proceedings under Section 304 of the United States Bankruptcy Code in the form of a Temporary Restraining Order ("TRO") enjoining any party from taking any action against the assets or operations of the Applicants situated in the U.S. The TRO granted by the Honourable Judge Steven Rhodes of the United States Bankruptcy Court for the Eastern District of Michigan, a copy of which is attached as Appendix 2, provided for a second hearing on September 29, 2003, at which the Monitor sought and received a Preliminary Injunction Order ("PIO") that continued the stay of proceedings pending a full hearing, which has been scheduled for October 27, 2003. A copy of the PIO is attached as Appendix 3. The PIO does not purport to extend to the U.S. Government and its agencies as a result of their sovereign immunity.

12. Pursuant to the TRO, service thereof was commenced immediately to all known persons believed to be potential United States creditors of the Applicants, to the Office of the United States Trustee for the Eastern District of Michigan and to counsel appearing in this case.

13. The Applicants intend to initiate Chapter 7 proceedings for Atlantic Steel Company U.S. and its subsidiaries shortly.

NOTICE TO CREDITORS

14. Pursuant to the Initial Order, the Monitor mailed a copy of the Initial Order to all known creditors of the Applicants except employees and those owed less than $5,000 within ten business days of the entry of the Initial Order. A copy of the cover letter included in the mailing is attached as Appendix 4.

15. The Monitor continues to provide mailings to creditors as they are identified. Former employees who are in receipt of benefits from the company have been identified as creditors who may meet the $5,000 threshold and the Monitor, with the assistance of the Companies, is compiling their addresses for mailings.

16. The Monitor has posted (or is in the process of posting) the Initial Order, the TRO and PIO as well as the reports of the Monitor filed to date on its website (www.ey.com/ca/ivaco). The Monitor intends to post court orders and its reports on this website throughout these proceedings.

17. The Monitor has also established a toll-free telephone number (1-866-259-1420) to allow creditors and other interested parties in Canada and the U.S. to contact the Monitor to obtain additional information concerning these and the foreign proceedings.

BANKING AND OPERATIONS

General

18. To date, the Companies have provided the Monitor with full co-operation and unrestricted access to their premises, books and records. The Monitor has implemented procedures for the daily monitoring of receipts and disbursements and is working with the Applicants' management to prepare a weekly comparison

and variance analysis of actual results against the cash flow forecast filed with this Honourable Court from time to time.

Overview

19. Since the commencement of the CCAA proceedings, the Applicants have faced continual difficulties while they worked to stabilize their operations. Despite this, the Applicants have been able to "keep the lights on" but not without some disruption to their regular business activities.

20. While there have been numerous issues with certain critical goods and service providers, the Applicants have maintained the integrity and functionality of their various businesses. Management has been in discussions with suppliers to attempt to stabilize the business and to negotiate credit terms under which suppliers will provide goods and services during the stay period. In general, the Applicants have asked their Canadian and U.S. suppliers to provide credit terms as provided in contractual agreements or, where no contractual terms are specified, the level of credit provided by the supplier prior to the filing.

21. Although certain of the Companies' suppliers have agreed to extend credit, a significant number of the key suppliers have either requested cash on delivery, security deposits in the form of cash and/or letters of credit, prepayments, or shortened payment terms of one to two weeks. This has resulted in a significant strain on available cash resources.

22. In addition, the extreme difficulties encountered with the Applicants' banking arrangements have resulted in a further strain on the Companies' cash management system and available cash resources. They have also forced the Applicants to adjust production schedules to make use of limited raw materials on hand. This may have eroded customer sales due to periodic inability to fill orders at the same rate as in the past.

23. The Monitor's first and second reports provided a detailed report on the state of the Applicants' banking since the granting of the initial stay of proceedings. In part, the purpose of this Report is to provide a status report with respect to the Applicants' current banking and cash management operations and to describe the effects of such operations on the level of the Applicants' DIP borrowings, receipt and disbursement activities and progress towards meeting the second stage conditions as set out in the DIP Commitment Letters.

Banking

24. Prior to the commencement of these proceedings, IRM's banking services were provided by Bank of Nova Scotia ("Scotia Bank"). Since September 16, 2003, Scotia Bank has continued to provide limited banking services to IRM. In particular, Scotia Bank allowed IRM to deposit cheques and receive wire transfers into new U.S. and Canadian dollar accounts which Scotia Bank had established. Although Scotia Bank accepted cheques for deposit to IRM's account, Scotia Bank was not prepared to provide value to IRM for such deposits without protection for charge-backs and other risks. Accordingly, on September 29th, 2003 Scotia Bank, GE and IRM entered into an indemnity agreement whereby Scotia Bank allowed all of the funds in IRM's Scotia Bank account to be swept by GE as a reduction of its DIP loan. The transfer of these funds on September 30th, 2003 provided over $5 million of liquidity to IRM.

25. Some wire transfers have been received into IRM's account at Scotia Bank since the indemnity agreement was executed; Scotia Bank has provided value for these funds. IRM continues to disburse funds from its accounts at Scotia Bank by way of cheques and wires as it has no other disbursement facility available to it at this time. IRM's payroll services are also provided by Scotia Bank.

26. Prior to the CCAA filing, Ifastgroupe, IFC, Ivaco and Docap's banking services were provided by the National Bank of Canada ("National Bank"). Since

September 16, 2003 National Bank has continued to provide limited banking services, including the processing of payroll through newly established accounts. The only deposit activity to the accounts at National Bank up to October 7, 2003, with the exception of some wire transfers received from customers and subject to the comments below, has been by way of DIP loan advances received by wire transfer from GE.

27. On October 7, 2003, pursuant to the order of this Honourable Court dated October 8, 2003, National Bank agreed that it would provide immediate value for all customer deposits into the Ivaco and Docap accounts.

28. Pursuant to an order of this Honourable Court made September 25, 2003, GE entered into blocked account agreements with Royal Bank in respect of IRM and Ifastgroupe and accordingly, Royal Bank has opened deposit accounts for these entities or their respective divisions. These accounts are only being used for deposit purposes as Royal Bank had not yet established disbursement accounts pending receipt of signature cards and other corporate documents. The first deposits were made to Royal Bank accounts on or about September 26, 2003 and the funds from these accounts were processed in order to pay down the GE loans effective September 29, 2003. This pay down and the sweep of funds by GE in respect of IRM's Scotia Bank account resulted in the first reduction of the Applicants' borrowing from GE since the date of filing.

29. The Applicants' inability to repay GE for such an extended period of time initially resulted in higher than projected borrowings on the DIP, which will likely result in increased interest costs. In addition, the Monitor believes that the disbursement constraints arising from the Applicants' banking crisis have resulted in increased demands for deposits from suppliers, both in number and quantum as the Applicants were not able to respond quickly to payment requests for a number of weeks after the Initial Order was obtained.

30. The present banking arrangements are subjecting the Applicants to the effects of foreign exchange fluctuations without the opportunity to mitigate these effects through their usual treasury management processes. The Applicants have advised the Monitor that the constant exchange of U.S. for Canadian dollars under the DIP and inability to trade are having negative cash flow consequences.

31. On September 26, 2003, Royal Bank established a deposit account in the name of IFC to which approximately $2.6 million was deposited. However, since IFC had been excluded from the list of entities to which the Blocked Account Agreement between GE and Royal Bank pertained, Royal Bank initially refused to execute a Blocked Account Agreement or accept any further deposits into the account. Royal Bank also indicated that it would not establish disbursement accounts for IFC. Furthermore, Royal Bank indicated that it required an indemnity from GE before it would allow the balance of $2.6 million in the account to be swept by GE on a one-time basis.

32. On October 7, 2003, Royal Bank agreed in principle to enter into a Blocked Account Agreement in respect of IFC, which was approved by this Honourable Court on October 8, 2003. This resulted in the Applicants being permitted to deposit the remaining customer receipts of approximately $2.9 million into the account in order for it to be swept by GE as a further reduction of its loan.

33. Ivaco and Docap are not borrowers under the GE DIP Facility and as a result Royal Bank would not agree to open accounts for them. Royal Bank's decision, combined with the difficulties the Applicants experienced, as discussed in the First and Second Monitor's Reports, have resulted in over $7.0 million of customer receipts for Ivaco and Docap being held pending an opportunity to deposit them and receive value. This amount is significant as it would repay a significant portion of Ivaco's indebtedness to IRM and Ifastgroupe under its internal DIP. This constraint on liquidity has resulted in Ivaco paying for

approximately $1,000,000 of its inter-company purchases from IRM by endorsing cheques to a supplier of IRM.

34. Royal Bank indicated that its concerns regarding the establishment of Ivaco and Docap accounts related to a number of concerns with respect to third party claims, fraudulent items being passed through the accounts and the return of items after the expiry of GE's indemnity. In response, the Applicants sought to continue the banking relationship with National Bank in respect of Ivaco and Docap. National Bank indicated that although it had similar concerns as Royal Bank, it was prepared to take a Court-ordered First Priority Charge over the assets of Ivaco and Docap and, in return, would provide banking services for these Companies. Accordingly, on October 8, 2003, this Honourable Court approved a superpriority in favour of National Bank to allow it to continue to provide banking services to Ivaco and Docap.

Customers

35. Immediately upon the issuance of the Initial Order, the Applicants implemented a communication plan advising their customers that the CCAA filing would not impact the Applicants' commitments to their customers and their day-to-day operations.

36. The Companies continue to be in regular contact with key customers to assure them that all customer programs, including volume rebate programs, continue to be respected during these proceedings.

Vendors

37. Upon the issuance of the Initial Order, the Applicants contacted their major suppliers to advise them of the CCAA and U.S. proceedings. The Companies, with the assistance of the Monitor, continue to promptly address supplier concerns to ensure an orderly and cohesive communication strategy with suppliers.

38. The communication with suppliers addressed supplier concerns with respect to pre-filing arrears and arrangements to ensure the continued flow of goods and services, as well as continued performance by suppliers under existing contracts.

39. Paragraph 13 of the Initial Order directs the Applicants, except as otherwise provided in the Initial Order, to make no payments, whether of principal, interest thereon or otherwise, on account of amounts owing by the Applicants to any of its creditors as of the date of the Initial Order. Paragraph 15 of the Initial Order provides that the Applicants shall be entitled, but not required, to pay all reasonable expenses incurred by it in carrying on its business prior to and after the date of the Initial Order. To date, except as discussed below, the Applicants have not made any payments of pre-filing liabilities.

<u>QIT</u>

40. QIT is the most significant raw material supplier to IRM and was owed approximately $62 million at September 16, 2003. Prior to the filing, IRM contacted QIT to advise it of the plan to initiate these CCAA proceedings and to negotiate terms to ensure that there would be no disruption to the continued supply of goods after the filing.

41. The Applicants and the Monitor continue to have regular contact with QIT, updating it on the status of operational issues and anticipated timing of completion of the Applicants' business plan. To date, QIT has continued to support IRM with the daily supply of steel billets on a strict cash-on-delivery basis. In the past QIT would produce product and hold it on consignment until IRM required the product. Recently, QIT has refused to produce product unless IRM paid for the entire order resulting in IRM having to purchase more inventory than required to meet its immediate needs. This has caused a greater than anticipated cash outflow in the near term. IRM is in discussions with QIT with a view to rectifying this situation.

Major Utility Providers

42. The Companies have key relationships with various providers of natural gas and electricity including BP Canada Energy Company ("BP"), Bruce Power LP ("Bruce"), and the Independent Electricity Market Operator ("IMO"). A brief discussion on the status of each service provider is given below:

BP

43. BP provides natural gas to Ivaco, IRM and Ifastgroupe at their various locations. Immediately upon the commencement of these proceedings, the Applicants contacted BP to negotiate arrangements for the continued supply of natural gas post-filing. The Companies were successful in structuring a payment plan with BP for the continued supply of natural gas provided that they pay for the supply of natural gas in advance of it being delivered. To date, the Companies have made all weekly payments in accordance with the payment schedule agreed to with BP.

Bruce Power

44. Bruce operates the Bruce Nuclear Generating Station in Kincardine, Ontario. Bruce is a counterparty to one of the Applicants' electricity supply contracts which is considered, pursuant to Section 11.1 (1) of the CCAA, to be an eligible financial contract. Immediately following the commencement of these proceedings, Bruce effectively terminated the agreement by de-scheduling the supply of electricity that it had previously provided through the IMO. As a result, the Applicants were forced to purchase electricity directly from the IMO without the benefit of any protection against rising commodity prices in the market.

45. Throughout these proceedings and with the assistance of the Monitor and the Companies' legal counsel, the Applicants have continued to negotiate with Bruce

with a view of entering into a new fixed price contract to protect against unfavourable fluctuations within the electricity market.

46. On October 2, 2003, the Applicants finalized their discussions with Bruce culminating in a new contract for the post-filing period from September 25 2003 to April 30, 2004 for a minimum quantity of electricity at a fixed price. In accordance with the new contract, the Applicants will be required to pay Bruce for their electricity usage, weekly in advance. They are also required to provide Bruce with a letter of credit in the amount of $1 million as performance security under the contract. Based on prior experience, the Applicants believe that it is in their best interest to enter into a short-term fixed price contract, especially during the winter months when electricity prices tend to fluctuate the most.

IMO

47. As a result of the de-scheduling by Bruce of the Applicants' electricity usage for the period subsequent to September 16, 2003, their electricity consumption in Ontario automatically reverted back to the IMO. Notwithstanding that the IMO holds security in the form of a pre-filing letter of credit in the amount of $2 million, the electricity usage from the date of the de-scheduling to September 25, 2003 elevated the monthly consumption over the trading limit of $803,000 set by the IMO. This resulted in the IMO issuing a margin call to the Applicants for the value of the excess consumption over and above the trading limit, which was estimated to be approximately $500,000 as at October 2, 2003.

48. With the assistance of the Monitor, the Applicants entered into discussions with the IMO to establish an acceptable post-filing arrangement. It is anticipated that the Applicants will be required to provide immediate payment to the IMO in the approximate amount of $200,000 to bring the exposure below the trading limit.

49. On a go-forward basis, with a minimum amount of electricity being purchased from Bruce, it is projected that the Applicants will stay within the pre-determined

trading limit and will only be required to provide monthly payments in arrears to the IMO.

Employee Related Matters

50. Paragraph 15 (e) of the Initial Order provides that the Applicants are entitled but not obliged to pay all outstanding and future wages, salaries, employee and pension benefits, employee retirement plans, vacation pay and other like amounts to present or future employees and present or future officers and directors. The Applicants have made employee related payments on a business as usual basis, except as noted below.

Severance and termination payment

51. On September 25, 2003, the Companies eliminated approximately 115 jobs from the Sivaco Quebec division of Ivaco. No severance or termination payments were made to any of the employees. These obligations will likely be dealt with when a plan of arrangement is ultimately filed.

Employee benefits to retirees

52. Effective immediately after obtaining the Initial Order, the Companies ceased making any supplementary and unfunded pension payments to, and terminated benefits in respect of, all former employees and officers of the Companies. These obligations will likely be dealt with when a plan of arrangement is ultimately filed.

United States Customs

53. On September 25, 2003, the Applicants were advised by their customs broker that U.S. Customs had refused to allow shipments to enter the United States due to pre-filing arrears owing to U.S. Customs in the amount of approximately U.S.$250,000. As well, U.S. Customs demanded that the Applicants make

immediate arrangements to deposit an additional surety bond in the amount of U.S.$250,000 (in addition to the U.S.$200,000 surety bond already in place).

54. The Applicants, with the assistance of the Monitor and the Applicants' Canadian and U.S. counsel, contacted U.S. Customs to advise them of the CCAA and U.S. proceedings. U.S. Customs advised that it believed that it was not stayed by either of the Initial Order or the U.S. Section 304 proceedings.

55. Based on the advice of legal counsel with respect to the U.S. Government's sovereign immunity in a Section 304 proceeding, and with the Monitor's consent, the Applicants made immediate arrangements for payment of pre-filing arrears in the amount of U.S.$250,000 to their customs broker, who in turn paid U.S. Customs. Following receipt of payment, U.S. Customs advised the Applicants that it would allow the Applicants' shipments to enter into the United States. As a result of the border closure, there was a delay in shipments to certain customers in the U.S.

56. On advice of Canadian and U.S. legal counsel, the Applicants and Monitor consented to amendments in the PIO obtained in the Section 304 proceedings, the effect of which was to carve out the U.S. Government and its agencies from any stay of proceedings.

<u>Insurance Related Matters</u>

57. Prior to its filing pursuant to the CCAA, the Applicants entered into Insurance Premium Finance Contracts with CAFO Inc. in respect of its three insurance policies. These include the following policies:

- Umbrella, including auto, casualty and excess director and officer claims, expiring May 31, 2004;
- Property expiring September 30, 2003; and

- Executive Risk, in respect of claims against directors and officers, expiring June 30, 2004.

58. Immediately following the commencement of these proceedings and in accordance with paragraph 13 of the Initial Order, the Applicants ceased making payments to CAFO on account of principal and interest in respect of the three aforementioned policies.

59. Subsequently, CAFO, through its legal counsel, contacted the Applicants to advise that it would be bringing a motion to this Honourable Court, to have the Court confirm, amongst other things, that CAFO is a secured creditor in respect of return premiums and that CAFO be authorized to terminate the said policies and obtain the return premiums.

60. The Applicants with the assistance of its legal counsel and the Monitor assembled responding motion material, including affidavits from Mr. Hugh Blakely and Keyvan Nessiry of Brouillette Charpentier Fortin..

61. The affidavit of the independent legal counsel confirms, amongst other things, that based on his review of the Insurance Premium Finance Contracts and a search of the Register of Personal and Movable Real Rights (Québec), no registration of any kind exists against Ivaco in favour of CAFO.

62. Furthermore, the opinion of the independent counsel indicated that even if CAFO had a valid security affecting the Collateral under the laws of the Province of Québec, the priority of such security would be subordinated to any security in favour of Ivaco's other secured creditors (such as hypothecs in favour of National Bank Trust Inc. securing up to $80 Million dollars of obligations).

63. The application was heard on October 9, 2003 and the decision is under reserve. In the interim, the Applicants continue to not make any payments to CAFO in respect of its pre-filing arrears or post-filing principal and interest payments.

64. As indicated above, the Applicants' insurance policy in respect of all of their property expired on September 30, 2003. The Applicants, through their insurance broker obtained a one-year renewal of its property insurance for the period from October 1, 2003 to September 30, 2004 at rates below the prior year's premium. The Applicants have entered into discussions with another finance company for the financing of the related premium of approximately $3.4 million.

Operating Results

65. The interim financial statements for the quarter ended September 30, 2003 are in the process of being prepared by management.

Inter-Company Transactions

66. The Monitor is conducting a preliminary review of the pricing and terms of inter-company sales and purchases. Based on its review to date, the Monitor believes that the inter-company prices for steel products are established based on market benchmarks and third party sales.In the three weeks following the initiation of these proceedings ended October 3, 2003, IRM made inter-company sales totalling $3.7 million to Ivaco (Sivaco) and $2.2 million to Ifastgroupe. Because of the Applicants' banking problems, receipt of payment for these sales has been delayed by approximately one week relative to the C.O.D. policy established pursuant to the Initial Order. With the recent resolution of the bank issues, the Applicants are attempting to remedy these timing issues as quickly as possible. Payments made to IRM as at October 3, 2003 are $3.1 million from Ivaco and $1.6 million from Ifastgroupe.

67. During this three week period, Ivaco (Sivaco-Ontario) made inter-company sales totalling $252,000 to Ifastgroupe and $129,000 to IRM.

68. In addition, Ivaco paid utility bills amounting to approximately $1.3 million. The allocation of these utility expenses to IRM and Ifastgroupe would represent

amounts of $744,000 and $166,000. Now that the Applicants' have resolved their banking problems, it is expected that IRM and Ifastgroupe will reimburse Ivaco for their share of the utilities shortly.

Short Term Risks in Breaking Up Inter-Company Relationships

69. The Monitor has reviewed with management and UBS Securities LLC Canada ("UBS") the important inter-company operational relationships between the different corporate entities to assess the immediate implications to each legal entity of a termination of each significant relationship. Based on its assessment to date, the Monitor believes that there would be significant disruption to IRM's and Ifastgroupe's operations in the near term if their ongoing dealings with the other major affiliates were terminated or curtailed. The Monitor cannot yet reach a conclusion as to the long term operational or value implications for any entity in such a scenario because the Applicants' business plan and comprehensive financial model are still being developed (for the reasons described elsewhere in this Report).

