

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

**IN THE MATTER OF THE PROPOSAL OF
STEELBANK TUBULAR INC.
A COMPANY DULY INCORPORATED IN NEW BRUNSWICK WITH A HEAD
OFFICE IN THE CITY OF MISSISSAUGA, IN THE PROVINCE OF ONTARIO**

**SUPPLEMENTAL REPORT TO THE FIRST REPORT OF THE COURT
APPOINTED INTERIM RECEIVER**

OCTOBER 17, 2007

INTRODUCTION

1. This report is supplemental to the first report to the court of A. Farber & Partners Inc. in its capacity as court appointed interim receiver of Steelbank Tubular Inc. dated October 15, 2007 (the "First Report").
2. Unless specified herein, all capitalized forms shall have the meaning ascribed to them in the First Report.

DISCLAIMER

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PURPOSES OF THIS REPORT

4. The purpose of this Report is to:
 - (i) update the Court as to the independent legal opinion received from Chaitons LLP (“Chaitons”), independent legal counsel to the Interim Receiver.

INDEPENDENT LEGAL OPINION

5. In the First Report, the Interim Receiver advised the Court that Chaitons were in the process of conducting a review of the validity and enforceability of security granted by the Company to Laurus.
6. Further to paragraph 24 of the First Report, Chaitons has now completed its review of the validity and enforceability of security granted by the Company to Laurus, which is attached hereto as Exhibit “A”.
7. Chaitons has opined that, subject to the qualifications and assumptions contained in its opinion, that:
 - the Amended and Restated Master Security Agreement dated December 13, 2005 as amended and restated as of August 9, 2007 (the “MSA”) creates a security interest in favour of Laurus in all present and future Collateral (as defined in the MSA) of Steelbank;
 - the MSA secures the payment and satisfaction of any and all debts, liabilities and obligations owing by Steelbank to Laurus, including without limitation, all debts, liabilities and obligations of Steelbank arising under the Amended

and Restated Subsidiary Guarantee dated December 13, 2005 as amended and restated as of August 9, 2007 granted by Steelbank, among others, in favour of Laurus; and

- financing statements have been registered against Steelbank pursuant to the PPSA on December 13, 2005, July 13, 2007 and July 18, 2007, respectively, perfecting Laurus' security interest in the Collateral located in Ontario other than consumer goods.

RECOMMENDATION

8. As a result of the above, the Interim Receiver respectfully requests that this Honourable Court:

- (i) authorizing the Interim Receiver to distribute the Sale Proceeds and Remaining Proceeds to Laurus.

All of which is respectfully submitted,

**A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS INTERIM RECEIVER OF
STEELBANK TUBULAR INC.**
