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"

TWENTY-THIRD REPORT OF THE MONITOR
MARCH 18, 2005

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INTRODUCTION

1. Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants") obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, *as amended* (the "CCAA") through an order of this Honourable Court dated September 16, 2003, as amended and restated (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "Monitor") of the Applicants.

2. The Applicants for the Initial Order were, among others, Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC (Fasteners) Inc., and Docap (1985) Corporation and the related limited partnerships Ivaco Rolling Mills Limited Partnership ("IRM") and Ifastgroupe and Company Limited Partnership ("Ifastgroupe").

3. On January 17, 2005, the Applicants filed a motion with this Honourable Court returnable January 25, 2005 for an Order to establish a Subsequent Claims Bar Date in accordance with the Claims Procedure Order dated June 18, 2004 and to approve and establish a procedure for the identification, resolution and barring of certain claims against the directors and officers of the Applicants ("D&O Claims Process"), as described in the Twenty-First and Twenty-Second Reports of the Monitor.

4. On January 25, 2005, certain of the Applicants' stakeholders objected to the proposed form of Order approving the Subsequent Claims Process and D&O Claims Process on the basis that the Order being sought included extensive involvement by the relevant members of the IAC, the independent directors' counsel and the Affected Respondents in the review and approval of claims. As a result, the Honourable Mr. Justice Farley directed that the parties meet in order to agree on a proposed structure for the continuation of the Ivaco proceedings and to report back to this Honourable Court.

5. The purpose of this Twenty-Third Report of the Monitor (the "Report") is as follows: i) to provide this Honourable Court with a preliminary view of the proposed structure that would ensure, to the extent attainable, the timely resolution of all outstanding issues and the fair, equitable and timely distribution of the sale proceeds received by the Applicants in connection with the closing of the sale transactions effective December 1, 2004; and ii) to support the Applicants' request for the release of the escrow and holdback amounts. The Report is organized as follows:

- Terms of Reference
- Proposed Structure
- D&O Claims Process
- Pension Update
- Claims Update
- Status of the Sales Process
- Shareholders
- Monitor's Conclusions and Recommendations

TERMS OF REFERENCE

6. Capitalized terms not defined in this Report are as defined in the Initial Order, the Asset Purchase Agreements and the Monitor's previous reports. All references to dollars are in Canadian currency unless otherwise noted.

7. In preparing this Report, the Monitor has relied upon company-prepared unaudited financial information and records as well as discussions with the former management of the Applicants and their legal and financial advisors. The Monitor has not performed an audit or other verification of such information.

PROPOSED STRUCTURE

8. Since the closing of the Asset Purchase Agreements effective December 1, 2004, it has been clear that there is no prospect of an enterprise restructuring but rather the focus is on realization and distribution to the creditors in accordance with their respective rights and priorities. As set out in earlier reports, it is clear that there is no likelihood of any value or realization for the equity holders in Ivaco including holders of preferred shares. The amounts realized will be insufficient to pay the total of the secured and unsecured debt of Ivaco. Since December 1, 2004, there have been no employees remaining (with the exception of the CRO and Docap). As well, on February 28, 2005, the CRO and all of the directors resigned. Although this void in management is being addressed on a stop-gap basis by the Interim Additional Powers Order, it is obvious this is only temporary and, given the position of the various stakeholders, formal insolvency proceedings other than a continuation of the CCAA proceedings is desirable.

9. There has been considerable discussion with the IAC and others concerning structures for completing these proceedings. The members of the IAC have indicated an intention to have the Applicants be declared bankrupt pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA").

10. In addition, at the request of the IAC, the Monitor is considering transition and co-ordination mechanisms that would be necessary to move these proceedings from a CCAA to a bankruptcy if so ordered by this Honourable Court.

11. In transitioning these proceedings and before a distribution can be made to the Applicants' pre-filing creditors, the various court-ordered charges pursuant to the Initial Order must be discharged. One of these priority charges that must be unwound is the one afforded to the Applicants' directors and officers. Given the directors' ability to file indemnification claims against the Applicants' unsecured creditor pools, it is necessary to run a process to determine the extent to which the directors may have claims before distributions to unsecured creditors can take place. The IAC supports the need to have a D&O Claims Process in order to identify claims against the Applicants' directors and officers that could give rise to secured and unsecured indemnification claims by the directors. By completing a D&O Claims Process, the priority charges pursuant to the Initial Order can be discharged thereby freeing up the Applicants' cash so that distributions to creditors can occur.