70. The Monitor has arrived at its conclusion as a result of the following facts and considerations:

a. Ivaco (ie. Sivaco Ontario and Sivaco Quebec) accounts for approximately 17% of IRM's sales. The Monitor has conducted a preliminary review of the pricing of these sales and, based on the information available to date, it appears that these sales are priced in a manner that is generally consistent with IRM's pricing to its arm's – length customers;

b. The short term response of IRM to the loss of this customer base would likely be to either attempt to increase sales volumes elsewhere in Canada and the U.S. or to reduce production to meet reduced demand. The Applicants are of the view that the Canadian wire rod market is largely saturated, leaving only the U.S. market in the near term. Sales to the U.S.

market would take some period of time to ramp up, and in any event, would attract the 9.9% anti-dumping duty. To the extent that there are cost increases arising from this shifting of sales, this increase may limit IRM's ability to recover the dumping duties paid to date.

c. Given the high fixed costs in IRM's structure, reducing output to match demand would drive cost per ton to uneconomical levels in the short and medium term. The Applicants are developing a plan to make IRM viable in the long term at lower production volumes (both as a contingency plan as well as a strategic option); however, this plan is still in process and when completed would take several (ie. six or more) months to implement sufficiently to return IRM to profitability;

d. Ifastgroupe purchases over 75 percent of its raw material (wire rods) from IRM. This reliance is projected to increase in future years. IRM provides Ifastgroupe with high quality product in special grades, qualities and sizes on a just in time basis to enable Ifastgroupe to be responsive to its customer needs. In the short and medium term, any alternative source of supply would require significantly longer lead times and would result in higher costs and/or working capital requirements and a much reduced customer order fill rate.

e. Ivaco (corporate) provides the following services to IRM and Ifastgroupe that would not be readily replaceable in the short term:

    i. Consultation on health and safety and industrial hygiene matters including audits, providing information and training of personnel to ensure compliance with all regulations;

    ii. Design, inception, maintenance, administration and communication of the pension and group insurance employee benefits plans;

iii. Consultation on the administration of the various collective agreements including the coordination of labour negotiations;

iv. Consultation on environmental matters including audits and providing information and training of personnel to ensure compliance with all environmental regulations;

v. Administration of corporate credit and negotiation of credit insurance contracts;

vi. Tax planning and management;

vii. Organization and participation in various policies, guidelines and programs related to staff training, employee assistance, personnel administration and implementation of pay equity procedures;

viii. Negotiation of insurance contracts and the negotiations and settlement of insurance claims;

ix. Legal and secretarial services of in-house legal department; and

x. Consultation on accounting matters.

<u>Allocation of Corporate Overhead</u>

71. The Monitor has reviewed the composition of corporate costs incurred at Ivaco to support the operations of IRM and Ifastgroupe. The corporate costs include such items as payroll and related costs for over 40 employees, rent, information technology suppliers, professional fees and other costs related to corporate function.

72. Based on the review of the underlying costs, the Monitor proposed a methodology to allocate corporate and restructuring costs that cannot be directly allocated to individual entities. This methodology is described below.

73. The indirect allocation is based on number of employees, debt and sales. These are proxies for complexity, effort required and value added. Based on statistics provided by the Applicants at the time of filing, the Monitor gave the aforementioned proxies equal weight in establishing indirect allocation percentages. The Applicants and the Monitor will review these percentages periodically. This is summarized below:

Entity	Percentage
IRM	40%
Ifastgroupe	32%
Ivaco	28%
	100%

74. For the three week period ended October 3, 2003, Ivaco has only disbursed $273,000 with respect to corporate costs. The budget for the same period provided for corporate costs of $2.1 million. The actual disbursements have been allocated as follows: $109,000 to IRM and $87,000 to Ifastgroupe. The Applicants expect to pay these inter-company amounts in accordance with the Initial Order shortly.

75. For the three week period ended October 3, 2003, the Applicants have only disbursed $573,000 of professional fees. The budget for the same period provided for professional fees of $3.1 million. The actual disbursements have been allocated as follows: $228,000 to IRM and $183,000 to Ifastgroupe. The Applicants expect to pay these inter-company amounts in accordance with the Initial Order shortly.

76. Corporate disbursements to date have been significantly reduced as all efforts have been put into the restructuring and hence expenditures other than for payroll have been curtailed significantly.

77. Certain corporate costs can be directly attributed to individual entities and these costs are allocated using the bases determined by the Companies. The most significant of these are insurance costs and information technology costs.

78. Insurance is a significant component of corporate costs. Insurance coverage and the payment stream therefore, is subject to resolution as outlined in this report and accordingly, the allocation of payments may be subject to change. The ratios established from the Companies' detailed insurance analysis used to allocate costs in the initial cash flow are used in the current projections.

Anti-dumping Administrative Review

79. The Applicants have retained Hunton & Williams LLP, a U.S. law firm, to begin an administrative review of the Applicants' anti-dumping guidelines in an effort to recover as much of the U.S. $15 million ($7.6 million of anti-dumping deposits and surety bond of $7.4 million) of duties paid to date as possible.

80. The scope of their review will include the following:

- An anti-dumping administrative review of certain carbon and alloy wire rod from Canada;
- An appeal to the Bi-National Panel of the final determination of the International Trade Commission's concerning certain carbon and alloy wire rod; and
- General trade related matters.

RESTRUCTURING ACTIVITIES

Appointment of Chief Restructuring Officer

81. Upon filing for CCAA protection, the Applicants announced that Gordon Silverman had relinquished his day-to-day responsibilities as Vice-President and

General Manager of IRM and had been appointed as the Chief Restructuring Officer (the "CRO") to focus on the Applicants' restructuring.

82. The Applicants have also established an independent committee of the Ivaco Board to oversee the restructuring. The committee is comprised of four non-executive Board members to whom Mr. Silverman reports. The members are Pierre Coté, William Cullens, Donald MacNaughton and Gaston Pelletier. The independent committee has retained independent legal counsel to advise it during the restructuring process.

83. At the outset of these proceedings, the Applicants advised their largest stakeholders that they believed the existing management team, lead by Mr. Silverman as CRO and supported by UBS as financial advisor, was appropriately skilled and knowledgeable to lead the Applicants through the restructuring. The Monitor has no basis upon which to disagree with this view. However, from the beginning of the restructuring, the largest creditor groups have repeatedly expressed grave concerns over the absence of an external CRO with experience in large, complex CCAA proceedings. The Monitor and the Applicants' counsel advised the Applicants that, regardless of the substantive abilities of the existing management team and UBS, the concerns of the stakeholders had to be satisfactorily addressed or else a constructive dialogue and negotiation between the Applicants and their creditors would be impossible.

84. Effective October 1, 2003, the Applicants announced that Ivaco's Board of Directors had had appointed Gordon Silverman as President and CEO and had appointed Mr. Silverman as a director. Mr. Silverman will continue to serve as interim CRO while the Applicants undertake an external search for a CRO experienced in financial restructurings. The Monitor is informed that the independent committee is actively pursuing its search for an appropriate CRO.

Closure of U.S. Operations

85. On September 16, 2003, the Applicants announced that their U.S. manufacturing operations were being discontinued.

86. The Monitor has been advised that the company has engaged the law firm of Ellengerg, Ogier & Rothschild P.C. of Atlanta, Georgia in connection with its Chapter 7 case.

87. The Applicants have informed the Monitor of their intention to place the Atlantic Steel Company and its subsidiaries under Chapter 7. It is expected that these filings will occur shortly.

Employee Layoffs

88. On September 25, 2003, Ivaco announced that its Sivaco Quebec division in Marieville, Quebec would eliminate approximately 115 jobs as part of Ivaco's restructuring efforts. The process began immediately with approximately half of the job reductions achieved through attrition as certain employees elected early retirement.

PREPARATION OF BUSINESS PLAN

89. The Applicants are currently preparing a comprehensive business plan with the advice and assistance of their financial advisor, UBS. The business plan will reflect the Applicants' expectation of future operating performance during and after the CCAA process and will be used as a tool to explore the ways of determining and unlocking value in the Applicants' various operations. The Monitor has been told that this analysis will include a thorough review of each entity's value on its own as well as a comparison to its value within the existing group structure.

90. UBS and the Applicants' corporate and divisional management are meeting regularly to develop a methodology to comprehensively project future revenues, cash flows and the underlying cost structure of the business to enable stakeholders to share an accurate view of the best course of action to be taken in the restructuring process. The business plan will include detailed information reflecting the Applicants' expectations of future operating performance for each of the subsidiaries and major divisions on both a combined and stand-alone basis.

91. The recent weakening of the Applicants' results, the complexity of the corporate structure and the number of divisions and subsidiaries involved has resulted in a complex process, but a process which is essential to establishing a realistic assessment of restructuring alternatives.

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Actual Cash Flow and Variance Analysis

92. Attached as Appendix 5 to this Report is a summary of the Applicants' receipts and disbursements from September 16, 2003 to October 3, 2003 along with the Monitor's analysis of variances from the cash flow projections filed with the initial application. The Applicants had consolidated net cash outflow of approximately $4.3 for the period from September 16, 2003 to October 3, 2003, compared to the initial projections which reflected total outflows of approximately $8.3 million.

93. The actual and projected cash flows for the period from September 16, 2003 to October 3, 2003 were as follows (in thousands):

Entity	Actual Net Inflow (Net Outflow)	Projected Net Inflow (Net Outflow)	Variance
Ivaco	199	(4,391)	4,590

Entity	Actual Net Inflow (Net Outflow)	Projected Net Inflow (Net Outflow)	Variance
IRM	(1,844)	(3,832)	1,988
Ifastgroupe	5,897	(34)	931
Docap	-------	(39)	39
Total	4,252	(8,296)	12,548

Overall, the Applicants experienced a favourable cash flow variance of $12.5 million, however, this variance arose primarily as the Applicants delayed or deferred payments as a result of banking difficulties.

Sales Analysis

94. The Monitor has reviewed post filing sales performance with management to assess any top line deterioration resulting from the CCAA filing or the market uncertainty created by the Applicants' banking difficulties. Management has advised that deliveries were delayed during the period following the filing as a result of transportation issues, customs issues and raw material supply. The impact of these delays has been considered in the revised cash flow forecast.

Cash Flow Forecast

95. Attached as Appendix 6 to this Report is a copy of the cash flow forecasts for the period from October 4, 2003 to December 26, 2003 as prepared by the Applicants, with the assistance of the Monitor. Management has updated these forecasts based on most current information, taking into consideration events that have occurred post filing.

96. The cash flow projection indicates that the Applicants expect to have consolidated net cash inflow of approximately \$8.3M for the period from October 4, 2003 to December 26, 2003, resulting in revised DIP requirements as discussed below. The material changes in the cash flow forecasts, as compared to those initially filed by the Applicants, are an increase of \$1.6M in IRM's cash needs primarily due to an increase in raw material costs and a decrease in Ifastgroupe's cash needs by \$1.8M as a result of updated estimates of post-petition costs.

<u>Accrued Liabilities</u>

97. In addition, since the Initial Order, the Applicants incurred various post-filing liabilities in respect of obligations resulting from commitments, purchase orders, utilities, salary and employee costs and professional fees ("Post-filing Accrued Liabilities").

STATUS OF DIP FINANCING

98. In the period immediately preceding the Initial Application, Ivaco conducted a process to obtain debtor-in-possession ("DIP") financing. The Applicants approached four prospective lenders and received formal offers from two of these. The Applicants entered into negotiations with two parties, a Canadian bank and GE. As set out in more detail in the Affidavit of Hugh W. Blakely, sworn September 15, 2003, these negotiations culminated in the selection of GE to act as Ivaco's DIP lender pursuant to the (GE) Dip Term Sheets, as defined (and approved) in the Initial Order.

99. By Order of this Honourable Court, the borrowings under the DIP facility were limited to a total of \$14.0 million. The total borrowings in the DIP have been near or at the maximum of this court-imposed limit since September 26, 2003 in large part due to the banking difficulties described above. At October 3, 2003 the amounts outstanding under the DIP facilities, internal and external, were as follows:

Entity	DIP Balance	Sub DIP to Ivaco	Sub DIP to Docap
IRM	6.6 million	1.1 million	
Ifastgroupe	6.0 million	5.5 million	
Ivaco	--------	-------	0.4 million
Total	12.6 million	6.6 million	0.4 million

100. Most of the IRM DIP borrowings at October 3, 2003 have been incurred to fund IRM's own cash needs, whereas a significant amount of Ifastgroupe's DIP borrowings have been lent on to Ivaco. As noted in the cash flow forecast for the period ending December 26, 2003, the Ivaco DIP balance is forecast to be reduced. This reduction is a result of the liquidity provided by the opening of the Ivaco and Docap bank account.

101. The Applicants' cash flow forecast indicates that IRM requires a maximum DIP limit of approximately $11.5 million during the period ended December 26, 2003. The maximum projected DIP limit proposed for Ifastgroupe during this period is $3.5 million.

102. The IRM DIP requirement is attributable in part to IRM's requirement to make deposits with significant suppliers. Ivaco requires a maximum DIP limit of $5 million. Ivaco's DIP requirements are projected to be advanced equally by IRM and Ifastgroupe within their respective DIP limits.

INFORMATION REQUESTS FROM STAKEHOLDERS

103. To date, the Applicants and the Monitor have received six detailed requests for information from various stakeholders. The Applicants, with the assistance of their legal counsel and the Monitor, have formally responded to all of the requests

in part or in whole and are in the process of establishing a protocol in order to respond to future information requests in an efficient and timely manner. With the assistance of the Monitor, the Applicants intend to implement a bi-weekly reporting protocol to provide stakeholders with relevant information that can be readily produced on a timely basis. The current intention is that this reporting would include the following:

a) an actual to budget results analysis of cash flows by week,

b) a summary of DIP borrowings by entity;

c) a flash report on operations at each major entity.

104. In accordance with the wishes of this Honourable Court, the Monitor will ensure that all future information requests received by the Applicants together with the responses thereto will be distributed to the service list, subject to any bona fide confidentiality or disclosure concerns raised by the Applicants.

105. On October 3, 2003, Hugh Blakely, Vice-President Finance of Ivaco was examined on his affidavit sworn in support of the Applicants' initial application in these proceedings by representatives of various creditors. The Monitor has coordinated with the Applicants to ensure that the undertakings given at Mr. Blakely's examination were fulfilled as quickly as possible.

PENSION PLANS AND OTHER RETIREMENT BENEFITS

106. The Companies have 16 pension plans in place for the various entities including three U.S. pension plans. The Monitor has completed a preliminary review of the status of each of these pension plans, a copy of which is attached at Appendix 6. Based on information provided by management and using the most current actuarial reports, all pension plans were in deficit positions as of the valuation date, with varying deficit levels from one pension plan to another. In total, for the

Canadian and U.S. pension plans, the Companies have a solvency deficit of approximately $90 million and U.S. $59 million (before consideration of a U.S. $20 million cash collateral held by Wilmington Trust).

ESTIMATED DIRECTORS' AND OFFICERS' LIABILITIES

107. The Applicants prepared an estimate of the directors' and officers' exposure to statutory liabilities at the time of the initial application, with assistance from EYI. This analysis is summarized at Appendix 7.

108. The Applicants are preparing an updated analysis. If it is available in time, the Monitor will make a supplemental report thereon by October 15, 2003.

IVACO INC. LIQUIDATION ANALYSIS

109. Attached as Appendix Y to the affidavit of Hugh W. Blakely sworn September 15, 2003 was an Estimated Draft Liquidation Analysis for Ivaco as at September 9, 2003 prepared by EYI. EYI completed this preliminary analysis with the assistance of management utilizing third-party appraisals of the equipment and inventory that had been previously been prepared for management. The liquidation estimates for accounts receivable were based on initial discussions with management and reflected the existence of accounts receivable insurance of 85% of the accounts. Since the entry of the Initial Order, the Monitor has had an opportunity to review additional supporting documentation provided by management, including external opinions of value on the various real estate assets and more detailed accounts receivable information.

110. Based on this more current information, the Monitor believes that further analysis is warranted and intends to prepare a more formal analysis as appropriate and required.

IMT CORPORATION

111. IMT Corporation ("IMT") is a wholly owned subsidiary of Ivaco. With operations in Ingersoll and Port Colbourne, Ontario, it manufactures high quality precision machined components for the travel-trailer, original equipment manufacturing and defence industries.

112. At the time of the initiation of these proceedings, IMT owed its principal secured lender, Canadian Imperial Bank of Commerce ("CIBC") approximately $12 million and was near the limit of its authorized facility.

113. The Applicants, their counsel and the Monitor met with CIBC immediately prior to the commencement of these proceedings to discuss IMT's short-term cash flow projections and business activities. CIBC indicated that it was prepared to work with the Applicants and IMT outside of a CCAA proceeding to assess IMT's future financing needs.

114. On the basis of CIBC's short term support, the Applicants did not include IMT in these proceedings. The Applicants and the Monitor have conducted a further review of IMT's business plan and intend to meet with CIBC in the near future to discuss their findings.

APPROVAL FOR THE SALE OF IVACO'S VIRGINIA PROPERTY

115. Prior to the commencement of these CCAA proceedings, Ivaco entered into a Contract of Sale for the sale of 2 certain parcels of real property owned by it located on Meetze Road in the Town of Warrenton, Fauquier County, Virginia, containing approximately 37.5 acres of land for a purchase price of U.S.$4 million. This property is no longer needed for the Applicants' business and has been on the market since 2000.

116. The Contract of Sale was reviewed, amended and approved by the Applicants' legal counsel and provided to the prospective purchaser for their approval and signature. Presently, the Applicants are awaiting the receipt of a revised Contract of Sale. A copy of the Contract is attached as Appendix 9.

117. The Monitor requested and obtained a report from the Applicants' real estate broker, Newmark of Washington, D.C. LLC, a copy of which is attached as Appendix 10. Based on the conclusions reached in the report, it is the Monitor's view that the purchase price being offered for the subject lands appears to be reasonable. Accordingly, the Monitor recommends that the Applicants be authorized to execute the Contract of Sale, substantially in the form attached as Appendix 9. In accordance with the Initial Order, the net proceeds of sale will be held in trust.

REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

118. Pursuant to the Initial Order, the stay period expires October 15, 2003. The Applicants are seeking an extension of the stay period until and including November 14, 2003.

119. An extension to the stay period is necessary for the Applicants to complete their revised business plans and commence negotiations with the creditors, its labour force and the other stakeholders. All of this activity must occur before the Applicants are in a position to fully develop a Plan.

MONITOR'S ANALYSIS AND RECOMMENDATION

120. The Applicants' continuing banking difficulties have consumed the time and attention of most, if not all, of management at both the corporate and operational levels. The corporate management team has spent most of its time since September 16, 2003 attempting to arrange working bank accounts, struggling to move cash to pay employees and critical suppliers and responding to supplier

crises created by the Applicants' inability to honour supplier payment obligations or promises on a timely basis.

121. Management at each of the operating sites has been understandably absorbed in managing the delicate supplier base, which cannot be fully stabilized until effective cash management and banking services have been established. The Monitor has assisted in the Applicants' efforts to stabilize operations and resolve the banking crisis. The Monitor believes that the Applicants are acting diligently and in good faith to resolve the situation as quickly as possible.

122. Despite their banking difficulties, the Applicants have maintained relatively smooth operations at all sites, with some disruption by disgruntled suppliers and no "critical supplier" payments in respect of pre-filing arrears. External customer sales have remained relatively stable during the three weeks since the commencement of these proceedings. IRM has experienced some delays in customer deliveries which has resulted in revenue being deferred.

123. With the assistance of the Monitor, the Applicants have prepared updated cash flow projections to December 26, 2003 for each of Ivaco, IRM, Ifastgroupe and Docap. These projections indicate that, during the forecast period, the entities should be able to operate within the following DIP loan limits:

Millons	**Current limit**	**Estimated Maximum Requirements**	**Increase/Decrease**
IRM	8.0	11.5	3.5
Ivaco	7.0	5.0	(2.0)
Ifastgroupe	6.0	3.5	(2.5)
Docap	1.0	1.0	(0.0)

124. The Monitor recommends that the Applicants' DIP limits be increased as set out in the preceding paragraph.

125. The Applicants and their financial advisor, UBS, are attempting to expedite the completion of the baseline business plan and integrated financial model so as to facilitate the analysis of alternative restructuring options and properly assess the extent to which the various operations and entities are strategically and operationally interdependent.

