THIS IS EXHIBIT “9” REFERRED
TO IN THE AFFIDAVIT OF
STANLEY H. MEADOWS, SWORN
BEFORE ME THIS 29TH DAY OF
SEPTEMBER, 2006.

Jessica M Frederick

A NOTARY PUBLIC

“OFFICIAL SEAL”
JESSICA M. FREDERICK
Notary Public, State of Illinois
My Commission Expires Aug. 18, 2009

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.

QIT

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.

<u>Major Utility Providers</u>

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.

Insurance Related Matters

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.

Allocation of Corporate Overhead

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.

Accrued Liabilities

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