12. An important part of the transition from the CCAA proceedings involves incorporating or preserving the work done to assess the merit and quantum of claims under the claims process approved by this Honourable Court on June 18, 2004. A considerable amount of time and effort has been expended over the last six months to advance this process to the point where a substantial portion of the claims have been resolved, settled or revised or there is the prospect of doing so.

13. It is being contemplated that a future Transition Order would provide that the Trustee would administer and resolve all of the claims in accordance with the provisions of the BIA. This would allow for the resolution of large complex claims including, but not limited to, pension and PBGF deemed trusts and liens, the PBGC claims and noteholder make-whole amounts.

14. The Trustee will also be responsible for resolving, with the assistance of this Honourable Court if necessary, all outstanding issues relating to the Asset Purchase Agreements with Heico, including resolution of the working capital dispute and the release of escrow and holdback amounts. The resolution of these matters with Heico may have a material impact on the timing of distribution and ultimate recoveries to the Applicants' respective creditors.

15. Although the stay provided by the CCAA Order would not be extended, the Transition Order would provide that, subject to this Honourable Court's approval, the Trustee may pay for obligations arising from goods and services provided to the Applicants post-filing ("Post-Filing Claims"). With a few exceptions, Heico assumed all Post-Filing Claims. The Monitor is not aware of any significant Post-Filing Claims filed to date. However, to the extent that the Monitor receives a bona-fida Post-Filing Claim that has not been assumed by the Purchaser, it will be addressed on a timely basis.

D&O CLAIMS PROCESS

16. In order to effect a distribution to all creditors with provable claims, it is necessary to initiate a claims process calling for all claims that are subject to the D&O charge given in the Initial Order. This process will be similar to the draft D&O claims process discussed in detail in the Twenty-Second Report of the Monitor save that it is expected that it will be more streamlined.

17. It is expected that a motion will be made to this Honourable Court for approval of the D&O Claims Process on March 29, 2005. The proposed D&O Claims Process Order is the result of a cooperative effort on the part of several of the Applicants' major stakeholders.

PENSION UPDATE

18. Prior to the closing of the APAs, the Applicants had 16 pension plans in place for the various entities, including three in the U.S. All pension plans were in deficit positions. Heico assumed nine of the pension plans relating to unionized employees and the three pension plans in the U.S. have been taken over by the Pension Benefit Guaranty Corporation. The remaining salaried pension plans (with the exception of Docap) were terminated as at December 1, 2004 and notices of plan wind-up were provided by the Applicants to all members, former members and other persons entitled to payment from the plan. The Financial Services Commission of Ontario ("FSCO"), the Regie des rentes du Quebec and the Pension Committee of the Pension Plan for Salaried Employees of Ivaco and participating Subsidiaries were also notified.

19. If and when a Transition Order is approved, it will provide authority to engage such consultants, including Mercer Human Resource Consulting, as are necessary in connection with the administration, wind-up and liquidation of the pension plans.

20. Concurrent with the termination of the salaried pension plans, the Applicants ceased to pay any current service contributions (the Applicants were not required to make any past service contributions and special payments pursuant to an Order from this Honourable Court dated November 28, 2003). The following table sets out the unpaid pension contributions (pre and post filing) in respect of the four salaried plans as at November 30, 2004:

Entity (Cdn$ 000's)	Total
Ivaco	2,769
IRM	6,295
Ifastgroupe	2,251
Docap	182
Total	11,497

21. On March 3, 2005, the Monitor, the Monitor's counsel, counsel to FSCO and counsel to and representatives of the Pension Committee of the Salaried Pension Plan for Ivaco and participating subsidiaries (the "Pension Representatives") met to discuss a number of issues. The Monitor advised the Pension Representatives that the IAC was proposing a transition from the CCAA into bankruptcy and possibly Interim Receivership. The Pension Representatives raised a number of issues, the most significant of which were: i) their potential opposition to any bankruptcy proceedings; ii) whether the Monitor had segregated the sale proceeds in an amount equivalent to their deemed trust claims into separate bank accounts; and iii) whether the Monitor acknowledged that a joint and several deemed trust and lien existed (in respect of unpaid contributions and potential future PBGF advances).