126. The Monitor has discussed the baseline value implications for the legal entities if they were to operate as separate stand-alone operations with UBS on a preliminary basis. Because it has not completed the baseline financial model yet, UBS is not in a position to quantify the value implications of breaking up the Ivaco group, either from a global or individual stakeholder perspective. That said, the following initial observations can be made:

i. IRM sells a substantial amount , (approximately 17% of total sales), of wire rods to Ivaco (Sivaco Ontario and Sivaco Quebec) and a smaller volume (approximately 9% of total sales) to Ifastgroupe;

ii. The loss of either Ivaco or Ifastgroupe as customers could conceivably have a material effect on IRM's cost per ton, U.S. anti-dumping duties and overall profitability;

iii. Ifastgroupe purchases over 75 percent of its raw material from IRM and is heavily reliant on the overall quality, range of special grades and sizes, and just in time responsiveness provided by IRM;

iv. Certain Companies share staff and allocate payroll. For example, Docap and Ifastgroupe share 30 employees and then allocate and settle costs 90 days later.

127. In addition to the operational issues identified above, the Applicants have undertaken a comprehensive review of the corporate overhead costs incurred at Ivaco and, prior to the commencement of these proceedings, which costs were

allocated to IRM and Ifastgroupe. These costs have been significant in the past, totalling between $15 million and $20 million per annum. They have placed a large burden on Ivaco itself because its ability to recover shared corporate costs from IRM and Ifastgroupe was limited to the contractual management fee (U.S. $1.8 million per annum from each of IRM and Ifastgroupe) and the direct allocation of insurance and information technology costs and taxes. The Applicants have advised the Monitor that the annual management fee due from IRM was waived entirely by Ivaco in each of the last three years.

128. The Applicants have formed a preliminary view that the Sivaco Ontario and Sivaco Quebec divisions of Ivaco will generate positive operating cash flows in the near term. The Applicants are focusing on minimizing the corporate overhead cash burn as aggressively as possible. The Applicants are taking steps to address these costs, including:

	Management's Estimated Annual Savings
❑ Elimination of 10 corporate positions;	$1.5 million
❑ Suspension of all supplementary and unfunded pension programs relating to former employees;	1.5 million
❑ Termination of U.S. operations	2.6 million
❑ Pensions and benefits of retired employees	2.5 million
❑ Atlantic Steel pension payments	6.0 million
	$14.1 million

129. Post filing, the intercompany management fee has been suspended and necessary corporate expenses are being allocated to IRM and Ifastgroupe directly where possible or based on the indirect allocation methodology described above in other instances. The Applicants' revised cash flow projections (including actuals) from September 16 to December 26, 2003 reflect the following allocation of corporate expenses and restructuring costs:

	Corporate Costs	**Restructuring fees and costs**	**Total**
Ivaco	1,058	1,924	2,982
IRM	2,463	2,748	5,211
Ifastgroupe	2,270	2,199	4,469
Total	5,791	6,871	12,662

130. The Monitor is of the view that substantially all of the corporate costs being allocated out of Ivaco represent costs that would be incurred by each subsidiary if they operated on a completely stand alone basis. These costs include property insurance, computer hardware, software and support, employee benefits and other direct expenses that have been consolidated to achieve better rates or economies of scale.

131. The Monitor believes that the Applicants are engaged in a comprehensive, full scope analysis and assessment of all options to restructure and/or sell every part of their business for the benefit of all stakeholders. As part of the process, the Applicants will review all material contracts and leases to identify all restructuring opportunities. The Monitor is of the opinion that, in part because of the banking crisis and the diversion of management attention to address the crisis, the analysis of the expected values to stakeholders in a consolidated business compared to the business as a sum of its parts or in liquidation has not been

sufficiently completed to facilitate a fair and balanced assessment of the alternative restructuring and realization options.

132. The Monitor believes that the Applicants are acting in good faith and with due diligence. The Monitor recommends that this Honourable Court grant the Applicants a thirty day extension in order to permit UBS and management to complete the necessary analysis to allow informed decisions to be made.

133. The Monitor recommends that this Honourable Court approve the sale of the Virginia property as it represents the best available price based on a comprehensive sales process conducted by Newmark of Washington, D.C., LLC.

All of which is respectfully submitted this 9th 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

APPENDIX 1

INTER-COMPANY TRANSACTIONS

The following is an outline of the types of transactions normally entered into between the three main legal entities within the Ivaco group of companies. Inter-company transactions can be characterized into two distinct categories – the purchase or supply of materials or services as a result of the vertical integration of the Applicants and the splitting of invoices for common third party services used at locations where divisions from multiple legal entities reside together. The following focuses on transactions regarding the purchase or supply of materials or services.

IVACO ROLLING MILLS LIMITED PARTNERSHIP ("IRM")

The largest volume of Inter-company transactions within the group of Companies is the sale of wire rod by IRM to divisions of Ivaco and Ifastgroupe. The amount and dollar value of wire rod sold by IRM to each of the other legal entities for the year 2002 was as follows:

LEGAL ENTITY	DIVISION	VOLUME (in tons)	VALUE (in millions)
Ivaco Inc.	Sivaco Ontario	24,760	$13.3
Ivaco Inc.	Sivaco Quebec	152,916	$75.3
Ifastgroupe Limited Partnership	Ingersoll Fasteners	25,214	$14.6
Ifastgroupe Limited Partnership	Infasco	64,628	$35.0
Ifastgroupe Limited Partnership	Infasco Nut	4,424	$ 2.8

Sales to the 5 divisions listed above made up approximately 27% of IRM's sales of wire rod in 2002.

IRM sets the price of wire rod for the related divisions every quarter based on the average price negotiated with external customers for each product. IRM negotiates with the divisions individually using the average price charged externally which has resulted in differences in the prices charged based on the available leverage used by each division. After some initial price comparisons with external suppliers for four grades of rod it was found that IRM's internal prices were at times higher and at times lower than the external supplier.

In addition to providing raw material to the other divisions, IRM repurchases the scrap metal that is a by-product of the other divisions' production processes and uses it to make a lower grade steel billet. Most of the purchases of scrap metal are from the Ifastgroupe. The pricing of the purchases of scrap is based on a baseline price per ton that was established several years ago and fluctuates based on market pricing. However, since the divisions cannot guarantee the quality or volume of the scrap produced, the price paid by IRM is below prevailing market prices for generic grades of scrap. Management advises that the divisions could not readily sell their scrap to external customers for the reasons stated above and the price takes that into account.

During the last 12 months, the total Inter-company scrap purchases by IRM, approximate $1.3 million or 12,000 tons.

IRM also uses the processing services of Sivaco Ontario to process some of its steel rods for resale to third party customers.

IVACO INC.

Corporate

This division represents the Companies' administrative centre. The major activities preformed at the Corporate division as follows:

i. Consultation on health and safety and industrial hygiene matters including audits, providing information and training of personnel to ensure compliance with all regulations;

ii. Design, inception, maintenance, administration and communication of the pension and group insurance employee benefits plans;

iii. Consultation on the administration of the various collective agreements including the coordination of labour negotiations;

iv. Consultation on environmental matters including audits and providing information and training of personnel to ensure compliance with all environmental regulations;

v. Administration of corporate credit and negotiation of credit insurance contracts;

vi. Tax planning and management;

vii. Organization and participation in various policies, guidelines and programs related to staff training, employee assistance, personnel administration and implementation of pay equity procedures;

viii. Negotiation of insurance contracts and the negotiations and settlement of insurance claims;

ix. Legal and secretarial services of in-house legal department; and

x. Consultation on accounting matters.

Certain expenses incurred by this cost-centre are allocated to the other legal entities and divisions based upon the usage of the services provided.

Sivaco Ontario Division ("SO")

A large part of SO's business consists of processing wire rod for a processing fee. The fee approximates market value according to research provided by the Applicants. The tonnage processed for other divisions in 2002 was as follows:

LEGAL ENTITY	DIVISION	VOLUME (in tons)	VALUE (in millions)
Ivaco Rolling Mills Limited Partnership		35,739	$5.1
Ifastgroupe Limited Partnership	Ingersoll Fasteners	40,403	$3.4
Ifastgroupe Limited Partnership	Infasco Nut	7,068	$1.4

Tonnage processed for other divisions usually accounts for 60% of SO's annual processing throughput. It is unlikely that SO would be able to find other customers to replace this tonnage.

SO also purchases raw material from IRM for processing and resale to third party customers.

Sivaco Quebec Division ("SQ")

IRM is SQ's main raw material supplier. In 2002, SQ purchased a small amount of wire rod each month from a third party supplier and found that itsprices were similar to IRM's price per ton.

SQ is a customer of Infasco who processes wire rod for SQ and charges them for the processing based upon Infasco's real cost of processing.

As a result of SQ's operations in Marieville being in close proximity to the Ifastgroupe divisions' operations (Infasco and Galvano), they share the same supplier contracts for electricity, natural gas and other miscellaneous costs. These invoices for the Marieville location are under SQ's name. There is a separate meter for each plant although all of the office space is included on SQ's meter. SQ charges each of the divisions for their share based on the reading of the meter and an allocation of office space square footage.

IFASTGROUPE LIMITED PARTNERSHIP

Ingersoll Fasteners ("Ingersoll")

Ingersoll purchases the majority of its raw material from IRM. There are selected instances where IRM lacks the capability to provide the roddiameter required, resulting in purchases from a competitor supplier but such purchases are nominal with year-to-date figures in the $300,000 range.

Over 95% of Ingersoll's raw material is processed at SO because there is no alternative subcontractor in Canada for this particular type of processing. The remaining 5% is processed by a third party because it uses a higher quality process and have the production flexibility to process one specific coil grade.

The contract for the supply of natural gas to all of Ivaco's operations in Ingersoll (which includes SO and IMT Corporation) is in Ingersoll's name. Ingersoll prorates the monthly invoice based on usage of each individual plant.

<u>Infasco ("Infasco")</u>

Infasco purchases the majority (approximately 75%) of its raw materials from IRM. There are selected instances where IRM lacks the capability to provide the coil diameter required, resulting in purchases from other coil suppliers.

As indicated previously, Infasco shares a number of supplier contracts with SQ and Galvano.

Infasco has most of its galvanizing processing performed by Galvano. This represents annual expenses of $8.1 million. A small portion of galvanizing is performed by a third party for more specialized fasteners.

Infasco also transact with related companies such as IFC and Vermont Fasteners Manufacturing.

<u>Infasco Nut</u>

Infasco Nut purchases only one third of its annual coil purchases from IRM due to the type of coil required. In addition, consumption of steel by Infasco Nut overall has fallen dramatically in recent years as an increasing portion of the division's end product is purchased in semi-finished format from overseas vendors.

Almost 100% of Infasco Nut's supply of unfinished rod are processed at SO.

<u>Galvano</u>

Galvano revenues are substantially all generated by its dealings with Infasco.

Galvano shares a number of supplier contracts with SQ.

<u>IFC (Fasteners) Inc.</u>

IFC holds the sales force for the U.S. The inventory is stored in 8 different independent warehouses in the U.S. and sold from those locations to U.S. customers. Annually, IFC purchases approximately $62.6 million from Infasco.

IFC USA Corp. ("USA")

USA has two divisions: Vermont Fasteners Manufacturing and Distributor Sales and a subsidiary, Vermont Fasteners Sales. A description of their operations follows.

Vermont Fasteners Manufacturing ("VFM")

VFM is a fastener manufacturer located in Vermont. This manufacturing facility was important to the Applicants as it provided the opportunity to obtain U.S. government sponsored projects and large U.S. construction projects. All of VFM's production was sold to Infasco. Annual sales approximated U.S. $20 million.

Further to the initiation of the CCAA proceedings, it has been decided that an orderly liquidation of its inventory and closing of the operations will take place. The shutdown is near completion.

Distributor Sales ("DS")

This operation was sold prior to the CCAA filing. DS was used as a third party warehouse for IFC. Commissions were charged to IFC based on the monthly volume of inventory going to the warehouse.

Vermont Fastener Sales ("VFS")

VFS operates a packaging and shipping operation for the VFM products.

DOCAP CORPORATION

Docap has very limited dealings with other companies within the Ivaco group of companies due to the very different nature of Docap's business. There are only 2 divisions of the Ifastgroupe (Infasco and Infasco Nut) with whom Docap transacts. Docap sells a very limited amount of goods to Infasco Nut. Docap purchases annually approximately $150K worth of fasteners from Infasco. The purchase price is consistent with market as Docap then competes with Infasco to sell the fasteners to the same market of customers.

Docap also reimburses Infasco for almost $900K worth of salary costs each year. These costs relate to a portion of the salaries paid to employees of Docap who work at their Edmonton and Montreal warehouse locations but also provide services to Infasco. Although they are employees of Docap they are processed through Infasco's payroll system and then a portion of the salaries are charged to Infasco and a portion are charged to Docap.

APPENDIX 2

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re:	:	11 U.S.C. § 304
IFC (Fasteners) ~~Ivaco~~ Inc. et al.,	:	Case No. 03-65608-R (Jointly Administered)
Debtors in Foreign Proceeding.	:	Honorable Steven Rhodes

TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE (I) WHY A PRELIMINARY AND PERMANENT INJUNCTION SHOULD NOT BE ENTERED, (II) ESTABLISHING A HEARING WITH RESPECT TO PRELMINARY AND PERMANENT INJUNCTION AND (III) FOR RELATED RELIEF

Upon the Petitions Pursuant to 11 U.S.C. § 304 to Commence a Case Ancillary to a Foreign Proceeding and the Motion Pursuant to Section 304 of the Bankruptcy Code and Rule 7065 of the Bankruptcy Rules for a Temporary Restraining Order ("TRO") and a Preliminary and Permanent Injunction (the "Motion") of Ernst & Young Inc. (the "Petitioner"), the foreign representative of Ivaco Inc. ("Ivaco"), IFC (Fasteners) Inc. ("IFC"), and Ivaco Rolling Mills Limited Partnership ("IRM")[1] for entry of an order enjoining, among other things, the commencement or continuation of any action or proceeding, or the taking of any act against the property of the Companies held in the United States or property involved in the Companies'

1 The petitioners in these section 304 proceedings are Ivaco, IFC, and IRM. The applicants under the Foreign Proceeding are Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC, Ifastgroupe Realty Inc., Docap (1985) Corporation, Florida Sub One Holdings, Inc. ("FSOH"), and 3632610 Canada Inc. Although IRM and Ifastgroupe and Company, Limited Partnership are not applicants under the Foreign Proceeding, they are included in, and will receive all of the protections of, the Order (defined below). As used herein, the "Companies" shall mean Ivaco, IFC, IRM, and all of the aforementioned companies.

filing under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, in the Ontario Superior Court of Justice in Toronto, Canada (the "Foreign Proceeding");

And upon the Declaration of Brent Beekenkamp of Ernst & Young Inc. in support of the Petition and the Motion;

And upon the related Declaration of Peter F.C. Howard of Stikeman Elliot LLP in support of the Petition and the Motion;

And counsel for the Petitioner and the Companies having certified to the Court that notice of the Motion was not provided to all interested parties because the Foreign Proceeding was commenced just hours prior to this proceeding and the injunctive relief must be granted before all creditors can be served;

And having considered the Order dated September 16, 2003 entered by the Superior Court of Justice in the Foreign Proceeding (the "CCAA Order");

And the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334;

And good and sufficient cause appearing therefore, the Court finds as follows:

1. The Companies are subject to a foreign proceeding in Canada as defined in section 101(23) of the Bankruptcy Code.

2. Petitioner is the foreign representative of the Companies in connection with the Foreign Proceeding.

3. Without the requested TRO, the Companies' estates will be irreparably harmed, as creditors may seek to attach, assert liens against or otherwise exercise control over the Companies' assets in the United States, which may jeopardize the Companies' Reorganization.

4. A TRO is necessary to allow the Companies to achieve a successful reorganization, ensure the orderly administration of the estates in the Foreign Proceeding, and to prevent certain creditors from obtaining a preference to the detriment of other creditors.

5. Any hardship caused to individual creditors by the requested relief is substantially outweighed by the benefits to all creditors of the Companies.

6. Granting the relief requested will best assure the economical and expeditious administration of the Companies' estates in the Foreign Proceeding, consistent with the factors set forth in section 304 of the Bankruptcy Code.

7. The Companies have determined that it is critical to obtain post-petition financing to fund their ongoing operations, implement and complete their restructuring efforts and preserve the going concern values of their businesses for the benefit of their estates and creditors. The Companies have been unable to obtain alternative sources of cash or credit, either in the form of unsecured or secured credit on terms and conditions more favorable to their estates than those set forth in the DIP Term Sheets and the Definitive Documents (each as defined in the CCAA Order).

8. General Electric Finance Inc. ("GE Canada") and any additional lender from time to time party to such financings are willing to provide separate credit facilities to IRM and to Ifastgroup and Company, Limited Partnership ("Ifastgroupe"). Ifastgroupe and IRM will, in turn, provide financing to Ivaco during the Foreign Proceeding (the "DIP Financing").[2] Pursuant to the CCAA Order, the Canadian Court approved the terms of the DIP Financing, including the Companies' execution and delivery of the DIP Term Sheets and the Definitive Documents, and

2 GE Canada and any additional lenders party to the DIP Financing, including Ifastgroupe and IRM (in their capacity as lenders) are collectively referred to as the "Lenders". GE Canada, as agent for the Lenders lending to IRM and Ifastgroupe, is referred to herein as the Agent.

the consummation of the transactions contemplated thereby. In the CCAA Order, the Canadian Court further requested that the appropriate court(s) in the United States confirm, recognize and effectuate the terms and provisions of the CCAA Order.

9. The Agent and Lenders have acted in good faith in agreeing to extend the DIP Financing to the Companies in accordance with the CCAA Order. Any credit extended and loans made to the Companies by any or all of the Agent and Lenders pursuant to the CCAA Order, this Order, the DIP Term Sheets and/or the Definitive Documents shall be deemed to have been extended in good faith, as that term is used in Section 364(e) of the Bankruptcy Code.

