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"

TWENTIETH REPORT OF THE MONITOR
NOVEMBER 26, 2004

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Peter F.C. Howard/LSUC #22056F
Tel: (416) 869-5613
Fax: (416) 861-0445

Solicitors for the Monitor,
Ernst & Young Inc.

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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. The Fifteenth Report of the Monitor (the "Fifteenth Report") was issued on August 9, 2004. It provided information to support the approval of the asset purchase agreements ("APA") and related documents comprising the agreements between the Sellers and the Purchaser of substantially all of the Applicants' core business operations. The APAs were approved by this Honourable Court on August 18, 2004.

4. Under the terms of the APA, the closing could have occurred as early as October 31, 2004 or as late as December 31, 2004. The parties agreed to target December 1, 2004 for the closing of the transactions between Heico and certain of the Applicants. Since August 18, 2004, the parties have been working to achieve that closing date. It is not appropriate in this Report to comment on the extent or quality of those efforts although the Monitor is in a position to set forth its observations if and when it becomes necessary. As indicated in the Eighteenth Report of the Monitor, both parties have taken firm positions on commercial and process issues that have arisen. The Monitor has been involved to assist the parties in resolving these issues. However, for a number of reasons, as at November 24, 2004 thirteen issues remained unresolved and needed to be addressed in order for closing to occur on December 1, 2004.

5. Heico and the Applicants have identified a way to close the transaction on December 1, 2004. The purpose of this Twentieth Report of the Monitor (the "Report") is to provide information to this Honourable Court and the stakeholders with respect to the understanding reached between the parties to allow closing to occur. It is hoped and expected that the deal will therefore close but if it does not, the APAs remain in effect and the parties have preserved all their rights thereunder.

TERMS OF REFERENCE

6. In preparing this Report, the Monitor has relied upon information from the Applicants and the Applicants' records, as well as discussions with management of the Applicants and with the Applicants' advisors. The Monitor has not performed an audit or other verification of such information.

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

SALES PROCESS

8. The parties have been involved in extensive negotiations over the last few months on numerous deal issues. Failing a negotiated settlement of the unresolved issues, the transaction would not close on December 1, 2004 and perhaps not even on December 31, 2004. The understanding that the parties have reached will allow closing to occur on December 1, 2004 and preserve value for the stakeholders. It is the view of the Applicants, concurred to by the Monitor, that the understanding reached in order to allow closing to occur on December 1, 2004 does not materially alter the economics of the approved transaction from the perspective of the Applicants.

9. The Monitor has observed or kept itself informed of the commercial negotiations between the parties that resulted in this understanding and believes it is appropriate in the circumstances to report the details set out below to this Honourable Court and the stakeholders. The Monitor is of the view that closing on December 1, 2004 on the basis of the understanding is in the best interest of the Applicants' stakeholders because it brings resolution to a number of issues where uncertainty represents a significant risk to the Applicants in terms of value.

10. The understanding is essentially non-binding if the transaction does not close, but if the transaction is completed, the understanding brings clarity to the following issues, each of which may have a dollar value, including: the buy-out of leases, environmental, consent to assignment of contracts, post-closing interest on leases and capital vs. operating leases, and allows the Applicants to achieve a result that does not represent a material change to the Purchase Price but instead ensures, to the extent practicable, that the resolution through the understanding is economically neutral to the Applicants' stakeholders.

11. The Applicants have canvassed members of the Informal Advisory Committee ("IAC") to obtain their views upon the understanding. The members of the IAC have either fully endorsed the Applicants' position or, pending additional information to be provided in due course, have not objected to the Applicants' proceeding on the basis described.

12. The understanding, a copy of which is attached as Appendix A, lists the thirteen items that are in dispute and the proposed resolution of each item. Upon closing, the Purchaser will be entitled to a credit against the Purchase Price in the amount of $5 million, to be allocated among the Applicants in accordance with the methodology used in the allocation of the original environmental credit as discussed in the Fifteenth Report. In the event the transaction does not close on December 1, 2004 (for whatever reason), the understanding shall have no force or effect and the course of transaction will proceed in accordance with the APA, the next possible closing date being December 31, 2004, assuming there is an agreement on the disputed issues. The items contained in the understanding are summarized below:

Buy-out of Leases:

- With respect to the Applicants' motion before the Court on lease buy-outs, the parties agree that the Purchaser will not oppose any motions by the Applicants for Court approval of its buy-out of leases or make any claims against the Applicants with respect thereto. As discussed in the Eighteenth and Nineteenth Reports of the Monitor, the Applicants requested approval from this Honourable Court to enter into two lease buy-outs and potentially other lease buy-outs prior to closing. These buy-out proposals permit the Applicants to transfer the necessary assets on favourable economic terms to the Applicants and eliminates the uncertainty associated with the Applicants' motion to complete the lease buy-outs.