22. The Pension Representatives advised that they would oppose any motion to have the Applicants declared bankrupt until this Honourable Court ruled on the issues related to the potential deemed trust and lien. On March 4, 2005, at the request of the Pension Representatives, the Monitor, the Monitor's counsel, members of the IAC and the Pension Representatives met with the Honourable Mr. Justice Farley to discuss a number of issues including the scheduling of the various motions. As a result of the meeting, the Honourable Mr. Justice Farley ordered that all parties standstill and that there be a meeting of all of the stakeholders to discuss a reasonable scheduling of motions. Accordingly, on March 7, 2005 the Monitor held a meeting with all of the Applicants' significant stakeholders to discuss various procedural matters, including a timetable to come back to this Honourable Court. No consensus emerged from those discussions and it appears that there are significant issues for resolution.

23. The members of the IAC together with the Pension Representatives presumably will address submissions to this Honourable Court on March 21, 2005, each outlining their respective positions.

CLAIMS PROCESS UPDATE

24. On June 18, 2004, this Honourable Court issued an order authorizing the Applicants to conduct a process calling for and determining claims of their creditors (the "Claims Procedure Order"). Among other things, the Claims Procedure Order established August 6, 2004 as the Claims Bar Date with respect to claims arising prior to September 16, 2003 or arising after September 16, 2003 as a result of the restructuring, repudiation or termination on or before June 18, 2004 of any contract, lease or employment agreement.

25. Since the Claims Bar Date, the Monitor has been actively engaged in the claims process. The Monitor's activities to date include but are not limited to the following:

- compiled a database of all claims received;
- reviewed claims for technical compliance, supporting documentation and accuracy;
- contacted creditors to obtain additional information regarding their claims and to consensually resolve disputes and differences;
- assisted the Applicants with and reviewed the reconciliation of all claims;
- prepared briefs on all complex claims for review by counsel;
- worked closely with the Applicants, their legal counsel and consultants in reviewing all contentious claim related issues; and
- responded to a significant number of inquires from creditors and former employees regarding the claims process.

26. The following chart summarizes the number and value of Proofs of Claim received by the Monitor as at February 28, 2005. It also provides an estimate of

the value of claims as at February 28, 2005 as determined by the Monitor after deducting duplicate claims, claims and/or portions of claims to be disallowed and other known revisions as discussed more fully in the Twenty-Second Report of the Monitor.

Applicant	Number of Claims filed	Face Value of Claims as at Feb. 28, 2005 (in millions)	Estimated Value of Claims as at Feb. 28, 2005 (in millions)
Ivaco Inc.	633	$546.0	$255.8
Ivaco Rolling Mills Inc.	433	$536.6	$238.5
Ifastgroupe Inc.	522	$254.0	$108.7
Docap (1985) Corporation	61	$111.3	$6.5
IFC (Fasteners) Inc.	20	$220.0	$115.1
Ifastgroupe Realty Inc.	12	$191.3	$85.7
Florida Sub One Holdings	1	$104.8	Nil
3632610 Canada Inc.	2	$104.8	Nil
TOTAL	1,684	$2,068.8	$810.3

27. The Applicants with the assistance of the Monitor have substantially reconciled all trade-related claims. This was accomplished by the Applicants and the Monitor contacting the affected creditor directly and consensually resolving the claim resulting in the creditor, in most instances, filing an amended claim.

28. There are a significant number of former and retired employees who have filed claims for termination, severance, pension, and other benefits entitlements. The Monitor has obtained a valuation of these claims from Mercer Human Resource

Consulting Group and is in the process of preparing Notices of Revision or Disallowance to be sent to the Claimants.

29. Approximately eighty significant and complex claims have been provided to the Applicants' or the Monitor's counsel for review. The Monitor is working closely with legal counsel to ensure that the issues associated with these claims can be resolved as soon as practicable. Where necessary, Notices of Revision and Disallowance will be provided to Claimants.

30. The claims review process is ongoing. As discussed above, it is anticipated that the Trustee will assume responsibility for resolving claims and completing the Claims Process.