IT IS THEREFORE:

ORDERED, that this temporary restraining order is hereby issued granting the following relief (the "304 Relief"):

> i. enjoining all parties and entities (other than the Companies, the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and the Lenders) from commencing or continuing any Proceeding[3] in connection with any claim against the Companies;
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> ii. enjoining all parties and entities (other than the Companies, the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and the Lenders) from commencing or continuing any action or Proceeding or the taking of any act against the property of the Companies or property involved in the Foreign Proceeding, including any action, Proceeding, or act (1) to foreclose upon, seize or otherwise obtain possession of or exercise control over such property, or (2) to create, perfect or enforce any lien, setoff, judgment, attachment, restraint, assessment or order, or collect, assess or recover any claim against such property, or (3) to interfere with the Companies' exercise of control over their property;
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> iii. enjoining all persons and entities, (other than the Companies, the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and the Lenders) with the consent of Petitioner, from

[3] For purposes hereof, "Proceeding" shall include any arbitration or any judicial, quasi-judicial, administrative or regulatory action or process.

transferring, relinquishing or disposing of any property of the Companies or property involved in the Foreign Proceeding, or the proceeds of such property, except to Petitioner, or to such persons or entities as the Petitioner directs;

iv. enforcing any judgment, assessment, order or award obtained against the Companies in any Proceeding;

v. enjoining all parties and entities (other than the Companies, the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and the Lenders) from commencing or continuing any Proceeding against the Companies' officers or directors or the Companies, and from seeking discovery of any nature against such parties, where such action, Proceeding, or discovery would interfere in any way with the Foreign Proceeding;

vi. ordering all persons and entities (other than the Companies, the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and the Lenders) to turnover to Petitioner, or to such other persons or entities as Petitioner directs, for administration in the Foreign Proceeding, such property of the Companies in the United States as is subsequently identified by the Petitioner as property of the Companies' estates, or the proceeds of such property;

vii. ordering that the Petitioner be established as the exclusive representative of the Companies in the United States for the purposes of performing its duties and exercising its powers with respect to the Companies' interests and affairs in the United States;

viii. ordering that every creditor that has a claim of any nature or source against the Companies and that is a party to any action or Proceeding in which any of the Companies is or was named as a party, or as a result of which a liability of the Companies may be established, is required to place the Companies' United States counsel Pepper Hamilton LLP, 100 Renaissance Center, 36th Floor, Detroit, MI 48243 (Attn: Lisa Gretchko, Esq.) and Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004 (Attn: Janice Mac Avoy, Esq. and Gary Kaplan, Esq.) on the service list for any such action or Proceeding and to take such other steps as may be necessary to ensure that such counsel receives copies of any and all correspondence or other documents circulated to parties named in the service list, including, without limitation, documents served by the parties to such action or Proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding;

ix. ordering that the CCAA Order entered on September 16, 2003, by the Ontario Superior Court of Justice shall be and hereby is confirmed, recognized and effective and shall have the same force and effect as if such CCAA Order were entered by this Court and all other orders of the Ontario Superior Court of Justice in Canada with respect to the Companies' interests and affairs shall be granted comity and enforced, and without limiting the foregoing, all of the liens, security interests and charges granted to the Agent (for itself and the Lenders) and to the Lenders on all of the Companies' respective real and personal property (the "DIP Collateral") pursuant to the provisions of the CCAA Order, the DIP Term Sheets and the Definitive Documents are hereby confirmed and recognized, and shall have the priority specified in the CCAA Order.

x. ordering that all security interests on or liens in the DIP Collateral granted to Agent, for the benefit of itself and Lenders, or to the Lenders, by this Order, the CCAA Order, the DIP Term Sheets and/or the Definitive Documents shall be, and they hereby are, deemed duly perfected and recorded under all applicable federal or state or other laws as of the date hereof, and no notice, filing, mortgage recordation, possession, further order, landlord or warehousemen lien waivers or other act, shall be required to effect such perfection; provided, however, that notwithstanding the injunctive provisions of this Order, (i) the Agent or the Lenders may, at their sole option, file or record or cause any of the Companies to execute, file or record, such UCC financing statements, notices of liens and security interests, mortgages and other similar documents or obtain landlord or warehousemen lien waivers or other third party consents as Agent may require, and (ii) the Agent or the Lenders may require any of the Companies to deliver to Agent any chattel paper, instruments or securities evidencing or constituting any DIP Collateral, and the Companies are directed to cooperate and comply therewith. If the Agent on behalf of itself and Lenders or the Lenders shall elect for any reason to cause to be obtained any such landlord or warehousemen lien waivers or other third party consents or cause to be filed or recorded any such notices, financing statements, mortgages or other documents with respect to such security interests and liens, or if the Agent or the Lenders shall elect to take possession of any DIP Collateral, all such landlord or warehousemen lien waivers or other third party consents, financing statements or similar documents or taking possession shall be deemed to have been filed or recorded or taken in this ancillary proceeding as of the commencement of these proceedings but with the priorities as set forth herein. The Agent or the Lenders may (in its discretion) but shall not be required to file a certified copy of this Order in any filing or recording office in any county or other jurisdiction in which any of the Companies has real or personal property and such filing or recording shall be accepted and shall constitute further evidence of perfection of the interests of the Agent and the Lenders in the DIP Collateral.

xi. ordering that the Agent and Lenders shall be entitled to exercise, enjoy and enforce any and all rights, benefits, privileges, powers and remedies (including, without limitation, all default-related rights and remedies) available under any or all of the CCCAA Order, this Order, the DIP Term Sheets, the Definitive Documents without further notice, or motion or application to, or hearing before, or order from the Court, and nothing in this Order (including, without limitation, the injunctive provisions contained herein), the Bankruptcy Code (including without limitation Section 105 of the Bankruptcy Code) or applicable law shall be utilized to prohibit, restrict or otherwise interfere with, and none of the Companies shall seek to prohibit, restrict or otherwise interfere with, Agent's or any Lender's exercise, enjoyment and enforcement of any of such rights, benefits, privileges, powers and remedies regardless of any change in circumstances (whether or not foreseeable).

ORDERED, that the foregoing is without prejudice to the right of any party in interest to seek, upon notice and a hearing, to terminate or limit the terms of this temporary restraining order.

ORDERED, that all parties shall show cause before the Honorable Rhodes, United States Bankruptcy Judge, at the United States Bankruptcy Court, 2111 West Fort Street, Detroit, Michigan 48226, Room 1825, on the 24 day of September, 2003, at [2:00], or as soon thereafter as counsel can be heard (the "Preliminary Injunction Hearing"), why a preliminary injunction (the "Preliminary Injunction") should not be entered granting the 304 Relief

ORDERED, that objections, if any, to the Petitioner's request for the Preliminary Injunction shall be filed with the Court and served on Pepper Hamilton LLP, 100 Renaissance Center, 36th Floor, Detroit, MI 48243 (Attn: Lisa Gretchko, Esq.), and Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004 (Attn: Janice Mac Avoy, Esq. and Gary Kaplan, Esq.), so as to be received no later than two (2) business days prior to the Preliminary Injunction Hearing.

ORDERED that if these proceedings are dismissed or converted into a bankruptcy case under chapter 7 or 11 of the Bankruptcy Code or if any bankruptcy case under chapter 7 or 11 of the Bankruptcy Code of which any Company is the subject (any such subsequent or superceding bankruptcy case, a "Subsequent Case") is commenced, and notwithstanding any such dismissal, conversion or commencement, all of the terms and conditions of this Order, including, without limitation, the liens, security interests, priorities, benefits, protections, rights and remedies granted to Agent and Lenders under this Order, the CCAA Order, the DIP Term Sheets and the

Definitive Documents shall be and remain in full force and effect as if these proceedings had not been dismissed or converted or any Subsequent Case had not been commenced.

ORDERED that having been found to be making loans and other financial accommodations to the Companies in good faith, Agent and Lenders shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code with respect to all of the indebtedness, liabilities and obligations of each of the Companies to any or all of the Agent and Lenders under the CCAA Order, the DIP Term Sheets and the Definitive Documents (collectively, the "DIP Indebtedness") and the security interests, liens and priorities created or authorized by this Order in the event that this Order or any authorization contained herein is stayed, vacated, reversed or modified on appeal. Each of the terms and conditions set forth in this Order constitutes a part of the authorization under Section 364, and is therefore, subject to the protections contained in Section 364(e) of the Bankruptcy Code. Any stay, modification, reversal or vacatur of this Order shall not affect the validity of any DIP Indebtedness outstanding immediately prior to the effective time of such stay, modification or vacatur, or the validity or enforceability of any security interest, lien, priority, right, privilege, protection or benefit authorized hereby with respect to any such DIP Indebtedness.

ORDERED, that the security provision of Rule 65(c) of the Federal Rules of Civil Procedure made applicable to this case by Bankruptcy Rule 7065, is hereby waived.

ORDERED, that this Order shall be served by U.S. mail, overnight courier, or hand delivery on or before September 19, 2003 upon all of the Companies' creditors situated in the United States of which they are aware. This Order supercedes Local Bankruptcy Rule 9014-1, and service pursuant to this paragraph shall be good and sufficient service and adequate notice.

This Temporary Restraining Order was issued on September 17, 2003 at 2:03 p.m. in

Detroit, Michigan

UNITED STATES BANKRUPTCY JUDGE

DT: #246838 v1 (5@GM01!.DOC)

A TRUE COPY
CLERK, U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
BY: Deputy Clerk
DATE: SEP 17 2003

APPENDIX 3

A TRUE COPY
CLERK, U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
BY: [signature]
Deputy Clerk
DATE: SEP 29 2003

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re:	:	11 U.S.C. § 304
IFC (Fasteners), Inc. ~~Ivaco Inc.~~ et al.,	:	Case No. 03-65608 (Jointly Administered)
Debtors in Foreign Proceeding.	:	Honorable Steven W. Rhodes

ORDER GRANTING PRELIMINARY INJUNCTION AND RELATED RELIEF PURSUANT TO SECTION 304 OF THE BANKRUPTCY CODE

Upon the Petitions Pursuant to 11 U.S.C. § 304 to Commence a Case Ancillary to a Foreign Proceeding and the Motion Pursuant to Section 304 of the Bankruptcy Code and Rule 7065 of the Bankruptcy Rules for a Temporary Restraining Order and a Preliminary and Permanent Injunction (the "Motion") of Ernst & Young, Inc. (the "Petitioner"), the foreign representative of Ivaco Inc., IFC (Fasteners) Inc. and Ivaco Rolling Mills Limited Partnership ("IRM"),[1] for entry of an order enjoining, among other things, the commencement or continuation of any action or proceeding, or the taking of any act against the property of the Companies held in the United States or property involved in the Companies' filing under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, in the Ontario Superior Court of Justice in Toronto, Canada (the "Foreign Proceeding");

1 The petitioners in these section 304 proceedings are Ivaco, IFC, and IRM. The applicants under the Foreign Proceeding are Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC, Ifastgroupe Realty Inc., Docap (1985) Corporation, Florida Sub One Holdings, Inc. ("FSOH"), and 3632610 Canada Inc. Although IRM and Ifastgroupe and Company, Limited Partnership are not applicants under the Foreign Proceeding, they are included in, and will receive all of the protections of, the Order (defined below). As used herein, the "Companies" shall mean Ivaco, IFC, IRM, and all of the aforementioned companies.

And upon the Declaration of Brent Beckenkamp of Ernst & Young Inc. in support of the Petition and the Motion;

And upon the Declaration of Peter F.C. Howard of Stikeman Elliott LLP in support of the Petition and the Motion;

And upon the testimony of Brian M. Denega of Ernst & Young Inc. in support of the Petition and the Motion;

And notice of the Motion having been given to all necessary parties;

And having considered the Order dated September 16, 2003 entered by the Superior Court of Justice in the Foreign Proceeding (the "CCAA Order");

And the Court having entered an order dated September 17, 2003, granting a temporary restraining order granting the relief requested in the Motion on a temporary basis;

And a hearing of the Motion having been held on September 29, 2003, to consider the entry of a preliminary injunction;

And the Court having made findings of fact and conclusions of law as more fully set forth on the record at the hearing and incorporated herein by reference;

And all objections to the entry of a preliminary injunction and all motions to vacate the temporary restraining order having been withdrawn;

And the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334;

And good and sufficient cause appearing therefore, the Court finds as follows:

1. The Companies are subject to a foreign proceeding in Canada as defined in section 101(23) of the Bankruptcy Code.

2. Petitioner is the foreign representative of the Companies in connection with the Foreign Proceeding.

3. Without the requested relief, the Companies' estates will be irreparably harmed.

4. Injunctive relief should be granted to allow the Companies to achieve a successful reorganization, ensure the orderly administration of the estates in the Foreign Proceeding, and to prevent certain creditors from obtaining a preference to the detriment of other creditors.

5. Any hardship caused to individual creditors by the requested relief is substantially outweighed by the benefits to all creditors of the Companies.

6. Granting the injunctive relief requested will best assure the economical and expeditious administration of the Companies' estates in the Foreign Proceeding, consistent with the factors set forth in section 304 of the Bankruptcy Code.

7. The Companies have determined that it is critical to obtain post-petition financing to fund their ongoing operations, implement and complete their restructuring efforts and preserve the going concern values of their businesses for the benefit of their estates and creditors. The Companies have been unable to obtain alternative sources of cash or credit, either in the form of unsecured or secured credit on terms and conditions more favorable to their estates than those set forth in the DIP Term Sheets and the Definitive Documents (each as defined in the CCAA Order).

8. General Electric Finance Inc. ("GE Canada") and any additional lender from time to time party to such financings are willing to provide separate credit facilities to IRM and to Ifastgroup and Company, Limited Partnership ("Ifastgroupe"). Ifastgroupe and IRM will, in turn,

provide financing to Ivaco during the Foreign Proceeding (the "DIP Financing").[2] Pursuant to the CCAA Order, the Canadian Court approved the terms of the DIP Financing, including the Companies' execution and delivery of the DIP Term Sheets and the Definitive Documents, and the consummation of the transactions contemplated thereby. In the CCAA Order, the Canadian Court further requested that the appropriate court(s) in the United States confirm, recognize and effectuate the terms and provisions of the CCAA Order.

9. The Agent and Lenders have acted in good faith in agreeing to extend the DIP Financing to the Companies in accordance with the CCAA Order. Any credit extended and loans made to the Companies by any or all of the Agent and Lenders pursuant to the CCAA Order, this Order, the DIP Term Sheets and/or the Definitive Documents shall be deemed to have been extended in good faith, as that term is used in Section 364(e) of the Bankruptcy Code.

IT IS THEREFORE:

ORDERED, that the CCAA Order entered on September 16, 2003, by the Ontario Superior Court of Justice shall be and hereby is confirmed, recognized and effective and shall have the same force and effect as if such CCAA Order were entered by this Court and all other orders of the Ontario Superior Court of Justice in Canada with respect to the Companies' interests and affairs shall be granted comity and enforced, and without limiting the foregoing, all of the liens, security interests and charges granted to the Agent (for itself and the Lenders) and to the Lenders on all of the Companies' respective real and personal property (the "DIP Collateral") pursuant to the provisions of the CCAA Order, the DIP Term Sheets and the Definitive

2 GE Canada and any additional lenders party to the DIP Financing, including Ifastgroupe and IRM (in their capacity as Lenders) are collectively referred to as the "Lenders." GE Canada, as agent for the Lenders lending to IRM and Ifastgroupe, is referred to herein as the Agent.

Documents are hereby confirmed and recognized, and shall have the priority specified in the CCAA Order.

ORDERED, that all persons and entities (other than the Companies and the Petitioner, and to the extent permitted by the CCAA Order and the Definitive Documents, the Agent and Lenders) are hereby enjoined and restrained

> i. from commencing or continuing any Proceeding[3] in connection with any claim against the Companies;
>
> ii. from taking any action against any property of the Companies or property involved in the Foreign Proceeding, including the commencement or continuation of any Proceeding or act (a) to foreclose upon, seize or otherwise obtain possession of or exercise control over such property, (b) to create, perfect or enforce any lien, setoff, judgment, attachment, garnishment, restraint, assessment or order, or collect, assess or recover any claim against such property or (c) to interfere with the Companies' exercise of control over their property;
>
> iii. from enforcing any judgment, assessment, order or award obtained against the Companies in any Proceeding;
>
> iv. from commencing or continuing any Proceeding against the Companies' officers or directors or the Companies, and from seeking discovery of any nature against such parties, where such action, Proceeding, or discovery would interfere in any way with the Foreign Proceeding;
>
> v. other than with the consent of Petitioner, from transferring, relinquishing or disposing of any property of the Companies or property involved in the Foreign Proceeding, or the proceeds of such property, except to Petitioner or to such persons or entities as Petitioner directs.

ORDERED, that all persons and entities are directed to turnover to Petitioner, or to such persons or entities as the Petitioner directs, for administration in the Foreign Proceeding, such property of the Companies in the United States as is subsequently identified by the Petitioner as property of the Companies' estates, or the proceeds of such property.

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[3] For purposes hereof, "Proceeding" shall include any arbitration or any judicial, quasi-judicial, administrative or regulatory action or process.

ORDERED, that the Petitioner is hereby established as the exclusive representative of the Companies in the United States for the purposes of performing its duties and exercising its powers with respect to the Companies' interests and affairs in the United States.

ORDERED, that every creditor that has a claim of any nature or source against the Companies and that is a party to any action or Proceeding in which any of the Companies is or was named as a party, or as a result of which a liability of the Companies may be established, is required to place the Companies' United States counsel Pepper Hamilton LLP, 100 Renaissance Center, 36th Floor, Detroit, MI 48243 (Attn: Lisa Gretchko, Esq.) and Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004 (Attn: Janice Mac Avoy, Esq. and Gary Kaplan, Esq.) on the service list for any such action or Proceeding and to take such other steps as may be necessary to ensure that such counsel receives copies of any and all correspondence or other documents circulated to parties named in the service list, including, without limitation, documents served by the parties to such action or Proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or Proceeding.

ORDERED, that all security interests on or liens in the DIP Collateral granted to Agent, for the benefit of itself and Lenders, by this Order, the CCAA Order, the DIP Term Sheets and/or the Definitive Documents shall be, and they hereby are, deemed duly perfected and recorded under all applicable federal or state or other laws as of the date hereof, and no notice, filing, mortgage recordation, possession, further order, landlord or warehousemen lien waivers or other act, shall be required to effect such perfection; provided, however, that notwithstanding the injunctive provisions of this Order, (i) Agent may, at its sole option, file or record or cause any of the Companies to execute, file or record, such UCC financing statements, notices of liens and security interests, mortgages and other similar documents or obtain landlord or warehousemen lien waivers or other third party consents as Agent may require, and (ii) Agent may require any of the Companies to deliver to Agent any chattel paper, instruments or securities evidencing or constituting any DIP Collateral, and the Companies are directed to cooperate and comply therewith. If Agent on behalf of itself and Lenders shall elect for any reason to cause to be obtained any such landlord or warehousemen lien waivers or other third party consents or cause to be filed or recorded any such notices, financing statements, mortgages or other documents with respect to such security interests and liens, or if Agent shall elect to take possession of any DIP Collateral, all such landlord or warehousemen lien waivers or other third party consents, financing statements or similar documents or taking possession shall be deemed to have been filed or recorded or taken in this ancillary proceeding as of the commencement of these proceedings but with the priorities as set forth herein. Agent may (in its discretion) but shall not be required to file a certified copy of this Order in any filing or recording office in any county or other jurisdiction in which any of the Companies has real or personal property and such filing or recording shall be accepted and shall constitute further evidence of perfection of the interests of Agent, for the benefit of itself and Lenders, in the DIP Collateral.

ORDERED, that the Agent and Lenders shall be entitled to exercise, enjoy and enforce any and all rights, benefits, privileges, powers and remedies (including, without limitation, all default-related rights and remedies) available under any or all of the CCCAA Order, this Order, the DIP Term Sheets, the Definitive Documents without further notice, or motion or application to, or hearing before, or order from the Court, and nothing in this Order (including, without limitation, the injunctive provisions contained herein), the Bankruptcy Code (including without limitation Section 105 of the Bankruptcy Code) or applicable law shall be utilized to prohibit, restrict or otherwise interfere with, and none of the Companies shall seek to prohibit, restrict or otherwise interfere with, Agent's or any Lender's exercise, enjoyment and enforcement of any of such rights, benefits, privileges, powers and remedies regardless of any change in circumstances (whether or not foreseeable).

ORDERED, that if these proceedings are dismissed or converted into a bankruptcy case under chapter 7 or 11 of the Bankruptcy Code or if any bankruptcy case under chapter 7 or 11 of the Bankruptcy Code of which any Company is the subject (any such subsequent or superceding bankruptcy case, a "Subsequent Case") is commenced, and notwithstanding any such dismissal, conversion or commencement, all of the terms and conditions of this Order, including, without limitation, the liens, security interests, priorities, benefits, protections, rights and remedies granted to Agent and Lenders under this Order, the CCAA Order, the DIP Term Sheets and the Definitive Documents shall be and remain in full force and effect as if these proceedings had not been dismissed or converted or any Subsequent Case had not been commenced.

ORDERED, that having been found to be making loans and other financial accommodations to the Companies in good faith, Agent and Lenders shall be entitled to the full protection of Section 364(e) of the Bankruptcy Code with respect to all of the indebtedness, liabilities and obligations of each of the Companies to any or all of the Agent and Lenders under the CCAA Order, the DIP Term Sheets and the Definitive Documents (collectively, the "DIP Indebtedness") and the security interests, liens and priorities created or authorized by this Order in the event that this Order or any authorization contained herein is stayed, vacated, reversed or modified on appeal. Each of the terms and conditions set forth in this Order constitutes a part of the authorization under Section 364, and is therefore, subject to the protections contained in Section 364(e) of the Bankruptcy Code. Any stay, modification, reversal or vacatur of this Order shall not affect the validity of any DIP Indebtedness outstanding immediately prior to the effective time of such stay, modification or vacatur, or the validity or enforceability of any security interest, lien, priority, right, privilege, protection or benefit authorized hereby with respect to any such DIP Indebtedness.

ORDERED, that notwithstanding anything to the contrary contained herein, nothing herein or in any other relief obtained by the Companies in this proceeding shall (i) limit the rights of the Pension Benefit Guaranty Corporation (the "PBGC") to institute administrative or judicial proceedings to terminate the Companies' pension plans in accordance with Title IV of the Employee Retirement Income Security Act of 1974 as amended 29 U.S.C. s 1301 et seq. ("ERISA"); (ii) require turnover of, or limit the PBGC's rights with respect to, the sums held in the Cash Collateral Account as defined in that certain Amended and Restated Consent Agreement dated as of December 17, 1999, and that certain Cash Collateral Agreement dated August 23, 1999, as amended on December 17, 1999, among Ivaco, Atlantic Steel Industries, Inc., Florida Sub One, Inc., Ivacan Industries Inc., and the PBGC (the "Cash Collateral Account"); or (iii) grant or seek to grant, any liens to the DIP Lenders in such Cash Collateral Account; provided, however, that in no event shall the PBGC seek to enforce or perfect any lien on any assets of any of the Companies other than the Cash Collateral Account.