Environmental:

- Pursuant to the APA and as discussed more fully in the Fifteenth Report, the APA provides that during the sixty-day period following Court Approval of the Purchase Agreements, the Purchaser was entitled to conduct environmental due diligence in respect of the real property being acquired and deliver to the Sellers an Environmental Assessment Summary which the Purchaser delivered to the Sellers on October 22, 2004.

- The Sellers, subject to reservation of legal position, in turn delivered an Environmental Objection Notice on October 29, 2004 disputing the costs reflected in the Purchaser's Environmental Assessment Summary. This led to the submission of the dispute to an independent Environmental Expert. The Environmental Expert has not yet provided its report on the final environmental costs and due to the highly complex issues involved, there remains a great deal of uncertainty as to the Environmental Expert's determination of the final environmental costs as well as the ultimate resolution by the parties of the issue (if any) on a timely basis.

- As discussed in the Fifteenth Report, the Purchase Agreement provides that the Seller is obliged to provide the Purchaser with a purchase price reduction if estimated environmental costs exceed $20 million (to a maximum of $5 million excess). In addition, it is a condition of closing in favour of the Purchaser that the final environmental costs do not exceed $30 million.

- The costs estimated by the Purchaser in the Environmental Assessment Summary greatly exceeded $30 million. This created a closing risk or uncertainty pending the results of the Environmental Experts' work and the resolution of other issues. The understanding reached between the parties provides that the Environmental Expert ceases to work on the final Environmental Costs and does not deliver a report to the parties.

Consents to Assignment of Assumed Contracts:

- The Applicants and their counsel have been working diligently over the last few months to obtain consents to the assignment of assumed contracts; however, for reasons which are not necessary to examine if the transaction closes, great difficulties have been experienced in obtaining the required consents. The reasons for the status of consents need not be pursued if the transaction closes.

- The understanding provides that the Applicants will use best efforts to obtain any required consents to the assignment of assumed contracts and the closing will occur on December 1, 2004 whether or not such consents have been obtained. In addition, the inability of the Applicants to obtain any consent will not create a purchase price reduction.

Post-closing Interest on Leases:

- The parties differ on their interpretation of the APA relating to post-closing interest on leases. The Purchaser asserts that post-closing interest is a reduction to the Purchase Price. The understanding brings closure to these issues and provides that post-closing interest on capital lease or equipment loans will not form part of the credit amount or result in any reduction to the Purchase Price.

Capital vs. Operating Leases:

- The Purchaser has taken the position that certain leases treated as operating leases by the Applicants are in fact capital leases for purposes of the APA and accordingly, there should be an additional Purchase Price reduction. For the most part, the Applicants are firmly of the view that the majority of leases are true operating leases and are not assumed liabilities pursuant to the APA which would give rise to a Purchase Price reduction.

- The understanding provides that the Purchaser drop its challenge to the classification of capital vs. operating leases and provides certainty on the final Purchase Price reduction.

Use of Ivaco Name Post Closing:

- The Purchaser has taken the position that the Applicants, its legal counsel and the Monitor will not be permitted to use the name "Ivaco" immediately after closing for any purpose whatsoever. Counsel to the Applicants and the Monitor explained to the Purchaser that the name was required for purposes of the CCAA proceedings post-closing, including, with respect to the claims process and submission of documents to this Honourable Court.

- The understanding resolves the dispute by allowing use of the name post-closing for the CCAA proceedings.

Real Properties:

- There has been an ongoing dispute between the parties pertaining to certain vacant lands adjacent to the Applicants' operation in Marieville, Quebec and whether or not these strips of land form part of the assets to be conveyed to Heico on closing. As part of the overall resolution of the outstanding issues, if effected, the Applicants will convey the three pieces of land to Heico on closing.

Deferral of Missed Pension Payments by Heico:

- The Purchaser and Sellers will waive the closing conditions in the APA regarding obtaining comfort from the regulators for the change of sponsor of the assumed pension plans from the Sellers to the Purchaser. The Monitor understands that the regulators have not expressed any objection to the Purchaser becoming the plans' sponsor. The Applicants will not interfere in any way with any approach by Heico to the regulators after closing to obtain a deferral of missed payments. Heico has agreed to indemnify the Sellers' Directors and Officers for personal liability for missed pension payments.

