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-FOURTH REPORT OF THE MONITOR
**APRIL 11, 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 December 1, 2004, (with the exception of the CRO and employees of Docap), all of the Applicants' employees were assumed by the Purchaser. On December 17, 2004, this Honourable Court granted an Interim Additional Powers Order ("IAPO") adding certain powers, rights, duties and obligations to the Initial Order and providing the Monitor with, among other things, the power to take such further and other steps as are necessary to assist the Applicants in their realization of all current and future assets. On February 28, 2005, the Applicants' directors, officers, and CRO resigned.

4. It is evident and has been for some time that it is a "liquidating CCAA" for each of the Applicants. However, there has not been a transition to a formal insolvency proceeding with a personal representative such as a trustee, interim receiver or receiver. Each Applicant remains vested with its assets and a continuing entity. The creditors have set a schedule to deal with their disputes in June 2005 as to whether and how there should be such a transition, however with no directors or officers there is a real risk that each of the Applicants will be left in a state of limbo to the very real prejudice of all creditors. The purpose of this report is to detail some of the things that need to be done in the interim period until June and set up a mechanism to accomplish them. The structure that is proposed is to provide the Monitor with limited supplementary powers to cause the Applicants to act. The requested order provides that it is the Applicants that are acting and not the Monitor so that it is clear to all that the Monitor is not undertaking personal liability or obligations.

5. The purpose of this Twenty-Fourth Report of the Monitor (the "Report") is to request from this Honourable Court a supplementary IAPO ("SUPPIAPO") to enable the Monitor to continue the administration of the estates until the expiration of the stay on June 15, 2005.

**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.

## POST-CLOSING ISSUES

8. The issues to be dealt with include but are not limited to the following:

<u>Environmental</u>

9. Atlantic Steel Industries, a division of Ivaco is involved along with a number of other entities in the remediation, maintenance, and / or investigation of a number of properties located in the United States pursuant to orders issued by state and / or federal environmental protection agencies, litigation commenced by governmental agencies or as a result of contractual relationships. Throughout these proceedings, Ivaco has been funding the ongoing environmental related costs (including legal fees), primarily because of the potential liability that could attach to the directors and officers, which may impact the charge afforded to the directors and officers in the Initial Order if funding ceased.

10. There are five major and several smaller sites, mostly in the United States where Ivaco is one of the potentially responsible parties ("PRP") involved with the remediation efforts. A summary of the major projects is set out below:

| **Project Description** | **Details** | **Estimated Future Costs US$'000s** |
|---|---|---|
| Northside Drive Superfund Site – Atlanta, Georgia | Remediation of lead contaminated soils pursuant to Administrative Order on consent issued by U.S. EPA | 200 - 300 |
| SoGreen Superfund Site – Tifton, Georgia | Soil and groundwater investigation and remediation pursuant to Administrative Order on Consent issued by Georgia Department of Natural Resources | 150- 250 |
| Stoller Chemical Site – Pelham Georgia | Defending against lawsuit by US Department of Justice to recover costs relating to investigation and remediation of soil and groundwater contamination at | 100 - 150 |

| | | |
|---|---|---|
| | Stoller Chemical Company pursuant to Administrative Order on Consent issued by Georgia Department of Natural Resources | |
| Atlantic Station – Atlanta, Georgia | Maintenance of groundwater interception wells at Atlantic Steel site pursuant to purchase and sale agreement with Jacoby Development Inc. | 100 – 150 |
| Pickettville Landfill Site – Jacksonville, Florida | Groundwater investigation and remediation at Pickettville landfill site pursuant to Administrative Order on consent issued by Florida Department of Environmental Protection | No immediate funding requirements |

11. After the resignation of the directors and officers, to continue to fund these amounts effectively prefers them to the prejudice of the other creditors. The Initial Order provided, among other things, that the Applicants may terminate or repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as such Applicant deems necessary or appropriate. Since there are no management, directors or officers of the Applicants, the Monitor considers it appropriate to seek this Honourable Court's approval to have the Applicants advise the other funding parties and the relevant authorities that Ivaco will discontinue funding. Based on the information available to the Monitor, it does not believe that to do so would result in any imminent or immediate harm to the environment in any of the cases.