ORDERED, that nothing contained herein shall affect the rights and claims of the United States, which has asserted that its sovereign immunity has not been waived in this Section 304 ancillary case. The temporary restraining order entered in this matter is dissolved as to the United States as if it had never been entered.

ORDERED, the security provision of Rule 65(c) of the Federal Rules of Civil Procedure made applicable to this case by Bankruptcy Rule 7065 is hereby waived.

ORDERED, that all parties shall show cause before the Honorable Rhodes United States Bankruptcy Judge, at the United States Bankruptcy Court, 2111 West Fort Street, Detroit, Michigan 48226, Room 1825 on the 27th day of October, 2003, at [2:00], or as soon thereafter as counsel can be heard (the "Permanent Injunction Hearing"), why a permanent injunction (the "Permanent Injunction") granting the 304 Relief shall not be entered.

ORDERED, that objections, if any, to the Petitioner's request for the Permanent Injunction shall be filed with the Court and served on Pepper Hamilton LLP, 100 Renaissance Center, 36th Floor, Detroit, MI 48243 (Attn: Lisa Gretchko, Esq.), and Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, NY 10004 (Attn: Janice Mac Avoy, Esq. and Gary Kaplan, Esq.), so as to be received no later than three (3) business days prior to the Permanent Injunction Hearing.

ORDERED, that this Order Granting Preliminary Injunction shall be served by U.S. mail, overnight courier, or hand delivery on or before October 3, 2003 upon all creditors of the Companies located in the United States of which they are aware. This Order supercedes Local Bankruptcy Rule 9014-1 and service pursuant to this paragraph shall be good and sufficient service and adequate notice.

Dated: Detroit, Michigan
September SEP 29 2003

UNITED STATES BANKRUPTCY JUDGE

447986
DT: #248130 v1 (5BGS01!.DOC)

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re:	11 U.S.C. § 304
IFC (Fasteners) Inc. et al.,	Case No. 03-65608-R (Jointly Administered)
Debtors in Foreign Proceeding.	Honorable Steven Rhodes

STIPULATION AND ORDER WITHDRAWING EMERGENCY MOTION TO VACATE TEMPORARY RESTRAINING ORDER AND OBJECTION TO INJUNCTIVE RELIEF

WHEREAS, on September 16, 2003, Ivaco Inc. ("Ivaco"), IFC (Fasteners) Inc. ("IFC"), Ivaco Rolling Mills Limited Partnership ("IRM," and collectively with Ivaco and IFC, the "Foreign Debtors") and several other subsidiaries of Ivaco filed for protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (the "CCAA"), in the Ontario Superior Court of Justice (the "Canadian Court") in Toronto, Canada (the "CCAA Case"), whereby the Canadian Court entered an order (the "Canadian Order") implementing a stay, which, among other things, prohibits creditors from taking actions against, among others, the Foreign Debtors or their assets, or from pursuing claims against the Foreign Debtors outside of the CCAA proceeding;

WHEREAS, on September 17, 2003 (the "Filing Date"), Ernst & Young Inc. (the "Petitioner"), the foreign representative of the Foreign Debtors, and as monitor in the CCAA Case, filed petitions for Ivaco, IFC, and IRM pursuant to section 304 of title 11 of the United States Code and Rule 7065 of the Federal Rules of Bankruptcy Procedure (the "304 Proceedings"). By order of this Court dated as of the Filing Date, the Foreign Debtors' 304 Proceedings are being jointly administered;

3. Pursuant to 11 U.S.C. § 361, GMS is hereby granted a lien on all goods that it receives from IRM as replacement security for the amounts owed by IRM to GMS that relate to the period prior to the commencement of IRM's CCAA Case (which GMS believes to be approximately $47,000) (the "Prepetition Amounts"). During these section 304 proceedings, GMS will continue to obtain lien rights and IRM will recognize and consent to such lien rights on future inventory for future charges in accordance with the terms of GMS's warehouse receipts and the UCC.

4. GMS hereby withdraws the Motion to Vacate and the documents filed in support thereof with prejudice and will not object to the relief being sought in the 304 Proceeding. The Foreign Debtors hereby release any claims they may have against GMS related to any failure to comply with the TRO through the date of this Stipulation.

5. This Stipulation contains the entire agreement of the parties hereto, and supersedes all prior and contemporaneous discussions, negotiations, understandings, and agreements, whether oral or written, expressed or implied, between and among the parties hereto regarding the terms of this Stipulation.

6. This Stipulation may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

7. The Bankruptcy Court shall retain jurisdiction to hear any matters or disputes arising from or relating to this Stipulation.

IN WITNESS HEREOF, the parties hereto duly executed and delivered this Stipulation as of the date first written above.

Dated: Detroit, Michigan
September ___, 2003

PEPPER HAMILTON LLP

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Email: hshelton@armstrongallen.com

SO ORDERED

this __ day of September, 2003

UNITED STATES BANKRUPTCY JUDGE

A TRUE COPY
CLERK, U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
BY: Steinke
Deputy Clerk
DATE: SEP 29 2003

447677

IN WITNESS HEREOF, the parties hereto duly executed and delivered this Stipulation as of the date first written above.

Dated. Detroit, Michigan
September ___, 2003

PEPPER HAMILTON LLP

By:______________________________
LISA SOMMERS GRETCHKO (P29881)
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SO ORDERED

this __ day of September, 2003

____
UNITED STATES BANKRUPTCY JUDGE

447677

TOTAL P.05

APPENDIX 4

ERNST & YOUNG

Ernst & Young Inc.
Ernst & Young Tower
Toronto-Dominion Centre
P.O. Box 251, 222 Bay St.
Toronto, Canada M5K 1J7

Phone: (416) 864-1234
Facsimile (416) 943-3300

September 25, 2003

To: All Known Creditors

Re: Ivaco Inc., Ivaco Rolling Mills Inc., Ivaco Rolling Mills Limited Partnership, Ifastgroupe Inc., Ifastgroupe and Company Limited Partnership, IFC (Fasteners) Inc., Ifastgroupe Realty Inc., Docap (1985) Corporation, Florida Sub One Holdings, Inc. and 3632610 Canada Inc. (collectively the "Companies")

Dear Sirs/Madams:

On September 16, 2003 (the "Filing Date"), the Companies successfully applied under the *Companies' Creditors Arrangement Act* ("CCAA") for an order (the "Initial Order") of the Honourable Mr. Justice Farley of the Ontario Superior Court of Justice (Commercial List) (the "Court") providing, among other things, a stay of proceedings against the Companies. Pursuant to the Initial Order, Ernst & Young Inc. was appointed Monitor (the "Monitor").

On September 17, 2003, the Monitor filed a petition pursuant to Section 304 of the *United States Bankruptcy Code* for a Temporary Restraining Order and a Preliminary Injunction with respect to the U.S. assets of the Companies. A Preliminary Injunction Order was granted by the Honourable Mr. Steven Rhodes of the United States Bankruptcy Court, Eastern District of Michigan (the "U.S. Court") later that day. The application for the continuation of the terms of the Preliminary Injunction Order will be heard by the U.S. Court on September 29, 2003.

In accordance with paragraph 62 of the Initial Order of the Honourable Mr. Justice Farley, a copy of the Initial Order is attached and is also available on the internet at www.ey.com/ca/ivaco or by contacting the Monitor at (866) 259-1420.

Pursuant to the Initial Order, the Companies continue to operate. Paragraph 3(e) of the Initial Order orders all parties having agreements with the Companies to continue to perform such agreements, and specifically prohibits any parties from discontinuing or restricting the supply of any goods or services provided that the Companies pay for such goods or services. Arrangements should be made with the Companies regarding ongoing supply of goods and services after the Filing Date.

The Companies have not filed a Plan of Arrangement nor has a claims process been established. Accordingly, you do not need to file a proof of claim at this time. Once a specific process to establish your claim as at the Filing Date has been approved by the Court, details with respect to how and when to file a proof of claim will be communicated to you.

If you have any further questions in respect of the CCAA proceedings, you may contact the Monitor at (866) 259-1420.

Yours very truly,

ERNST & YOUNG INC.
In its capacity as Court-Appointed Monitor of
Ivaco Inc. and the other Applicants.

Per: [signature]

APPENDIX 5

VARIANCE ANALYSIS

IRM

The cash flow projected a net outflow of 3.8 million for the period ended October 3, 2003. The actual net cash outflow was $1.8 million resulting in a favourable variance of approximately $2.0 million. The favourable variance was the result of an unfavourable variance in receipts of $3.7 million, a favourable variance in outflows of $9.1 million and $3.4 million unfavourable variance in inter-company receipts.

The receipts variance was the result of some receipts which were held due to customer concerns with quality and the continuation of the rebate program, slowing of receipts due to the need to provide new payment instructions to customers and some expected billet sales which were not completed due to materials not being available.

There were favourable variances related to almost all disbursement line items. Some of the significant variances relate to the pension and benefit contributions which had been forecast for this period and did not occur. The material cost variance was unfavourable primarily due to a change in the payment terms with IRM's major supplier QIT. The company reached new agreements with certain utility providers as discussed elsewhere in this report and accordingly there was a favourable variance for utility disbursements during the period. There was a favourable variance for professional fees due to invoices having not been received or their payment having been delayed. This timing difference is accounted for in the revised projections.

There was a favourable variance of $0.8 million for contributions to corporate as the corporate disbursements were curtailed during the period as discussed elsewhere in the report.

Inter-company payments were less than the forecasted amount by $3.4 million. Approximately $1.2 of inter-company shipments made by IRM during the period were not paid for during the period as discussed elsewhere in the report. Furthermore, inter-company sales were below forecast as delivery activity during the initial filing period was slower than normal.

Ivaco

The cash flow projected a net outflow of $4.4 million for the period ended October 3, 2003. The actual net cash inflow was $0.2 million resulting in a favourable variance of approximately $4.6 million. The favourable variance was the result of an unfavourable variance in receipts of $1.6 million, a favourable variance in outflows of $4.6 million and a $1.6 million favourable variance in inter-company receipts.

The unfavourable receipts variance of $1.6 was the result of there being no receipts for corporate contributions, while trade receipts were as projected. The actual corporate disbursements during the period would have only resulted in reimbursements of approximately $196,000 due to a reduction in corporate disbursements as discussed elsewhere in this report.

There were favourable variances related to almost all disbursement line items which totalled $4.6 million. Some of the significant variances relate to the pension and benefit contributions which had been forecast for this period and did not occur. There were positive variances in almost all line items primarily as a result of delays in cash disbursements. Ivaco did not pay any portion of the DIP commitment fee during the period.

Inter-company payments were less than the forecasted amount by $1.6 million resulting in a favourable variance. This favourable variance is the result of shipments received during the week ended October 3, 2003 not having been paid for and a reduction in the amount of purchases from IRM during the period.

Ifastgroupe

The cash flow projected a net outflow of $34,000 for the period ended October 3, 2003. The actual net cash inflow was approximately $5.9 million resulting in a favourable variance of approximately $5.9 million. The favourable variance was the result of an unfavourable variance in receipts of $2.5 million, a favourable variance in outflows of $6.8 million and $1.6 million favourable variance in inter-company receipts.

The receipts variance was primarily the result of slowing of receipts due to the need to provide new payment instructions to customers. Some cheques on hand may not be reflected in the actual cash receipts due to the inability to deposit these cheques.

There were favourable variances related to almost all disbursement line items. The unfavourable material variance is primarily the result of certain suppliers requiring payment on a COD basis and other favourable variances are the result of payment delays. There was a favourable variance for professional fees due to invoices having not been received or their payment having been delayed and this timing difference is accounted for in the revised projections.

There was a positive variance of $0.8 million for contributions to corporate as the corporate disbursements were curtailed during the period as discussed elsewhere in the report.

Inter-company payments were less than the forecasted amount by $1.6 million partially due to shipments during the week of October 3, 2003 not having been paid for and a reduction in inter-company activity during the initial filing period.

Docap

Docap had a favourable cash variance for the period, however its overall activity was not significant. Some cash receipts which were on hand at Docap but which had not been deposited were excluded from the actual cash receipts as the details of these receipts were not known.

IVACO - Ivaco Inc.
Comparison of Actual to Forecast
For the period from September 16, 2003 to October 3, 2003

(in thousands)	**Actual Sept 16 - Oct 3**	**Forecast Sept 16 - Oct 3**	**Variance**
RECEIPTS			
TRADE	7,276	7,289	(13)
OTHER	--	--	--
INTERCOMPANY RECEIPTS BY CORPORATE		1,602	(1,602)
TOTAL RECEIPTS	**7,276**	**8,891**	**(1,615)**
DISBURSEMENTS			
PAYROLL & RELATED	(1,352)	(3,243)	1,891
MATERIAL	(227)	--	(227)
CONSUMMABLES	(65)	(300)	235
FREIGHT & CUSTOMS	(450)	(788)	338
UTILITIES	(1,219)	(1,152)	(68)
OTHER	(442)	(2,006)	1,564
PROFESSIONAL FEES	(254)	(854)	600
DIP INTEREST AND CLOSING FEE	--	(261)	261
CONTRIBUTIONS TO CORPORATE	--	--	--
TOTAL DISBURSEMENTS	**(4,009)**	**(8,603)**	**4,594**
NET INTERCOMPANY (excluding cont. to corporate)	**(3,068)**	**(4,679)**	**1,611**
CHANGE IN CASH	**199**	**(4,390)**	**4,589**

Cash receipts include cheques on hand but not deposited.

IVACO - Ivaco Rolling Mills Limited Partnership
Comparison of Actual to Forecast
For the period from September 16, 2003 to October 3, 2003

(in thousands)	**Actual Sept 16 - Oct 3**	**Forecast Sept 16 - Oct 3**	**Variance**
RECEIPTS			
TRADE	14,269	21,974	(7,705)
OTHER	3,999	--	3,999
TOTAL RECEIPTS	18,268	21,974	(3,706)
DISBURSEMENTS			
PAYROLL & RELATED	(2,487)	(3,613)	1,126
MATERIAL	(15,635)	(15,325)	(310)
CONSUMMABLES	(1,101)	(1,769)	668
FREIGHT, CUSTOMS & DUMPING DUTY	(2,152)	(3,277)	1,125
UTILITIES	(1,113)	(3,000)	1,887
OTHER	(1,724)	(4,569)	2,845
PROFESSIONAL FEES	--	(1,220)	1,220
DIP INTEREST AND CLOSING FEE	(593)	(289)	(304)
CONTRIBUTIONS TO CORPORATE	--	(798)	798
TOTAL DISBURSEMENTS	(24,805)	(33,861)	9,056
NET INTERCOMPANY (excluding cont. to corporate)	4,693	8,055	(3,362)
CHANGE IN CASH	**(1,844)**	**(3,832)**	**1,988**

Cash receipts include cheques on hand but not deposited.

IVACO - Ifastgroupe and Company, Limited Partnership & Ifastgroupe Inc.
Comparison of Actual to Forecast
For the period from September 16, 2003 to October 3, 2003

(in thousands)	Actual Sept 16 - Oct 3	Forecast Sept 16 - Oct 3	Variance
RECEIPTS			
TRADE	13,488	15,595	(2,107)
OTHER	-	420	(420)
TOTAL RECEIPTS	**13,488**	**16,015**	**(2,527)**
DISBURSEMENTS			
PAYROLL & RELATED	(1,776)	(2,797)	1,021
MATERIAL	(2,309)	(1,784)	(525)
CONSUMMABLES	(194)	(1,808)	1,614
FREIGHT & CUSTOMS	(440)	(718)	278
UTILITIES	(50)	(274)	224
OTHER	(875)	(3,559)	2,684
PROFESSIONAL FEES	--	(976)	976
DIP INTEREST AND CLOSING FEE	(322)	(107)	(215)
CONTRIBUTIONS TO CORPORATE	--	(756)	756
TOTAL DISBURSEMENTS	**(5,966)**	**(12,778)**	**6,812**
NET INTERCOMPANY (excluding cont. to corporate)	**(1,625)**	**(3,270)**	**1,645**
CHANGE IN CASH	**5,897**	**(34)**	**5,931**

Cash receipts include cheques on hand but not deposited.

IVACO - DOCAP (1985) Corporation
Comparison of Actual to Forecast
For the period from September 16, 2003 to October 3, 2003

(in thousands)	**Actual Sept 16 - Oct 3**	**Forecast Sept 16 - Oct 3**	**Variance**
RECEIPTS			
TRADE	255	736	(481)
OTHER	--	--	--
TOTAL RECEIPTS	**255**	**736**	**(481)**
DISBURSEMENTS			
PAYROLL & RELATED	(84)	(79)	(5)
MATERIAL	(121)	(377)	256
CONSUMMABLES	--	--	--
FREIGHT & CUSTOMS	(1)	(30)	29
UTILITIES	--	--	--
OTHER	(49)	(222)	173
PROFESSIONAL FEES	--	--	--
DIP INTEREST AND CLOSING FEE	--	--	--
CONTRIBUTIONS TO CORPORATE	--	--	--
TOTAL DISBURSEMENTS	**(255)**	**(708)**	**453**
NET INTERCOMPANY (excluding cont. to corporate)	**--**	**(67)**	**67**
CHANGE IN CASH	**--**	**(39)**	**39**

Cash receipts include cheques on hand but not deposited.

APPENDIX 6

IVACO INC.
Notes to Cash Flow Forecasts
For the Period Ending December 26, 2003

1. Trade Receipts

   In the week ending October 10, 2003, trade receipts include customer receipts not deposited in the bank or available at the beginning of the week that are anticipated to be deposited and become available during the week.

   In the Ivaco forecast the amount of customer receipts not deposited that are included in receipts for the week ending October 10, 2003 total approximately $6.3M.

   In the Ifastgroupe forecast there is approximately $3.5M of IFC Fastener Inc. customer receipts that were deposited at the Royal Bank as well as approximately $1.4M of IFC Fastener Inc. customer receipts not deposited that are both anticipated to become available during the week ending October 10, 2003.

   In the Docap forecast the amount of customer receipts not deposited that are included in receipts for the week ending October 10, 2003 total approximately $0.7M.

2. Other Receipts

   Includes sales tax refunds and other non-trade receipts. Included in the IRM forecast is a $1.5M refund of a supplier deposit that was replaced with a $1.0M letter of credit.

3. Payroll & Related

   Includes payroll costs, deductions at source, pension and benefit costs.

4. Material

   Includes raw material and finished good purchases from third parties.

5. Consumables

   Include supplies other than utilities directly used to manufacture finished product.

6. Other

   Includes selling, general and administrative costs.

7. Contributions to Corporate

   Represents each company's allocation of corporate costs incurred for information technology services, insurance and other corporate costs.

8. Inter-company Receipts by Corporate

   Represents contributions to the corporate division of Ivaco for corporate costs.

9. Net Inter-company

   Represents the net receipts received and payments made to related companies for product excluding payments made to the corporate division of Ivaco.

10. The beginning DIP balance of $4.7M in the Ivaco Rolling Mills' cash flow forecast is comprised of a gross DIP borrowings of $6.6M net of deposits in the Royal Bank blocked account of approximately $1.8M.

11. The beginning DIP balance of $4.0M in the Ifastgroupe's cash flow forecast is comprised of a gross DIP borrowings of $6.0M net of deposits in the Royal Bank blocked account of approximately $2.0M.

