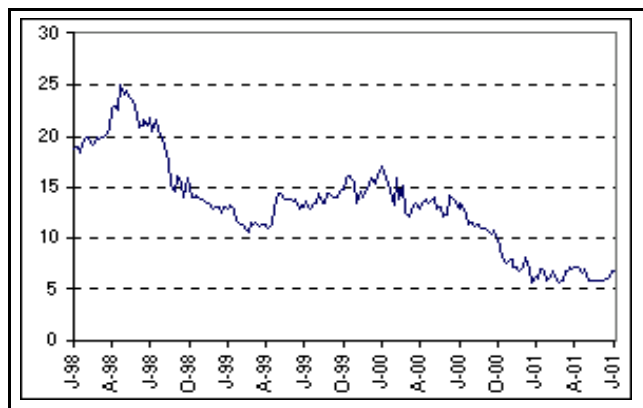


THE COMPANY

Co-Steel Inc. is one of the largest minimill steel producers in the world with an annual capacity of over 3.5 million tons. The company processes and recycles over 4 million tons of ferrous and non-ferrous material each year. The product line consists of steel bar and rod, structural shapes and flat rolled steel products. Sales of \$1.5 billion in 1999, were dependent on the construction, automotive and appliance manufacturing industries. Operations are based primarily in Ontario, New Jersey and Kentucky.

FINANCIAL DATA

	1999	2000	2001e
Earnings per Share (\$)	0.86	1.10	0.50
Price to Earnings (times)	14.8	11.6	25.5
Dividend (\$)	0.40	0.40	-
Dividend Yield (%)	3.14	3.14	-
Book Value (\$)	18.31	19.00	19.50
Price to Book Value (times)	0.70	0.67	0.65

HISTORICAL SHARE PRICES

WHY ABC FUNDS BOUGHT CO-STEEL INC.

Co-Steel meets the strict investment disciplines set out by the ABC value philosophy. Co-Steel's share price has been depressed relative to historic levels as the company and the steel industry have lost favour to "new economy" companies. Further, the difficult 1998 fiscal year caused investors to unduly punish its share price. However, fundamentals are sound, strategic direction, as set out by the new management led by Terry Newman, is clear and profitability has returned to the organization.

Co-Steel has declined from its 52 week high of \$17.05, but has recovered from a low of \$10.50 in early 1999. The company is currently trading at approximately 14.8 times 1999 earnings and at 70% of its \$18.31 book value. Impressively, cash flow was \$114.2 million in fiscal year 1999, or \$3.73 per share. Also, Co-Steel pays an annual dividend of \$0.40 per share, yielding 3.14%.

Co-Steel has recently weathered a few difficult years, stemming from unfavourable market conditions as a result of "dumping" (selling below cost, in an attempt to steal market share) by foreign manufacturers. The increased supply of imported products caused steel prices to plummet and adversely affected revenue, margins and earnings. However, Co-Steel and the steel industry have lobbied the government for trade sanctions and import restrictions. Steel prices are expected to recover.

Strategically, the company is committed to improving profitability and building shareholder value. Co-Steel has redefined its core operations and may sell a number of its non-core assets such as the 50%-owned Gallatin Steel, a joint venture with Dofasco Inc. The company has recently sold its 76% stake in Mayer Parry Recycling for approximately \$116.5 million, pending regulatory approval. By liquidating under-performing assets and focussing on the North American market, Co-Steel can concentrate on improving profitability and unlocking value by coordinating and consolidating operations. Finally, the proceeds from such sales are being used to improve the financial position of the company by paying down debt. Management has set a target of reducing net debt to 30% of total capital within the next 18 to 24 months.

With steel prices rising due to strong U.S. and Canadian economies, a recent return to profitability and clear strategic goals, Co-Steel offers tremendous value for the diligent and patient investor. Furthermore, with low management share ownership and no controlling shareholder, Co-Steel is an attractive takeover candidate. Overall, we expect that Co-Steel's share price will return to more appropriate levels given the improving fundamentals of the company and the generally positive outlook for the Canadian steel industry.

UPDATES

Co-Steel's commitment to improving the profitability of its core operations was evident in the first quarter results of the 2000 fiscal year. For the period, the company reported earnings per share of \$0.39 compared to a loss of \$0.09 per share in the first quarter of 1999. Sales increased 15% from the corresponding quarter last year and totaled \$345.6 million on shipments of 736,000 tons. Earnings per share from continuing operations amounted to \$0.21, as the sale of Mayer Parry Recycling division to European Metal Recycling Limited closed for \$115 million. Co-Steel will receive 76% of the proceeds of the transaction, or approximately \$85 million net cash. Management has stated its intention to use gains from such asset sales and cash generated from operations to reduce net debt and strengthen Co-Steel's balance sheet.

The turnaround in financial performance year-over-year was partially due to good results at the 50% owned Gallatin Steel division, which contributed US\$10 million to Co-Steel's first quarter EBITDA versus a negative EBITDA of US\$3.3 million in 1999. However, earnings were detrimentally affected by the withdrawal of Co-Steel Raritan from the purchased billet business and the reduction in operating margins, as scrap prices peaked in the quarter. On the positive side, Co-Steel Lasco and Sayreville reported improved results. Increases in both shipments and revenue helped fuel earnings growth.