31. Those creditors with a Subsequent Claim arising as a result of a restructuring, repudiation or termination of a contract, lease or employment agreement from and after June 18, 2004 up to and including December 1, 2004, being the Closing date of the Heico transaction will have an opportunity to file a claim with the Trustee. This will likely result in significant additional claims being filed.

STATUS OF SALES PROCESS

32. The Heico transaction closed effective December 1, 2004. There are or were two significant disputes ongoing with the Purchaser: i) release of escrow and holdback amounts; and ii) resolution of the working capital adjustment. This report will focus on the release of the escrow and holdback amounts. The Monitor will report back to this Honourable Court for direction on the resolution of the working capital adjustment at a later date, if required.

33. On December 1, 2004 and pursuant to the closing of the APAs, Heico was directed to pay to the Escrow Agent 20% of the Estimated Cash Amounts (less the $5 million deposits for each of Ivaco, Ifastgroupe and IRM which had

already been sent to the Escrow Agent on the signing of the APAs). Heico was also directed to pay the residual sale proceeds to the Applicants' counsel's ("DWPV") trust account. DWPV then paid, on behalf of the Applicants, certain consent payments, lease buyouts and success fees, before remitting the balance to the Monitor on December 3, 2004. The following table outlines the amount of sale proceeds and cash on hand received by the Monitor as at the end of business on December 3, 2004:

(in $000's)	Amount in Escrow	Residual Sale Proceeds	Total Sale Proceeds (Note 1)	Less Consents, Buyouts and Other (Note 2)	Plus Cash on Hand (Note 3)	Net Cash
Ivaco	7,556	30,224	**37,780**	(10,784)	4,182	**31,178**
Ifastgroupe	17,240	68,961	**86,201**	(2,396)	2,022	**85,827**
IRM	28,062	112,250	**140,312**	(20,291)	35,486	**155,507**
Total	52,858	211,435	**264,293**	(33,471)	41,690	272,512

Note 1 Equivalent to the Estimated Cash Amount per Exhibit A delivered to Heico on Nov 26, 2004.

Note 2 Payments made by DWPV before the residual proceeds were transferred to the Monitor.

Note 3 Cash on hand represents end of day Dec 3rd operating bank balances held by the Monitor. Adjustments were made subsequently to settle intercompany transactions. These results do not reflect the repayment of the Ivaco Sub DIP of $3,000 to Ifastgroupe and IRM (shared equally).

34. In accordance with the APAs and the Escrow Agreements, on December 3, 2004 the Escrow Agent held approximately $52.9 million or 20% of the Estimated Cash Amount in escrow (the "Escrow Amount").

35. In addition, the APAs restricted the amount of sale proceeds that were available for distribution to creditors after the Closing to 60% of the Estimated Cash Amount, referred to as the Total Sale Proceeds in the tables above and below (the "Released Amount").

36. The remaining 20% of the sale proceeds held by the Monitor (the "Holdback Amount") but not available for distribution would become available for

distribution to creditors in whole or in part when it has been determined that the quantum of the Purchase Price adjustments that are subject to bona fide dispute was less than this 20% holdback amount.

37. As at December 3, 2004, the cash that is available for distribution was as follows:

(in $000's)	Total Sale Proceeds (Note 1)	60% of Total Sale Proceeds	Plus Cash on Hand	Subtotal	Less Cash Already Distributed (Note 2)	Total Cash Available for Distribution (Note 3)
Ivaco	**37,780**	22,668	4,182	**26,850**	(10,784)	**16,066**
Ifastgroupe	**86,201**	51,721	2,022	**53,743**	(2,396)	**51,347**
IRM	**140,312**	84,187	35,486	**119,673**	(20,291)	**99,382**
Total	**264,293**	158,576	41,690	**200,266**	(33,471)	**166,795**

Note 1 See previous table for explanation of amount.

Note 2 Represents payments made for consents, lease buyouts, success fees paid to UBS and the Chief Restructuring Officer and other misc. fees.

Note 3 Does not reflect reserves for funds required for the on-going administration of the estates.