IVACO - Ivaco Inc.
Cash Flow Forecast
Period Ending December 26, 2003

(in thousands)	Notes	Friday 10/3/03	Friday 10/10/03	Friday 10/17/03	Friday 10/24/03	Friday 10/31/03	Friday 11/7/03	Friday 11/14/03	Friday 11/21/03	Friday 11/28/03	Friday 12/5/03	Friday 12/12/03	Friday 12/19/03	Friday 12/26/03	TOTAL
		Forecast for the Week Ending													
CASH IN BANK			–	–	–	–	–	–	–	–	–	–	–	–	
RECEIPTS															
TRADE	1		9,320	2,493	3,035	3,014	2,969	2,995	2,990	2,985	3,604	3,604	3,599	1,685	42,292
OTHER	2		--	--	110	--	--	--	--	398	--	--	110	--	618
INTERCOMPANY RECEIPTS BY CORPORATE	8		605	1,361	157	815	259	223	157	667	246	223	157	667	5,539
TOTAL RECEIPTS			9,925	3,854	3,302	3,829	3,228	3,218	3,147	4,050	3,850	3,827	3,866	2,353	48,449
DISBURSEMENTS															
PAYROLL & RELATED	3		(1,297)	(507)	(507)	(1,286)	(587)	(507)	(507)	(1,086)	(590)	(507)	(507)	(1,086)	(8,974)
MATERIAL	4		--	--	--	--	--	--	--	--	--	--	--	--	--
CONSUMMABLES	5		(58)	(58)	(109)	(58)	(64)	(58)	(114)	(58)	(58)	(58)	(114)	(58)	(865)
FREIGHT & CUSTOMS			(253)	(253)	(259)	(259)	(256)	(253)	(255)	(253)	(253)	(259)	(259)	(259)	(3,071)
UTILITIES			(310)	(170)	(280)	(80)	(80)	(80)	(280)	(580)	(80)	(80)	(280)	(580)	(2,880)
OTHER	6		(960)	(656)	(431)	(645)	(464)	(748)	(406)	(692)	(447)	(747)	(415)	(692)	(7,303)
PROFESSIONAL FEES			(560)	(140)	(420)	--	(182)	--	(182)	--	(140)	--	(140)	--	(1,764)
DIP INTEREST AND CLOSING FEE			--	--	--	(17)	(100)	--	--	(26)	--	--	--	(120)	(263)
TOTAL DISBURSEMENTS			(3,438)	(1,784)	(2,006)	(2,345)	(1,733)	(1,646)	(1,744)	(2,695)	(1,568)	(1,651)	(1,715)	(2,795)	(25,120)
NET INTERCOMPANY (excluding cont. to corporate)	9		(1,905)	(2,345)	(2,290)	(2,035)	(2,380)	(1,742)	(1,302)	(1,445)	(1,796)	(1,203)	(798)	(1,115)	(20,356)
CHANGE IN CASH			4,582	(275)	(994)	(552)	(885)	(170)	101	(90)	486	973	1,353	(1,557)	2,973
DIP (ADVANCES TO)/REPAYMENTS FROM DOCAP			371	-	-	-	-	-	-	-	-	-	-	-	
IFASTGROUPE DIP ADVANCE/(REPAYMENT)			(4,679)	137	497	276	443	85	(51)	45	(243)	(486)	(676)	779	
IVACO ROLLING MILLS DIP ADVANCE/(REPAYMENT)			(273)	137	497	276	443	85	(51)	45	(243)	(486)	(676)	779	
ENDING CASH IN BANK			--	--	--	--	--	--	--	--	--	--	--	--	
ENDING DIP OUTSTANDING TO IFASTGROUPE		(5,506)	(827)	(964)	(1,461)	(1,737)	(2,179)	(2,264)	(2,214)	(2,258)	(2,015)	(1,529)	(852)	(1,631)	
ENDING DIP OUTSTANDING TO IVACO ROLLING MILLS		(1,100)	(827)	(964)	(1,461)	(1,737)	(2,179)	(2,264)	(2,214)	(2,258)	(2,015)	(1,529)	(852)	(1,631)	
ENDING TOTAL IVACO DIP FACILITY BALANCE		(6,606)	(1,653)	(1,928)	(2,922)	(3,474)	(4,359)	(4,529)	(4,427)	(4,517)	(4,031)	(3,058)	(1,705)	(3,262)	
ENDING DIP BALANCE OWING FROM DOCAP		(371)	–	–	–	–	–	–	–	–	–	–	–	–	

IVACO - Ivaco Rolling Mills Limited Partnership
Cash Flow Forecast
Period Ending December 26, 2003

(in thousands)	Notes	Friday 10/3/03	Friday 10/10/03	Friday 10/17/03	Friday 10/24/03	Friday 10/31/03	Friday 11/7/03	Friday 11/14/03	Friday 11/21/03	Friday 11/28/03	Friday 12/5/03	Friday 12/12/03	Friday 12/19/03	Friday 12/26/03	TOTAL
		Forecast for the Week Ending													
CASH IN BANK			1,373	--	--	--	--	--	--	--	--	--	--	--	
RECEIPTS															
TRADE	1		5,012	6,380	6,380	6,049	6,049	8,199	7,949	5,789	6,081	6,081	7,701	7,701	79,371
OTHER	2		--	1,500	--	--	--	--	--	--	--	--	--	--	1,500
TOTAL RECEIPTS			5,012	7,880	6,380	6,049	6,049	8,199	7,949	5,789	6,081	6,081	7,701	7,701	80,871
DISBURSEMENTS															
PAYROLL & RELATED	3		(1,066)	(866)	(866)	(1,440)	(1,366)	(866)	(866)	(1,298)	(996)	(746)	(746)	(1,026)	(12,148)
MATERIAL	4		(5,702)	(5,177)	(5,177)	(5,177)	(5,232)	(5,232)	(5,232)	(5,232)	(5,232)	(5,232)	(5,232)	(5,232)	(63,089)
CONSUMMABLES	5		(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(7,011)
FREIGHT, CUSTOMS & DUMPING DUTY			(1,186)	(1,486)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(1,086)	(13,526)
UTILITIES			(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(9,000)
OTHER	6		(1,072)	(1,350)	(897)	(898)	(932)	(950)	(898)	(897)	(931)	(1,118)	(950)	(897)	(11,790)
PROFESSIONAL FEES			(800)	(200)	(600)	--	(260)	--	(260)	--	(200)	--	(200)	--	(2,520)
DIP INTEREST AND CLOSING FEE			--	--	--	(317)	--	--	--	(45)	--	--	(51)	(75)	(488)
CONTRIBUTIONS TO CORPORATE	7		(329)	(1,255)	(84)	(415)	(128)	(117)	(84)	(343)	(122)	(117)	(84)	(343)	(3,422)
TOTAL DISBURSEMENTS			(11,489)	(11,667)	(10,044)	(10,667)	(10,338)	(9,584)	(9,760)	(10,235)	(9,900)	(9,633)	(9,683)	(9,993)	(122,994)
NET INTERCOMPANY (excluding cont. to corporate)	9		3,122	3,557	3,801	3,807	3,703	3,100	3,075	3,322	3,047	2,619	2,629	2,917	38,697
CHANGE IN CASH			(3,354)	(230)	137	(811)	(587)	1,715	1,264	(1,123)	(772)	(933)	647	625	(3,425)
DIP (ADVANCES TO)/REPAYMENTS FROM IVACO			273	(137)	(497)	(276)	(443)	(85)	51	(45)	243	486	676	(779)	
DIP AVAILABILITY REDUCED FOR LETTERS OF CREDIT			(500)	(1,000)	--	--	--	--	--	--	--	--	--	--	
ENDING CASH IN BANK			--	--	--	--	--	--	--	--	--	--	--	--	
ENDING DIP FACILITY BALANCE	10	(4,747)	(6,955)	(8,322)	(8,682)	(9,769)	(10,799)	(9,169)	(7,855)	(9,023)	(9,552)	(9,999)	(8,676)	(8,830)	
ENDING DIP BALANCE OWING FROM IVACO		(1,100)	(827)	(964)	(1,461)	(1,737)	(2,179)	(2,264)	(2,214)	(2,258)	(2,015)	(1,529)	(852)	(1,631)	

IVACO - Ifastgroupe and Company, Limited Partnership & Ifastgroupe Inc.
Cash Flow Forecast
Period Ending December 26, 2003

(in thousands)	Notes	Friday 10/3/03	Friday 10/10/03	Friday 10/17/03	Friday 10/24/03	Friday 10/31/03	Friday 11/7/03	Friday 11/14/03	Friday 11/21/03	Friday 11/28/03	Friday 12/5/03	Friday 12/12/03	Friday 12/19/03	Friday 12/26/03	TOTAL
		Forecast for the Week Ending													
CASH IN BANK			–	4,532	3,957	2,443	1,646	2,974	4,262	5,054	3,744	7,262	9,242	10,184	
RECEIPTS															
TRADE	1		11,688	4,518	4,226	4,985	6,571	5,088	5,163	5,818	7,629	5,056	4,528	5,313	70,583
OTHER	2		(128)	--	--	320	7	371	--	320	7	--	--	320	1,217
TOTAL RECEIPTS			11,560	4,518	4,226	5,305	6,578	5,459	5,163	6,138	7,636	5,056	4,528	5,633	71,800
DISBURSEMENTS															
PAYROLL & RELATED	3		(700)	(667)	(700)	(1,563)	(710)	(671)	(700)	(1,273)	(710)	(664)	(707)	(1,283)	(10,348)
MATERIAL	4		(1,422)	(534)	(122)	(146)	(47)	(139)	(116)	(864)	(28)	(56)	(74)	(841)	(4,390)
CONSUMMABLES	5		(391)	(536)	(507)	(449)	(117)	(459)	(117)	(1,209)	(117)	(435)	(434)	(1,079)	(5,850)
FREIGHT & CUSTOMS			(373)	(446)	(383)	(381)	(181)	(181)	(194)	(555)	(194)	(194)	(142)	(540)	(3,765)
UTILITIES			(12)	(70)	(80)	(25)	(52)	(106)	-	(105)	-	(133)	(80)	(50)	(713)
OTHER	6		(1,580)	(767)	(1,048)	(710)	(1,541)	(635)	(1,395)	(753)	(1,578)	(490)	(1,361)	(1,294)	(13,153)
PROFESSIONAL FEES			(640)	(160)	(480)	--	(208)	--	(208)	--	(160)	--	(160)	--	(2,016)
DIP INTEREST AND CLOSING FEE			--	--	--	--	(103)	--	--	(3)	--	--	--	(3)	(109)
CONTRIBUTIONS TO CORPORATE	7		(276)	(106)	(73)	(395)	(130)	(106)	(73)	(321)	(125)	(106)	(73)	(321)	(2,105)
TOTAL DISBURSEMENTS			(5,394)	(3,287)	(3,393)	(3,669)	(3,090)	(2,298)	(2,803)	(5,082)	(2,912)	(2,079)	(3,032)	(5,410)	(42,448)
NET INTERCOMPANY (excluding cont. to corporate)	9		(2,323)	(1,670)	(1,850)	(2,157)	(1,718)	(1,788)	(1,618)	(2,322)	(1,449)	(1,483)	(1,231)	(1,880)	(21,488)
CHANGE IN CASH			3,843	(438)	(1,016)	(521)	1,770	1,373	741	(1,266)	3,275	1,494	265	(1,657)	7,863
DIP (ADVANCES TO)/REPAYMENTS FROM IVACO			4,679	(137)	(497)	(276)	(443)	(85)	51	(45)	243	486	676	(779)	
ENDING CASH IN BANK			4,532	3,957	2,443	1,646	2,974	4,262	5,054	3,744	7,262	9,242	10,184	7,748	
ENDING IFASTGROUPE DIP FACILITY BALANCE	11	(3,990)	–	–	–	–	–	–	–	–	–	–	–	–	
ENDING DIP BALANCE OWING FROM IVACO		(5,506)	(827)	(964)	(1,461)	(1,737)	(2,179)	(2,264)	(2,214)	(2,258)	(2,015)	(1,529)	(852)	(1,631)	

IVACO - DOCAP (1985) Corporation
Cash Flow Forecast
Period Ending December 26, 2003

(in thousands)	Notes	Friday 10/3/03	Forecast for the Week Ending Friday 10/10/03	Friday 10/17/03	Friday 10/24/03	Friday 10/31/03	Friday 11/7/03	Friday 11/14/03	Friday 11/21/03	Friday 11/28/03	Friday 12/5/03	Friday 12/12/03	Friday 12/19/03	Friday 12/26/03	TOTAL
CASH IN BANK			–	490	587	649	637	599	621	734	664	624	657	758	
RECEIPTS															
TRADE	1		950	286	373	200	200	260	553	210	210	270	563	168	4,242
OTHER	2		--	5	--	--	--	5	--	--	--	--	5	--	16
TOTAL RECEIPTS			950	291	373	200	200	265	553	210	210	270	568	168	4,258
DISBURSEMENTS															
PAYROLL & RELATED	3		(45)	(24)	(77)	(20)	(57)	(18)	(75)	(32)	(51)	(18)	(94)	(32)	(543)
MATERIAL	4		(86)	(86)	(86)	(86)	(109)	(128)	(128)	(128)	(128)	(128)	(128)	(94)	(1,313)
FREIGHT & CUSTOMS			(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(136)
UTILITIES			--	(7)	--	--	--	(7)	--	--	--	--	(10)	--	(24)
OTHER	6		(47)	(66)	(67)	(87)	(61)	(80)	(81)	(101)	(61)	(80)	(157)	(87)	(972)
PROFESSIONAL FEES			--	--	--	--	--	--	--	--	--	--	--	--	--
DIP INTEREST AND CLOSING FEE			--	--	--	(4)	--	--	--	(4)	--	--	--	(4)	(12)
CONTRIBUTIONS TO CORPORATE	7		--	--	--	(4)	--	--	--	(4)	--	--	--	(4)	(11)
PROFESSIONAL FEES			(189)	(194)	(241)	(212)	(238)	(244)	(295)	(279)	(251)	(237)	(400)	(232)	(3,011)
NET INTERCOMPANY (excluding cont. to corporate)	9		–	–	(70)	–	–	–	(145)	–	–	–	(68)	–	(283)
CHANGE IN CASH			761	97	62	(12)	(38)	22	113	(69)	(41)	33	101	(64)	965
ENDING CASH IN BANK			490	587	649	637	599	621	734	664	624	657	758	694	
ENDING DIP FACILITY BALANCE		(371)	–	–	–	–	–	–	–	–	–	–	–	–	

APPENDIX 7

IVACO INC.
SUMMARY OF PENSION DEFICIENCY ON A SOLVENCY BASIS
AS AT OCTOBER 7, 2003

	Updated Market Value of Plan Assets as at December 31, 2002 (Note 1)	Market Value of Plan Assets as at Valuation Date	Date of last Actuarial Valuation Report	Solvency Ratio % as at Valuation Date	Solvency (Deficiency) as at Valuation Date	Unpaid Contributions (Note 2) Current Service	Unpaid Contributions (Note 2) Past Service	Future Contributions (Note 3) Current Service	Future Contributions (Note 3) Past Service
						Includes CAP (Note 4)		Monthly contributions	
Pension Plan for Salaried Employees of **Ivaco** Inc. and Participating Subsidiary Companies(Note 5)	87,558,964	87,530,800	Jan-03	80%	(21,799,200)	245,199	225,201	272,433	488,942
Pension Plan for Designated Hourly Rated Employees of **Ivaco Inc.**	2,569,455	2,569,500	Jan-03	84%	(573,100)	8,105	13,833	12,969	16,358
Régime de Retraite des Salariés Syndiqués Rémunérés à l'Heure d'Ivaco Inc. Employés par la Division **Sivaco Québec**, à Marieville	39,113,760	37,352,800	Sep-02	63%	(21,519,500)	253,215	1,267,801	139,099	404,525
Pension Plan for Hourly Rated Unionized Employees of Ivaco Inc. at its **Sivaco Ontario** Division in Ingersoll, Ontario	2,781,826	2,600,700	Jul-02	75%	(815,600)	10,920	18,817	10,920	18,817
TOTAL IVACO	**132,024,005**	**130,053,800**			**(44,707,400)**	**517,439**	**1,525,652**	**435,421**	**928,642**
Pension Plan for Hourly Rated Unionized Employees of **Ivaco Rolling Mills Inc.** - Rod Mill in L'Orignal, Ontario	27,601,475	25,392,600	Sep-02	61%	(15,182,800)	514,109	2,478,561	87,576	366,616
Pension Plan for Hourly Rated Unionized Employees of **Ivaco Rolling Mills Inc.** - Melt Shop in L'Orignal, Ontario	23,888,666	21,998,000	Sep-02	61%	(13,074,000)	500,570	2,227,326	87,569	322,492
Pension Plan for Office, Clerical and Technical Employees of **Ivaco Rolling Mills Inc.**	6,203,432	5,858,300	Nov-02	66%	(1,730,000)	129,485	421,152	20,713	40,575
TOTAL IVACO ROLLING MILLS	**57,693,573**	**53,248,900**			**(29,986,800)**	**1,144,164**	**5,127,039**	**195,858**	**729,683**
Pension Plan for the Salaried Employees of **Ifastgroupe Inc., Ingersoll Fasteners** Division	3,143,660	3,151,100	Dec-02	79%	(384,300)	22,145	11,050	11,317	14,300
Non-Contributory Pension Plan for Hourly-Paid Employees of **Ifastgroupe Inc., Ingersoll Fasteners** Division	4,965,114	4,805,300	May-02	79%	(1,035,500)	23,198	29,308	23,198	29,308
Régime de Retraite des Salariés Syndiqués Rémunérés à l'Heure d'**Ifastgroupe Inc.** Employés par la Division **Infasco** à Marieville	38,971,212	36,554,500	Sep-02	73%	(13,631,800)	117,545	300,300	117,545	289,525
Régime de Retraite des Salariés Syndiqués Rémunérés à l'Heure d'**Ifastgroupe Inc.** Employés par la Division **Galvano**, à Beloeil	934,157	987,900	May-03	69%	(426,800)	5,876	11,516	5,877	11,517
Pension Plan for Hourly Rated Unionized Employees of **Ifastgroupe Inc. Infatool** Division in Ingersoll, Ontario	167,035	149,700	Oct-02	79%	(35,500)	1,800	1,142	1,800	1,142
TOTAL IFASTGROUPE	**48,181,178**	**45,648,500**			**(15,513,900)**	**170,564**	**353,316**	**159,737**	**345,792**
Pension Plan for Employees of **Docap** (1985) Corporation	2,963,171	2,573,700	Jan-01	81%	(311,600)	8,875	7,317	6,787	7,317
TOTAL CANADIAN ENTITIES (C$)	**240,861,927**	**231,524,900**			**(90,519,700)**	**1,841,042**	**7,013,324**	**797,803**	**2,011,434**
Atlantic Steel Company Pension Plan for Bargaining Unit Employees	35,200,000	37,418,765	Dec-02	53%	(30,700,000)	2,536,083	N/A	516,973	N/A
Atlantic Steel Company Salaried Employees Retirement Plan	23,000,000	23,525,539	Dec-02	52%	(21,700,000)	1,298,837	N/A	595,688	N/A
Pension Plan Certain Divisions and Affiliates of Atlantic Steel Industries Inc.	5,400,000	7,391,068	Dec-01	45%	(6,600,000)	75,801	N/A	126,505	N/A
TOTAL US ENTITIES (US$)	**63,600,000**	**68,335,372**			**(59,000,000)**	**3,910,721**	**N/A**	**1,239,166**	**N/A**

Notes:
1) With the exception of the three US plans, which are as at June 30, 2003
2) Unpaid Contributions are as at September 30, 2003
3) Future Contributions are for the post-filing period. The US payments are paid quarterly
4) CAP or Capital Accumulation Program whereby the employer contributes an amount to the plan based on a pre-determined percentage
5) Includes salaried employees of IRM and Ifastgroupe.

Disclaimer

This Summary of Pension Deficiency Schedule has been prepared from information supplied by Ivaco's management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such financial information. This report has been prepared solely for the purpose of estimating the total pension plan deficiency as at October 7, 2003. Readers are cautioned that this Report may not be appropriate for other purposes. This Report will not be updated for events and circumstances occurring after its date and therefore actual results achieved may vary from our estimates due to subsequent events at Ivaco or in the marketplace and the variations may be material.

APPENDIX 8

IVACO GROUP

SUMMARY OF MAXIMUM ESTIMATED DIRECTORS' LIABILITIES

September 15, 2003
(000's)

Payroll and source deductions	$ 3,500
Vacation pay	13,000
Pension funding – current service	1,500
GST/PST/QST	2,000
Total	$20,000

Notes

1. Payroll is paid weekly, with source deductions also remitted weekly several days after each pay.

2. Vacation pay exposure includes an estimated balance at September 12, 2003 of $5.1 million. The exposure increases on a linear basis until July 2004, at which time employees are required to take their annual vacation. Estimated maximum exposure represents July 2004 accrual.

3. No provision has been made for existing pension deficits or future past service contributions. Future current service contributions are approximately $1.5 million per month. The estimated maximum exposure assumes these monthly payments are made as scheduled.

4. Monthly sales tax remittances total approximately $1,000 per month; therefore, maximum based on requirement to file returns and remit within 30 days of each month-end is two months.

5. Analysis based on information provided by management.

6. No amounts are listed for potential non-statutory liabilities of directors.

APPENDIX 9

CONTRACT OF SALE

October THIS CONTRACT OF SALE (this "Contract") is entered into as of the 9th day of October, 2003, by and between RICHMOND AMERICAN HOMES OF VIRGINIA, INC., a Virginia corporation ("Purchaser"), and IVACO, INC., a Canadian corporation ("Seller").