Given the prospect of an economic slowdown, the North American steel industry may face a more difficult pricing environment in the coming quarters. However, Co-Steel's focus on improving the profitability and operating efficiency of its core operations should mitigate soft market conditions. Co-Steel's dividend provides a defensive aspect to the stock and we are prepared to continue to wait patiently until the inherent value in the company is recognized.

ABC Funds
June 6, 2000

Co-Steel should be commended for its commitment to improving operational performance, reducing debt and focusing on its core operations. Despite the vastly improved financial results in the second quarter of this year, Co-Steel's share price continues to languish. Apparently, investors have been unable to overlook the disappointing fundamentals of the steel industry, as imports continue to flood the market. However, we believe that the Company is grossly undervalued and, at current price levels, is poised for a catalyst.

In the second quarter of 2000, Co-Steel reported net income of \$0.67 versus \$0.20 in 1999. The most recent quarter contained the \$85 million gain on the sale of the Mayer Parry Recycling division. If we examine only continuing operations, Co-Steel earned \$0.36 in the quarter compared to \$0.13 in 1999. The cash proceeds from the sale of non-core assets and reduced capital spending have allowed Co-Steel to sensibly strengthen its balance sheet. Debt reduction, to the tune of approximately \$100 million in the first half of 2000, is on pace to meet the Company's net debt to total capitalization target of 30% or lower. In fact, the ratio fell from 38% to 32% in the second quarter of this year alone.

Unfortunately, the steel industry is still battling an excess of foreign supply, which has depressed prices. Nevertheless, we believe that management has done an excellent job of strengthening Co-Steel's balance sheet in order to ensure that the Company can weather this difficult environment. We are hopeful that either industry fundamentals will improve or a catalyst will materialize. In any case, Co-Steel's operations demand greater market recognition than is currently awarded.

ABC Funds
October 6, 2000

The impact of unfairly priced imported steel and escalating energy costs is becoming evident throughout the steel industry. Co-Steel, though still profitable in 2000, was not immune to these difficult market conditions. For fiscal 2000, the Company reported earnings of \$1.10 versus \$0.86 in 1999, but earnings from continuing operations declined year over year. In response to weak steel prices, management has taken strong measures to protect the financial health of the organization. Dividend payments have been suspended and capital spending has been curtailed so that cash from operations could be used to repay outstanding debt. In fact, long-term debt declined by \$116 million in 2000, which reduced net debt-to-capitalization to 33% from 37% in the prior year. Further, trade actions were initiated in conjunction with other steel producers in order to halt the flood of imported steel. We believe that management has made the correct strategic decision to focus on debt-repayment and inventory, cost and capital spending control, given the current industry environment.

ABC Funds
February 23, 2001

UPDATES (cont'd)

There has not been a lot of good news for the steel industry in recent months. In particular, Co-Steel reported disappointing results for its first quarter of 2001. In addition to the familiar story of unfairly priced imported steel, a slowing economy and escalating energy costs, several company-specific issues had a detrimental impact on the financial results. In the quarterly numbers, Co-Steel included a one-time write down of the Company's investment in ASW Plc of \$18 million. Also, a three-month lockout of employees at Co-Steel Lasco reduced production volumes and shipments, which obviously impaired the operating and financial performance for the quarter.

When all was said and done, the Company reported a loss of \$1.78 per share compared to earnings of \$0.39 per share for the first quarter of 2000. Co-Steel also announced that with its operating loss, the Company had breached its interest coverage covenants with its lenders. Management has indicated that discussions with the syndicate are ongoing and they fully expect to renegotiate the long-term debt under terms that are mutually acceptable. On a relatively more positive note, steel price increases came into effect on July 1 in both Canada and the United States. Canadian companies were looking for a CDN\$30 per ton increase for hot rolled sheet and U.S. companies were looking for a US\$20 per ton increase. These price increases are an early positive sign for the steel industry though profitability, for many in the sector, may be several quarters away. From our perspective, however, we believe that Co-Steel will be able to weather this difficult period and we continue to patiently hold the stock.

ABC Funds
July 13, 2001

As we have discussed previously, the North American steel industry is in the midst of an incredibly difficult period. Weak demand from the manufacturing sector will be prolonged by the onset of a recession, however brief or mild. Further, the Canadian Government has shown little interest in protecting the domestic steel industry from unfairly priced imports. Given the current situation, an improvement in pricing could be delayed for several quarters.

Co-Steel's shares have been under considerable pressure for some time now and were certainly not buoyed by a larger than expected third quarter loss. Importantly, the Company was able to preserve cash, primarily by drawing down inventory and collecting accounts receivable. As we have reported, the Company has been in breach of its credit agreements since March but has continued to negotiate with its lenders in an effort to reach mutually acceptable terms. Nevertheless, the Company has made it clear that they intend to continue to make all scheduled interest payments on all outstanding debt. After examining the situation closely, we have made the difficult decision to sell our entire position in Co-Steel common shares and realize the tax-loss.

ABC Funds
December 7, 2001