38. In accordance with the provisions of the APA, the Selling Parties provided the Purchaser with Exhibit C, reflecting the Assumed Liabilities, Working Capital and Capex Expenditures as at the Effective Time of Closing, within 23 days from the Date of Closing (on December 23, 2004).

39. On January 11, 2005, pursuant to Section 2.12 of each APA, the Purchaser delivered to the Selling Parties an Objection Notice setting out the amount of the Working Capital and other Adjustments. A summary of the Selling Parties' and Purchaser's respective positions on these Adjustments is provided below:

(in $000's)	Sellers	Purchaser	Difference
IRM			
Proposed Working Capital Adjustment	26,069	3,305	22,764
Proposed Cash Amount Adjustment	840	(160)	1,000
Total Adjustment in favour of the Sellers / (Purchaser)	26,909	3,145	23,764
Ifastgroupe			
Proposed Working Capital Adjustment	27,351	14,719	12,632
Proposed Cash Amount Adjustment	614	(415)	1,029
Total Adjustment in favour of the Sellers / (Purchaser)	27,965	14,304	13,661
Ivaco			
Proposed Working Capital Adjustment	9,893	(1,541)	11,434
Proposed Cash Amount Adjustment	491	(510)	1,001
Total Adjustment in favour of the Sellers / (Purchaser)	10,384	(2,051)	12,435
Total			
Proposed Working Capital Adjustment	**63,313**	**16,483**	**46,830**
Proposed Cash Amount Adjustment	**1,945**	**(1,085)**	**3,030**
Total Adjustment in favour of the Sellers / (Purchaser)	**65,258**	**15,398**	**49,860**

40. On February 4, 2005, the Selling Parties sent a letter to the Purchaser responding to various information requests with respect to the Selling Parties Working Capital calculation and stating that the Selling Parties did not accept the majority of the Adjustments set out in the Purchaser's Objection Notice.

41. The Objection Notice delivered by the Purchaser indicates that it agrees that in two of the three transactions the Purchaser is required to make a further payment to the Selling Parties for the amount of the Working Capital Adjustment and in the third case (Ivaco) the maximum amount owed by the Seller is approximately $2.05 million. It appears to the Monitor that (with the exception of approximately $2.05 million at Ivaco) there is no reason why the Escrow Amount and Holdback Amount should continue to be restricted.

42. The Selling Parties have requested that the Purchaser release both the Escrow Amount and the Holdback Amount. The Purchaser advised that its position was

that all of the Working Capital Adjustments had to be resolved before either the Escrow Amounts or Holdback Amounts could be released to the Selling Parties. The Selling Parties do not accept this interpretation of the APAs.

43. The Selling Parties have brought a motion to seek the release of both the Escrow Amounts and the Holdback Amounts (with the exception of approximately $2.05 million at Ivaco). At the time of writing, it may be that the matter is resolved as Heico's counsel on review of the materials filed by the Selling Parties has advised that it now accepts the position of the Selling Parties and, hopefully, an order will go on consent.

SHAREHOLDERS

44. As was disclosed in a press release dated March 8, 2005, the Monitor believes that the sale proceeds from the liquidation of the various entities of the Applicants will not be sufficient to pay the claims of creditors in full and there can be no expectation of any distribution to the shareholders of Ivaco including its preferred shareholders.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

45. For the reasons outlined in this Report, the Monitor supports the Applicants' request for the release of the Escrow and Holdback amounts.

46. Certain members of the IAC, the Pension Representatives and the Monitor intend to bring a number of motions returnable March 29, 2005 dealing with bankruptcies of certain of the Applicants, a transition of these proceedings to bankruptcy, the D&O Claims Process, an advance partial distribution from Ifastgroupe to certain of its creditors, pension related matters and possibly a brief extension to these CCAA proceedings during the transition period. The Monitor will report back to this Honourable Court in advance of March 29, 2005 as to which matters are proceeding and to ensure that all of the Applicants'

stakeholders have the same information in order to advance their respective positions.

All of which is respectfully submitted this 18th day of March, 2005.

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

SCHEDULE "A"

Ivaco Rolling Mills Inc.
Ifastgroupe Inc.
IFC (Fasteners) Inc.
Ifastgroupe Realty Inc.
Docap (1985) Corporation
Florida Sub One Holdings, Inc.
3632610 Canada Inc.