RECITALS:

R-1. Seller is the owner of two (2) certain parcels of real property located on Meetze Road in the Town of Warrenton, Fauquier County, Virginia, containing approximately thirty-seven and 4598/10,000 (37.4598) acres of land in the aggregate, and identified as GPINs 6983-69-8183 (9.6542 acres) and 6983-78-1685 (27.8056 acres) (collectively, the "Land"). The Land is more particularly described on Exhibit A attached hereto.

R-2. Purchaser wishes to buy from Seller and Seller wishes to sell to Purchaser all of the Land in accordance with the terms and conditions of this Contract.

NOW, THEREFORE, in consideration of the mutual covenants of Seller and Purchaser and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, Seller and Purchaser hereby agree as follows:

1. Agreement to Sell and Purchase. Purchaser agrees to buy from Seller and Seller agrees to sell and convey to Purchaser, in fee simple absolute, under the terms and conditions hereinafter set forth, all of the Land, together with any and all improvements, appurtenances, rights, privileges and easements benefiting, belonging or pertaining thereto (all of the foregoing items are referred to herein collectively as the "Site").

2. Deposit.

A. Within five (5) business days following Purchaser's receipt of a counterpart of this Contract fully executed by Purchaser and Seller, Purchaser shall deliver to Premier Title, Inc., as Escrow Agent ("Escrow Agent"), an earnest money deposit in the amount of Ten Thousand Dollars ($10,000) (the "Deposit"), all in the form of cash. Within three (3) business days after the last day of the Feasibility Study Period (as defined below in Section 14A) and provided that Purchaser elects to maintain this Contract in full force and effect, Purchaser shall increase the Deposit to Five Hundred Thousand Dollars ($500,000), all in the form of cash or, at Purchaser's option, an irrevocable letter of credit. (In the event Purchaser fails to increase the Deposit as set forth in the preceding sentence, this Contract shall be deemed terminated as of the end of the Feasibility Study Period, the initial Deposit shall be returned to Purchaser, and thereafter the parties shall have no further liability to each other hereunder, except for those obligations that survive such termination.) At such time as Purchaser delivers to Escrow Agent an irrevocable letter of credit in the full amount of the increased Deposit, Escrow Agent shall return the initial $10,000 cash Deposit (plus any interest earned thereon) to Purchaser. This deposit shall be non-refundable except in the case of a default by the Seller of its obligations hereinunder.

B. Any cash portions of the Deposit shall be held in a federally insured, interest-bearing account in a bank or savings and loan association reasonably acceptable to Purchaser and Seller, and any interest accruing on the Deposit shall be deemed a part of the Deposit for all purposes hereunder. Any letter of credit posted as the Deposit shall be issued by, a bank, or financial institution chosen by Purchaser and reasonably satisfactory to Seller, shall be in a form reasonably acceptable to Seller, shall be held by Escrow Agent in accordance with the provisions of this Contract, shall have an expiration date not earlier than twelve (12) months from the date of issuance, shall be renewed, replaced or extended as necessary (or shall contain automatic extension provisions) so as to remain in full force and effect until after the date of Settlement hereunder, and shall be drawable upon presentation by Escrow Agent of such letter of credit together with, as applicable:

(i) Seller's affidavit that (1) Purchaser has defaulted in Purchaser's obligation to proceed with Settlement under this Contract, (2) all applicable cure periods provided herein for Purchaser's benefit have expired, (3) Seller is not in material default (or taken or failed to take any action that with notice or the passage of time would constitute a material default) hereunder, (4) Seller is ready, willing and able to proceed with Settlement, and (5) therefore, Seller is entitled to draw under the letter of credit; or

(ii) Escrow Agent's affidavit that the letter of credit is due to expire within thirty (30) days and Purchaser has neither replaced the letter of credit nor caused the expiration date to be extended in accordance with the requirements of this Contract.

In the event the letter of credit is drawn for any reason whatsoever, the proceeds of such draw shall become the Deposit hereunder, and all rights and obligations pertaining to the Deposit shall apply to such proceeds. Purchaser shall be entitled, at any time before Settlement hereunder, to replace the original or any subsequent letter of credit with a comparable letter of credit reasonably satisfactory to Seller. As used herein, the term "Deposit" shall mean any cash (including any interest earned thereon) or letter of credit held by Escrow Agent from time to time hereunder.

C. In the event of any dispute between Seller and Purchaser with respect to the Deposit, Escrow Agent shall hold the Deposit until the dispute is resolved by a court of competent jurisdiction or by the mutual agreement of Seller and Purchaser. Seller and Purchaser each acknowledge that Escrow Agent shall have no liability to Seller, Purchaser or any other party on account of Escrow Agent's failure to disburse the Deposit if a dispute has arisen with respect to the Deposit, and Seller and Purchaser agree to indemnify Escrow Agent against any loss, damage or liability (including specifically reasonable attorneys' fees and litigation expenses) arising from Escrow Agent's role as escrow agent hereunder except in the event of Escrow Agent's gross negligence or willful misconduct.

3. Purchase Price. The purchase price for the Site (the "Purchase Price") shall be Four Million Dollars ($4,000,000). The Purchase Price shall be entirely payable at Settlement in

cash or by wire transfer. Any cash portion of the Deposit shall be credited against the Purchase Price at Settlement, and any portion of the Deposit in the form of a letter of credit shall be returned to Purchaser immediately following Settlement.

4. Title.

A. Following the full execution of this Contract by Seller and Purchaser, Purchaser shall order at Purchaser's expense from a reputable title insurance company of Purchaser's choice (the "**Title Company**") a report on title (the "**Title Report**") to the Site. On or before the expiration of the Feasibility Study Period, Purchaser shall give notice to Seller of any objections to or defects of title disclosed by the Title Report. (However, it is understood that without any notice being required from Purchaser, Seller shall be obligated to satisfy at Settlement all applicable monetary encumbrances, including but not limited to encumbrances evidenced by deeds of trust, tax liens, judgments, mechanic's liens or similar evidences of indebtedness.) If such notice is not given, Purchaser shall be deemed to accept title to the Site in its condition existing as of the Effective Date (as defined below in the last paragraph of this Contract). Within ten (10) days after receiving notification of any objectionable title items from Purchaser, Seller shall inform Purchaser as to whether Seller shall cure or cause the cure of such objections to title. If such notice is not given, Seller shall be deemed to have elected to cure all objectionable title items. In the event that Seller elects to remove or cause the removal of such noted exceptions, Seller shall exercise Seller's diligent, good faith efforts to do so and the Settlement date shall, if required, be extended for such time as necessary to effect the cure. In the event that Seller declines to cure or cause the cure of any items or if Seller (despite Seller's diligent, good faith efforts) is unable within the permitted time period to cure any items Seller has elected to cure, then Purchaser shall have the option, to be exercised by written notice to Seller within five (5) days after receipt of Seller's notice of Seller's unwillingness or inability to cure the objectionable title items, to (i) accept title as shown by the Title Report and proceed to Settlement hereunder, or (ii) terminate this Contract by giving notice of Purchaser's intention to terminate, in which event the Deposit shall be returned to Purchaser, and neither party shall have any further liability hereunder except for such obligations which specifically survive such termination. If Purchaser fails to make an election within such five (5) day period, then Purchaser shall be deemed to have elected item (ii).

B. Fee simple title to the Site is to be conveyed at the time of Settlement to Purchaser or its designees, subject to any liens, encumbrances, judgments, tenancies, covenants, restrictions, easements and rights-of-way, recorded or unrecorded, or such other items that Purchaser has accepted as title defects (the "**Permitted Exceptions**") except for those items that Seller has agreed to cure. Title is to be marketable, good of record and in fact, and insurable at regular rates by the Title Company, subject only to the Permitted Exceptions.

C. Seller covenants that Seller will not take or consent to any action that would create a defect ("**Subsequent Defect**") preventing Seller from conveying title in the same condition as it exists on the Effective Date, except that Seller may take such actions as are required or permitted by the terms of this Contract to cure title defects noted by Purchaser or as permitted below by the terms of Section 4D or as required to satisfy any of the conditions precedent in Section 7A. If Seller cannot convey title in accordance with Section 4B because of any Subsequent Defect(s), then Purchaser shall have the option, at Purchaser's sole discretion, either to:

(i) terminate this Contract and have the Deposit returned, in which event the parties shall have no further liability hereunder except for such obligations which specifically survive such termination and except that Seller shall reimburse all of Purchaser's reasonable out-of-pocket costs incurred in pursuing this Contract, or

(ii) without waiving any of its other options in this Section 4C if such Subsequent Defect(s) are not cured by any extended Settlement date, and if such Subsequent Defect(s) can be readily cured by legal action, require Seller to take such action promptly at Seller's own expense, whereupon Settlement shall be extended for up to six (6) months or such longer period as the parties agree, but in any event such extension period shall be no longer than the actual period required to resolve such matter, or

(iii) waive such Subsequent Defect(s), in which event Purchaser and Seller shall proceed to Settlement promptly, without abatement of the Purchase Price other than a credit in the amount of the reasonable costs to cure such Subsequent Defect(s), or

(iv) pursue Purchaser's remedies under Section 12 of this Contract.

D. During the term of this Contract, Seller shall not execute any easements, covenants, conditions or restrictions with respect to the Site without first obtaining the written approval of Purchaser, which approval shall not be unreasonably withheld, conditioned nor delayed.

5. Representations and Warranties of Seller. Seller represents and warrants that each of the following is true and correct on the Effective Date and shall be true and correct in all material respects on, and restated as of, the date of Settlement:

A. Seller is a corporation duly organized, validly existing and in good standing under the laws of Canada, and at the time of settlement will be in good standing and have the authority to transact business in the Commonwealth of Virginia, and has the full and unrestricted power and authority to execute and deliver this Contract and all other documents required or contemplated by the terms of this Contract (collectively, the "**Seller Documents**") and to consummate the transactions contemplated herein; subject to receipt of the Approval and Vesting Orders (as defined below in Section 7C). Seller has taken all requisite corporate action required to authorize the appropriate officers to execute and deliver the Seller Documents.

B. The execution and delivery of the Seller Documents by Seller and compliance with the provisions of such documents by Seller will not violate the provisions of Seller's Articles of Incorporation, Bylaws or any other such similar document or rule regarding Seller or any agreement to which Seller is bound. Within three (3) business days after the Effective Date, Seller shall deliver to Purchaser copies of Seller's organizational documents and proof of good standing in the jurisdiction of Seller's incorporation. At the time of settlement deliver copies of Seller's organizational documents and proof of good standing in the Commonwealth of Virginia.

C. Other than the order of the Honourable Mr. Justice Farley of the Superior Court of Justice (Commerical List) in the Provine of Ontario (the "Court") dated September 16, 2003, as amended, supplemented or extended, ordering and declaring, *inter alia* that Seller is a company to which the *Companies' Creditor Arrangement Act* (Canada) applies, the execution, delivery and performance of the Seller Documents by Seller will not violate any provision of any applicable statute, regulation, rule, Court order or judgment or other legal requirements applicable to Seller.

D. RESERVED

E. To the best of Seller's knowledge, there are no lawsuits or legal proceedings pending or threatened regarding or resulting from encumbrances on, or the ownership, use or possession of, the Site.

F. To the best of Seller's knowledge, there are no notices, suits or judgments pending or threatened relating to violations of any governmental regulations, ordinances or requirements affecting or which may affect the Site. In the event Seller receives such a notice of violation, Seller shall immediately take all actions reasonably required to comply with the terms thereof, and the Site shall be free and clear of all such violations prior to Settlement hereunder.

G. Except for this Contract, there are no contracts of sale, options to purchase, reversionary rights, rights of first refusal or similar rights of any kind which are or shall be binding upon the Site or any part thereof or which shall become binding upon Purchaser upon Settlement.

H. RESERVED

I. RESERVED

J. Except as disclosed pursuant to Paragraph 5(K) below, the Seller has not taken or failed to take (and to the best of Seller's knowledge, Seller's predecessors in title have not taken or failed to take) any actions which would cause the Site (including the surface and subsurface soil, surface water, ground water and improvements) to contain any waste, debris or contamination which is subject to control by any local or federal law, regulation or ordinance, including (i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (iii) any "regulated substance" as defined in Virginia Code §62.1-44.34:8 (1950), and regulations promulgated thereunder; (iv) any "hazardous substance" as defined by the Virginia Waste Management Act, Virginia Code §10.1-1400 et seq., and regulations promulgated thereunder; (v) any substance the presence of which on the Site is prohibited by any law similar to those set forth in this subparagraph; and (vi) any other toxic or hazardous substances or materials, whether products or wastes, that require special handling in collection, storage, treatment or disposal under any federal, state or local law, statute, ordinance or regulation, or under any court or administrative order or decree, or under any private agreement. Except as disclosed pursuant to paragraph 5(K), to the best of Seller's knowledge, the Site does not contain and has not contained any underground storage tanks.

K. Seller shall deliver to Purchaser, within five (5) days after the Effective Date, all documents relating to or affecting the Site in Seller's possession or available to Seller (including, but not limited to, all plats, plans, market studies, development bids, appraisals, homeowners' association documents, soil studies, environmental reports, wetlands reports and permits, archaeological reports, and title insurance policies) and, to Seller's knowledge, such documents are accurate as of the Effective Date and do not contain any misleading information or omit any facts which a buyer would consider material to its decision to purchase the Site.

L. RESERVED

M. All bills and claims for labor performed and materials furnished to or for the benefit of the Site by or on behalf of Seller for all periods prior to Settlement have been paid in full or adjustment therefor shall be made at Settlement on the settlement sheet. Seller shall execute a customary owner's affidavit required by the Title Company to eliminate from Purchaser's and Purchaser's lender's title policies any exception for unfiled mechanic's or similar liens.

N. RESERVED

O. To the best of Seller's knowledge, no portion of the Site is located in any flood zone, flood hazard area, flood plain or similarly designated zone on the applicable FEMA maps or in a "wetlands" area as defined by any governmental or quasi-governmental authority. The Purchaser acknowledge the existence of a pond on the site and accepts the pond as a "wetland".

P. For so long as this Contract continues in effect, Seller shall not cause any changes to the Site from its present physical condition and shall not excavate or commit any waste (or consent to any such actions) upon the Site.

Q. Seller agrees to notify Purchaser immediately of any state of facts that would constitute a breach of or render inaccurate any of the foregoing representations and warranties immediately after becoming aware of such state of facts and to reconfirm in writing at Settlement each of such representations and warranties by execution of a certificate of reconfirmation of representations and warranties.

R. Notwithstanding any investigation conducted before or after Settlement, and notwithstanding any knowledge of any facts or circumstances which Purchaser may have as a result of such investigations or otherwise, Purchaser shall be entitled to rely upon the representations and warranties set forth herein, and the obligations of Seller with respect thereto shall survive Settlement and delivery of the deed of conveyance, for a period of one year.

Wherever any representation or warranty set forth herein is qualified by reference to Seller's knowledge, it shall be deemed to refer to Seller's actual knowledge, without Seller being required to inquire into, study or investigate the subject matter of the representation or warranty.

Q. Nowithstanding anything to the contrary contained in this Section 5 or otherwise in this contract, Purchaser Agrees and acknowledges hat the existing structure located on the site is being sold by Seller and acquired by Purchaser on as "AS IS, WHERE IS" Basis, with no Warranties, either express or implied.

6. Representations and Warranties of Purchaser. Purchaser hereby represents and warrants as follows, which representations and warranties shall be true and correct as of the date of Settlement:

A. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, and has the full and unrestricted power and authority to execute and deliver this Contract and all other documents required or contemplated by the terms of this Contract (collectively, the "**Purchaser Documents**") and to consummate the transactions contemplated herein. Before expiration of the Feasibility Study Period, if Purchaser elects to maintain this Contract in effect, Purchaser will have taken all requisite corporate action (including obtaining the approval of this Contract by the Asset Management Committee, Executive Committee and/or Board of Directors of MDC Holdings, Inc., Purchaser's parent company, as required by Purchaser's corporate policies and procedures) required to authorize the appropriate officers to execute and deliver the Purchaser Documents.

B. The execution and delivery of the Purchaser Documents by Purchaser and compliance with the provisions of such documents by Purchaser will not violate the provisions of the Articles of Incorporation, Bylaws or any other such similar document or rule regarding Purchaser, or any agreement to which Purchaser is subject or by which Purchaser is bound.

7. Conditions Precedent.

A. The obligation of Purchaser to proceed with Settlement is contingent upon all of the following conditions being satisfied as of the date of Settlement:

(i) The condition of title to the Site shall be as required by this Contract.

(ii) Seller's representations and warranties shall be true and correct as of the date of Settlement, and Seller shall execute a certificate of reconfirmation of representations and warranties at Settlement.

(iii) Any other conditions precedent set forth in other provisions of this Contract shall have been satisfied, and Seller shall not be in default of any of its obligations under this Contract or any agreement entered into by the parties in connection with this Contract.

B. If the conditions set forth in Section 7A are not met at the time of Settlement, then Purchaser shall have the option, to be exercised in its sole discretion (in addition to any other available rights and remedies under this Contract), either to (i) waive the time for satisfaction of the unsatisfied conditions and proceed to Settlement, or (ii) declare this Contract terminated in its entirety, in which event the Deposit shall be returned to Purchaser, and thereafter neither party shall have any further liability hereunder, except for such obligations that specifically survive such termination.

C. The obligation of the Seller to proceed with Settlement is contingent upon the following conditions being satisfied as the date of Settlement:

(i) an order or orders having been made by the Court on or before the date of Settlement approving this Contract and the transaction contemplated hereby, and vesting in Purchaser all the rights, title and interest of Seller in the Site free and clear of all liens, security interest and other encumbrances, other than Permitted Exceptions (the "Approval and Vesting Orders"), and in respect of which Seller agrees to make application to the Court prior to the date of Settlement; and

(ii) the Approval and Vesting Orders shall not have been stayed, varied or vacated, and no order shall have been issued which restrains or prohibits the completion of the transaction contemplated hereby.

D. if the condition set forth in Section 7C is not met at the time of Settlement, then Seller shall have the option, to be exercised, in its sole discretion to declare this Contract terminated in its entirety, in which event the Deposit shall be returned to Purchaser, and thereafter neither party shall have any further liability hereunder, except for such obligations that specifically survive such termination.

8. Time of Settlement.

A. Provided that all conditions precedent in Section 7A and 7C have been satisfied (or waived by Purchaser or Seller respectively), the closing of the conveyance of the Site to Purchaser and payment of the Purchase Price (the "**Settlement**") shall take place on or before January 9, 2004

B. Settlement shall be held at the offices of Escrow Agent or another title company designated by Purchaser, which offices shall be located in the Washington, D.C., metropolitan area. Purchaser shall give Seller at least five (5) business days' prior notice of the time and place of Settlement.

C. Any general real estate taxes and rents and usual water and sewer charges applicable to the Site shall be pro-rated as of the date of Settlement hereunder. Seller shall pay for the preparation of the deed, the grantor's tax and the preparation of and the recording fees for the release of any monetary encumbrances against the Site. Each party shall pay its own attorneys' fees. All other costs of Settlement, including recording fees, are to be paid by Purchaser, except that Seller shall pay a reasonable Settlement fee, not to exceed Two Hundred Dollars ($200), to the title attorney or title company holding Settlement.

D. At Settlement, Seller shall execute such documents, affidavits, certificates or other items necessary or reasonably requested by Purchaser's title company, including customary affidavits relating to parties in possession and mechanic's liens.

9. Special Warranty Deed; Delivery of Possession. At Settlement Seller agrees to execute a special warranty deed conveying the Site to Purchaser in fee simple. Seller shall give possession of the Site to Purchaser at the time of Settlement, free and clear of any licensees, occupants or tenants.

10. Risk of Loss. Until execution, delivery and recordation of the deed described in Section 9, the risk of loss or damage to the Site, or any applicable part thereof, by any cause, is assumed by Seller.

11. Condemnation. If, prior to Settlement, any material portion of the Site (as reasonably determined by Purchaser) is condemned or taken under the power of eminent domain (or is the subject of a pending taking that has not yet been consummated), then Seller shall so notify Purchaser and Purchaser shall have the right either to (i) terminate this Contract, in which event the Deposit shall be returned to Purchaser, and neither party shall have any further liability hereunder except for such obligations that specifically survive such termination, or (ii) proceed to Settlement hereunder and apply all proceeds received or to be received by Seller with respect to such condemnation as a credit against the Purchase Price. If, prior to Settlement hereunder, less than a material portion of the Site is condemned or taken under the power of eminent domain (or is the subject of a pending taking that has not yet been consummated), then Purchaser and Seller shall proceed to Settlement hereunder and all proceeds received or to be received by Seller with respect to such condemnation will be credited against the Purchase Price.