12. The Monitor is proposing that the Applicants notify the appropriate authorities, other PRPs, consultants and advisors in the United States that the Applicants are not in a position to continue funding these environmental costs and ten business days thereafter, cease making any such payments. It is anticipated that the other PRPs and in the case of Atlantic Station, Jacoby Developments will be obliged to assume responsibility for the ongoing remediation of the sites and may file unsecured claims against Ivaco. The Monitor considers that the proposed Order

sought is prospective and that all unpaid environmental costs accrued to date estimated to be approximately US$125,000 should be paid from the estate.

Pension Plan

13. As discussed in the Twenty-Third Report of the Monitor, the Applicants terminated three of their Canadian pension plans effective December 1, 2004. The largest of these plans, the Pension Plan for the Salaried Employees of Ivaco Inc. and Participating Subsidiary Companies is being administered by its pension committee, which has the authority to complete the wind-up of the plan. Ivaco is the administrator of the other two smaller plans. Given that all of the employees of the Applicants have been assumed by the Purchaser and the resignation of the directors and officers, there is no individual in place at the Applicants to provide instructions with respect to the wind-up of these plans.

14. Given this void in management, the Monitor is seeking this Honourable Court's approval to cause the Applicants to continue to engage, instruct and pay such consultants, including Mercer Human Resource Consulting, as are necessary in connection with the administration, wind-up and liquidation of the pension plans in the interim period to ensure that the appropriate reports are filed with FSCO. It is not intended by this to change the status quo as between the various parties pending the return of the motions.

Realization of Applicants' Assets

15. If the SUPPIAPO is approved, it will provide authority to execute documents on behalf of the Applicants for transactions to sell or transfer assets where the amount of the transaction is less than $250,000. It will also provide authority to continue work on adjustments relating to the Heico and IMT transactions, including but not limited to the working capital disputes.

16. With respect to IFC USA Corp, the SUPPIAPO provides the Monitor with the authority to cause the Applicants to act to complete the realization of the assets, including the ability to:

a. complete the private call for tenders for the remaining equipment of Vermont Fasteners Manufacturing (a division of IFC USA Corp.), including the review, analysis and acceptance of the best offer received subject to paragraph 15 above;

b. enter into discussions with the real estate agent of the Vermont Fasteners Manufacturing building (including the renewal or transfer of the listing agreement on the property), as well as the negotiation with interested purchasers for the Swanton, Vermont, USA property; and

c. settle the outstanding note payable between IFC USA Corp. and August 1940 Corp. at a discount to the face amount of US$157,000 for an amount of US$115,000.

17. The SUPPIAPO will also provide authority to cause the Applicants to act to complete the sale of the Arrowhead and Cartersville properties and in respect of the Arrowhead property to:

a. sign on behalf of the nominee trustee (1039028 Ontario Inc.); and

b. complete the sale transaction on the Arrowhead property made on June 4, 2004 and provide the right to take other actions incidental to completing the transaction.

Estate Administration

18. If the SUPPIAPO is approved, it will provide authority for the Monitor in the interim period before June 15, 2005 to cause the Applicants to act to undertake the following administrative actions for the benefit of the estates and their respective creditors and to permit the continuing orderly administration and ultimate distribution of the Applicants' assets:

a. execute and deliver documents including statutory returns (GST/QST returns, deduction at source returns, WSIB returns, EHT returns, etc.);

b. enter into a consulting agreement with Randy Benson and other consultants as required;

c. obtain insurance coverage on the Applicants' assets as required;

d. instruct CIBC Mellon, acting as transfer agent to deal with shareholder related issues;

e. instruct the OTC Exchange or any other organization administering, trading or listing the shares of the Applicants as required; and

f. take sundry acts or steps that in the assessment of the Monitor it is reasonable or beneficial for the particular Applicant to take to either maximize or enhance an asset or minimize or eliminate a liability.

## MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

19. For the reasons outlined in this Report and generally to permit the Monitor to advance the administration of the Applicants' estates pending the outcome of the June 2005 hearings, the Monitor requests that the Supplementary Interim Additional Powers Order be granted.

All of which is respectfully submitted this 11th day of April, 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.