12. Default.

A. If Purchaser defaults under this Contract on Purchaser's obligation to proceed to Settlement and Seller has satisfied all of Seller's conditions precedent under this Contract and is willing and able to proceed, Seller shall be entitled to terminate this Contract, in which event, because of the difficulty in calculating damages, the Deposit shall be forfeited to Seller as liquidated damages and as Seller's sole and exclusive remedy, and the parties hereto shall thereafter have no further liability hereunder to each other hereunder, except for such obligations that specifically survive such termination.

B. If Seller defaults on any of its pre-Settlement obligations hereunder or if Seller defaults under this Contract on Seller's obligation to proceed to Settlement and Purchaser is willing and able to proceed, then Purchaser shall be entitled to (i) terminate this Contract, in which event the Deposit shall be returned to Purchaser, and neither party shall have any further liability hereunder except for such obligations that specifically survive such termination, or (ii) pursue a suit for specific performance and/or damages or any other remedy available at law or in equity.

C. Notwithstanding the foregoing, neither party shall be considered in default hereunder unless such party has received written notice of the claimed default from the non-defaulting party and failed to cure the default within ten (10) days of receiving such notice.

13. Commission. Seller and Purchaser acknowledge that there is no real estate agent or real estate broker responsible for bringing about this transaction except for Newmark & Bank Company (Lisa Benjamin, broker), whose fees and commissions shall be paid by Seller pursuant to a separate agreement. Each of Seller and Purchaser shall indemnify and hold harmless the other from any claims for fees or commissions or any damage as a result of any such claim (including reasonable attorneys' fees charged to defend such claim) that arise from their respective actions. The provisions of this Section 13 shall survive Settlement and any earlier termination of this Contract.

14. Feasibility Tests and Studies; Access.

A. For the period of time beginning on the Effective Date and ending on the date which is sixty (60) days thereafter (the **"Feasibility Study Period"**), Purchaser shall have the right, at its own expense, to go upon the Site to cause boring tests and architectural, engineering, subdivision, access and other tests and studies, including market analyses and development and economic feasibility studies, to be made upon any portion of the Site in connection with the facilities to be constructed thereon by Purchaser as well as to determine the status of title to the Site. Unless, on or before the expiration of the Feasibility Study Period, Purchaser has given written notice to Seller that Purchaser has elected to maintain this Contract in full force and effect, then this Contract shall automatically terminate, in which event the Deposit shall be returned to Purchaser, and all parties shall thereupon be relieved of further liability and obligations hereunder, except that Purchaser agrees to (i) indemnify and save harmless Seller from any costs (including reasonable attorneys' fees), expenses, loss or liability arising out of any study or analysis, whether on-site or off-site, performed by or at the request of Purchaser, and (ii) repair any damage caused by any such study or analysis and restore the Site, as near as reasonably practical, to its condition before such study or analysis.

B. Seller shall grant Purchaser and Purchaser's employees, agents, representatives and consultants the right to enter upon the Site at any time before Settlement hereunder for purposes of surveying, engineering, testing and all other work which Purchaser may deem necessary, provided Purchaser (i) shall not materially alter the present condition of the Site or shall repair any damage caused by any such entry and restore the Site, as near as reasonably practical, to its condition before such entry, and (ii) shall indemnify and save harmless Seller from any costs (including reasonable attorneys fees), expenses, loss or liability arising out of any such entry. The provisions of Section 14A above and this Section 14B shall survive any termination of this Contract.

15. Other Provisions.

A. Waiver of Conditions. Purchaser reserves the right to waive any of the terms, conditions and contingencies of this Contract that are for the benefit of Purchaser and to purchase the Site in accordance with the terms and conditions of this Contract which have not been so waived. Failure to take any action reserved to Purchaser pursuant to this Contract shall not be deemed a waiver by Purchaser of such action, and all waivers by Purchaser must be in writing. A waiver by Purchaser in one or more instances of any term, covenant or contingency of this Contract shall apply to the particular instance or instances and at the particular time or times only, and no such waiver shall be deemed a continuing waiver, but every term, covenant or contingency shall survive and continue to remain in full force and effect.

B. Notices. All notices under this Contract shall be in writing and shall be deemed duly given on the date actually received and shall be delivered by hand-delivery or sent by telecopier (fax) with a confirming telephone call and an additional copy of the notice sent by first-class mail, postage prepaid, by commercial courier, by Federal Express, DHL or another recognized and reputable overnight delivery service for next day delivery, as follows:

If to Seller:	IVACO, Inc. 770 Rue Sherbrooke Ouest Montreal, Quebec, Canada H3A1G1 FAX No. (514) 288-2669 Telephone No. (514) 288-4545
Attention of:	Guy-Paul Massicotte Vice-Presidnet, General Counsel and Secretary____________
If to Purchaser:	Richmond American Homes of Virginia, Inc. 11290 Balls Ford Road Manassas, Virginia 20109 Attn: William F. Ostrander, President – South Division FAX No. (703) 551-2031 Telephone No. (703) 396-5150
with a copy to:	Eric J. Beach, Esquire MDC Holdings, Inc. 3600 South Yosemite, Suite 1000 Denver, Colorado 80237 FAX No. (303) 804-6988 Telephone No. (720) 529-5171

If to Escrow Agent: Premier Title, Inc.
8221 Old Courthouse Road, Suite 300
Vienna, Virginia 22182
Attn: Julie Grant, Manager
FAX No. (703) 790-8665
Telephone No. (703) 442-0001

C. Entire Agreement and Interpretation. This Contract contains the entire agreement between Seller and Purchaser. There are no promises or other agreements, oral or written, express or implied, between Seller and Purchaser other than as herein set forth. This Contract may not be amended or modified except by written instrument signed by the party to be charged with such amendment or modification. The section and paragraph headings in this Contract are inserted for convenience only and in no manner expand, limit or otherwise define the terms hereof. Whenever in this Contract a time period shall end on a day that is a Saturday, Sunday or legal holiday, the time period shall be extended automatically to the next date that is not a Saturday, Sunday or legal holiday. Both Seller and Purchaser have participated in the preparation of this Contract and no construction of the terms hereof shall be taken against either as the one drafting the Contract.

D. Partial Invalidity. If any term, covenant or condition of this Contract shall be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain in full force and effect.

E. Governing Law. It is the intention of the parties that all questions with respect to this Contract and the rights and liabilities of the parties hereunder shall be determined in accordance with the laws of the Commonwealth of Virginia.

F. Binding Effect. All of the covenants, conditions and obligations contained herein shall be binding upon and inure to the benefit of the respective legal representatives, successors and assigns of Seller and Purchaser. Notwithstanding the foregoing sentence, Seller shall not assign this Contract or any of its rights hereunder without the prior written consent of Purchaser (which consent shall not be unreasonably withheld).

G. Survival. The provisions of this Contract shall survive Settlement pursuant to Section 5(R) of this Contract.

H. Time of the Essence. Time is of the essence with respect to this Contract.

I. Exhibits. Each of the exhibits attached to this Contract is incorporated herein by reference. The following exhibits are attached hereto:

Exhibit A - Description of Land

Any exhibit not available at the time this Contract is executed shall be agreed upon, initialed and attached by the parties as soon after execution as it is practicable, but failure to attach any exhibit shall not affect the validity of this Contract unless the parties are in material disagreement as to the contents of such exhibit.

J. Execution. This Contract shall be null and void unless accepted and executed by both Purchaser and Seller on or before October 15, 2003. This Contract may be executed in one or more counterparts, all of which shall be but one Contract and all of which shall have the same force and effect as if all parties hereto had executed a single copy.

K. Lease Back provision. Purchaser shall have the option to lease back the use of the building, but not the adjoining land (except as needed to access and use the building) for a period of at least 6 months at a lease rate of $3 per square foot triple net. Seller must notify purchaser of its intent to lease back the property prior to the end of the Feasibility Study Period. At the end of the initial lease period, Seller shall have the option to extend the lease for an additional six months under the same terms and conditions.

L. Purchaser shall provide Seller a release at closing for all future environmental liabilities related to the Site.

IN WITNESS WHEREOF, the parties hereto have signed, sealed and delivered these presents as their own free act and deed, intending that this Contract be effective as of the date first set forth in this Contract (the "Effective Date").

PURCHASER.

RICHMOND AMERICAN HOMES OF VIRGINIA, INC., a Virginia corporation

By:____________________________
William F. Ostrander
President - South Division

____
Date

SELLER:

IVACO, INC., a Canadian corporation

By:____________________________

October 8, 2003
Date

Name: VICE-PRESIDENT, GENERAL COUNSEL AND SECRETARY

Title: GUY-PAUL MASSICOTTE

Exhibit A

Description of Land

GPIN 6983-69-8183 (9.6542 acres) and GPIN 6983-78-1685 (27.8056 acres), on the Fauquier County Tax Map

APPENDIX 10

NEWMARK

September 23, 2003

Mr. Guy Paul Massicotte
Vice President, General Counsel
IVACO
770 rue Sherbrooke Ouest
Montreal, Quebec
H3A 1G1

Dear Guy-Paul:

Attached please find a report outlining the zoning, marketing and pricing issues for the IVACO Wire property located at 615 Falmouth Street in Warrenton, Virginia. If you have any questions or require additional information, please don't hesitate to call.

Sincerely,

Lisa Benjamin
Senior Managing Director

NEWMARK OF WASHINGTON D.C. LLC
1341 CONNECTICUT AVENUE, NW, WASHINGTON, D.C. 20036 TEL: 202.331.7000 FAX: 202.331.7010 www.newmarkre.com

I. Introduction/Description of the Property

The IVACO Wire property is located on Old Meetze Road and Falmouth Street in the Town of Warrenton, Fauquier County Virginia. The property is 37 acres and includes a warehouse building of approximately 128,000 square feet. In addition, there is a storm water management pond on the property that occupies 3 acres. The site is accessed both from Old Meetze Road and Falmouth Street off Business Route 29. There is a limited access road, Route 29 that has an interchange less than a mile from the site. Interstate 66 is ten miles from the property

The wire plant began operations in 1968 and was used to manufacture and distribute nails and wire fasteners. The building is now used for storage of manufacturing equipment from other IVACO facilities. When constructed in the late 1960's, the Norfolk and Southern Railroad line ran along the southern property boundary of the site. This rail line has been closed for two decades, and is used as a paved hiking/biking trail.

The IVACO property is zoned Industrial General (IG) in the Town of Warrenton Zoning Code. The intent of this district is to permit a wide variety of research, manufacturing, storage and transportation uses. The IG zone is "heavy industrial" and allows for the most intense industrial uses in the region.

II. Marketing Activities

Newmark was engaged to market the IVACO property in 2000. The goal was to sell the property to an industrial user, with an asking price of $4,500,000. Marketing efforts included:

* installing a sign on the property

* preparing and distributing a marketing package (a copy of that package in enclosed)

* identifying and targeting industrial users currently located in Fauquier, Prince William and Fairfax Counties

*listing and advertising the property in CoStar (a proprietary subscription data base of commercial properties), Property First, Loop Net, the Wall Street Journal and the Washington Post. We also met with the Warrenton Economic Development Agency, the State of Virginia Economic Development Agency, Vint Hill Development Authority as well as the local real estate development and brokerage community.

III. Offers Received

To date, IVACO has received five offers to purchase the property. These offers ranged from $2,100,000 to $3,950,000 and were all based on speculative industrial development of the site. Development problems include the deteriorating condition of the building, softness of the commercial real estate market in Warrenton and the limited number of large industrial users for this location.

In the past six months, interest in the IVACO property from residential builders/developers has increased significantly. While the master plan does not permit residential development on the site, the sentiment regarding the possibility of rezoning the property for residential use has changed. This is due in part to the appointment of a new zoning administrator who is open to residential redevelopment in this location and the construction of a single family home community on the north side of Old Meetze Road by Richmond American Homes.

IVACO has been unwilling to sell the property subject to rezoning to residential use in view of the uncertainties and length of the rezoning process. As a result, many smaller homebuilders who would be candidates to purchase the property once all the approvals are in place, are unable to finance the purchase of industrially zoned land without the necessary approvals. However, in spite of this, IVACO has succeeded in negotiating a contract with Richmond American Homes which provides for the following:

*A study period of 60 days and closing within 45 days following the expiration of the study period. A $500,000 non refundable deposit will be posted at the expiration of feasibility.

*A purchase price of $4,000,000,

*No conditions to closing other than marketable title.

Given Richmond American's experience in the Town of Warrenton and direct homebuilding activity in this market area, this is an excellent candidate to purchase this property.

IV. Comparables

In order to evaluate the offers for the IVACO property, it is important to understand the purchaser's intended use. Exhibit A is a list of comparables for industrial land, industrial buildings and residential land.

As an industrial development site, the value of the raw ground is in the $1.25 to $1.50 per square foot of land or $55,000 to $65,000 per acre. Assuming there is approximately 20-25 acres of developable ground, that would result in a land price of $1.3 to $1.6 million dollars. If the building was demolished, an additional 5 acres of land could potentially be developed. The two most direct comparables in terms of size and zoning are 7301 Groveton Road and 5543 Wellington Road. Both sites are in Manassas, which is approximately 15 miles east of Warrenton. Prices ranged from $67,500 to $109,000 for land zoned for heavy industrial development.

If the prospective purchaser is a user that wants to occupy the warehouse building, the building in its current condition would be valued at $20 to $25 per square foot or $2.5 million to $3.2 million. There is very little office space, and the warehouse portion is in poor condition. The building needs significant capital expenditures including roofing and ADA compliance, and for many users the 18' ceiling height is insufficient. Industrial building comparables for buildings in this size range are generally priced in the $65 to $85 per square foot but are typically much newer buildings with interior build out.

For residential development, the property could only be rezoned to single family housing lots at a density not to exceed 4 units per acre. Townhouse or multi-family zoning would not be approved in this location. Based on conversations with the planning and zoning staff, a rezoning would require dedication of the pond and surrounding acreage to the Town of Warrenton for a park, a relocated entrance due to sight line issues and significant setbacks around the perimeter of the property. The likely yield given these constraints is in the range of 55 lots. The offer of $4,000,000 reflects a land price of $73,000 per raw lot. Some extraordinary costs associated with the development of the site include the demolition of the warehouse building and parking lots, the earthwork required to balance the site and extension of public water and sewer to serve the new housing units. The residential land comparables show a wide range of prices, although in all cases the lots have been approved for residential development. The Warrenton lots at Whites Mill are priced at $70,000 per finished lot, however those lots are probably worth $90,000 per lot today. Anticipated finishing costs are in the $35,000 per lot range, which would equate to a 2003 price of $55,000 per lot assuming all approvals are in place. Unfinished single-family lots range from $35,700 to $62,000 per lot and again, this reflects land that is zoned for residential development.

The Richmond American contract reflects a land price of $73,000 per lot, although that price will depend on the ultimate yield of lots on the property. The rezoning effort should take approximately 9 months, and the site plan process should take another 6 months. The costs of engineering and legal costs associated with the rezoning will total approximately $250,000. For comparison purposes, similar sized unfinished lots, with all approvals in place are priced in the $62,000 to $107,000 range. A discount of 10-15% is appropriate to compensate the purchase for the time, cost and risk associated with the rezoning effort. While there are comparables as low as $35,700 to $42,500 per unfinished lot, these projects represent sites with extremely high development costs including off site road contributions and other proffers that total as much as $20,000 per lot.

V. Conclusions

The Richmond American contract represents a fair, market price for single family lots in this location. The ability of Richmond American to purchase the property without the zoning approvals in place is important, and the pricing has not been significantly discounted. The viability of this property for residential development is strong, and represents the best economic alternative for the seller.

Industrial Land Comparables, 2002-2003				
Address	Price/Acre	Size of Parcel	Closing Date	Zoning
7301 Grovaton Road Manassas, VA	$109,000/acre	19.7 acres	3/24/2003	M1
5543 Wellington Rd Manassas, VA	$87,618/acre	22.24 acres	10/16/2002	M1
8730 Wellington Rd Manassas, VA	$128,502/acre	11.2 acres	9/11/2002	
9150 Signal View Dr Manassas, VA	$28,749/acre	43.06 acres	10/24/2002	
8313 Bethlehem Rd Manassas, VA	$38,332/acre	30.6 acres	12/10/2002	
7700 Progress Ct Gainesville, VA	$328,442/acre	2.39 acres	12/12/2002	
8610 Virginia Meadows Manassas, VA	$62,290/acre	7.9 acres	4/14/2003	
7810 Bethlehem Road Manassas, VA	$36,283/acre	12.26 acres	4/17/2003	
9408 Stonewall Rd Manassas, VA	$540,144/acre	.5 acres	11/15/2002	
15345 John Marshall Hwy Haymarket, VA	$172,933/acre	13.3 acres	5/13/2003	

NEWMARK

Industrial Building Comparables 2002-2003					
Address	Building Size	Year Built	Price/square foot	Total Price	Closing Date
7131 Gateway Court Manassas, VA	12,250 sf	1998	$131.47/sf	$1,650,000	2/19/2003
7223 Centreville Rd Manassas, VA	7,320 sf	1960	$221.98/sf	$1,625,000	12/4/2002
9108 Owens Drive Manassas, VA	22,000 sf	1986	$67.29/sf	$1,480,485	10/2/2002
8375 Centreville Rd Manassas, VA	6,400 sf	NA	$195.31/sf	$1,250,000	9/12/2002
1030 Cannons Ct Woodbridge, VA	6,984 sf	NA	$60.85/sf	$425,000	2/4/2003
14788 Build America Dr Woodbridge, VA	2244 sf	1986	$133.69/sf	$300,000	10/31/2002
14041 Worth Avenue Woodbridge, VA	184,204 sf	1995	$127.58/sf	$23,500,000	4/29/2003
9220 Godwin Drive Manassas, VA	335,662 sf		$65.66/sf	$22,040,000	11/26/2002
14041 Worth Avenue Woodbridge, VA	184,204 sf	1995	$86.86/sf	$16,000,000	11/1/2002
6690-7000 Gateway Ct Manassas, VA	124,000 sf	2001	$64.84/sf	$8,040,000	10/31/2002
1041 Cannons Ct Woodbridge, VA	40,765 sf	1985	$61.33/sf	$2,500,000	12/4/2002

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Residential Land Comparables 2002 2003						
Address	Number of Acres	Price per Acre	Price per Lot	Type of Lot	Closing Date	
Whites Mill Road Warrenton, VA	15 acres		$70,000/lot	SF	2/14/2002	50 finished lots
15340 Bronco Way Dale City, VA	6.8 acres	$307,633/acre	$14,200/lot	TH	10/1/2002	148 unfinished lots
4301 Cogenbury Ct Dumfries, VA	4.03 acres	$486,000/acre	$140,000/lot	SF	5/8/2003	14 finished lots
2600 Newport Drive Woodbridge, VA	10.0 acres	$186,000/acre	62,000/lot	SF	1/30/2003	30 unfinished lots
2038 Powells Landing Woodbridge, VA	2.99 acres	$581,090/acre	$158,181/lot	SF	12/27/2002	11 finished lots
West Botts Avenue Woodridge, VA	11.35 acres	$136,000/acre	$8,611/lot	SF	11/26/2002	180 unfinished lots
14908 Lee Highway Gainesville, VA	10.8 acres	$132,422/acre	$35,700/lot	SF	6/6/2003	40 unfinished lots
3304 Logmill Road Haymarket, VA	197 acres	$8,600/acre				Land for conservation
Piedmont Haymarket, VA	1.98 acres	$636,411/acre	180,000/lot	SF	12/10/2002	7 finished estate lots in planned community
6531 Catharpin Rd Gainesville, VA	6.72 acres	$186,000/acre	$125,000/lot	SF	9/20/2002	10 finished lots
15607 Lee Highway Gainesville, VA	82.9 acres	$14,819/acre	$42,586/lot	SF	2/2/2003	29 unfinished lots
5420 Balls Bluff Ct Dumfries, VA	2.1 acres	$520,977/acre	$91,864/lot	SF	2/12/2003	12 finished lots
14264 Snickersville Dr Haymarket, VA	1.9 acres	$565,844/acre	$107,500/lot	SF	6/23/2003	10 finished lots

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TOTAL P.87