Post-closing Use of Office Space by Monitor and Ivaco:

- The understanding provides that the Monitor and CRO will be permitted to use the existing office space at all of the Applicants' locations at no cost, until all issues relating to the APAs are resolved.

Real Estate and Municipal Taxes:

- The parties have agreed that all past due and real estate municipal taxes will be paid directly by the Applicants at or prior to closing as opposed to a Purchase Price reduction. This is necessary in order to convey title to certain properties to the Purchaser on closing. The Applicants have reviewed the outstanding taxes and determined that the amount owing to these secured creditors is approximately $800,000.

Quebec Order:

- If any creditor of the Applicants asserts a secured claim or an ownership claim against a purchased asset which asset is located in the Province of Quebec, the APA provides that an Ancillary Order be obtained. The Closing Agreement states that Heico will agree to waive this condition and the Applicants undertake to obtain the Quebec Order promptly after closing.

Amendment of Court Approval:

- The understanding provides that the parties agree that the obtaining prior to closing of a second vesting Order will constitute full satisfaction of the closing condition in favour of both the Purchaser and Sellers whether or not the appeal period has expired.

MONITOR'S ANALYSIS AND RECOMMENDATION

13. The Applicants are working diligently and in good faith to ensure that the transaction closes on December 1, 2004. The Monitor has observed a negotiation of the remaining issues that has resulted in a commercially reasonable resolution. In addition, the Applicants have consulted with and kept the members of the IAC apprised of their efforts to reach a negotiated settlement of the outstanding issues. The members of the IAC did not object to the Applicants' proceeding on this basis.

14. For the reasons outlined in this Report, the Monitor supports the Applicants' proceeding on the basis of the understanding.

All of which is respectfully submitted this 26th day of November, 2004.

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"
Applicants Filing for CCAA

1. Ivaco Inc.

2. Ivaco Rolling Mills Inc.

3. Ifastgroupe Inc.

4. IFC (Fasteners) Inc.

5. Ifastgroupe Realty Inc.

6. Docap (1985) Corporation

7. Florida Sub One Holdings, Inc.

8. 3632610 Canada Inc.

APPENDIX A

A. Business Issues

No.	Description of Item	Proposed Resolution
1.		Capitalized terms used and not otherwise defined have the meaning specified in the asset purchase agreements between the undersigned and/or their affiliates. This document sets out the arrangements that will allow the parties to close the transactions on December 1, 2004. In the event the transactions do not close on December 1, 2004 (for whatever reason), this document shall have no force or effect and the transactions shall close in accordance with the asset purchase agreements. Ivaco and Purchaser agree that the aggregate Environmental Excess Credit is $5 million, such credit to be allocated among Purchase Agreements as Ivaco determines and the Environmental Credit and the Environmental Excess Credit shall be the only amounts payable by the Selling Parties in respect of any environmental matters under the APAs. This agreement is not an acknowledgement by either party that the $5 million represents actual environmental liability. The parties agree to close on December 1, 2004.
2.	Buy out of leases	Heico will not oppose any motions by Ivaco for Court approval of its buy out of leases or make any claims against Ivaco in connection therewith. Ivaco will advise Heico if it intends to buy out any leases prior to closing – for clarity, Ivaco currently anticipates that it will buy out prior to closing leases currently held by GE, Fleet, HSBC and BNS.
3.	Environmental	Heico and Ivaco will jointly instruct URS to cease working on the Final Environmental Costs and to not deliver any report to the parties in connection therewith until further notice. Heico and Ivaco will continue to be jointly responsible for fees of the Expert for time and costs incurred to the date of the joint instruction.
4.	Consents to assignment of Assumed Contracts	Ivaco will continue up to December 1, 2004 working diligently to obtain consents to assignment of Assumed Contracts and the Closing will occur on December 1, 2004, whether or not such consents have been obtained. Parties agree that Ivaco will not have any obligation post closing to obtain any other consents. Failure to obtain any consent to the assignment to Heico of a Capital Lease or an Equipment Loan which Heico has assumed the obligations under at Closing will not affect Purchaser's

No.	Description of Item	Proposed Resolution
		right to reduce the Purchase Price for the Credit Amount of any such agreements. At closing there will be no purchase price reduction and Heico shall have no recourse to the Sellers for any other consent fees or lost contract amounts incurred by Heico or for any other consents not obtained by the Sellers. Ivaco will reasonably cooperate with Heico in transitioning the effort to obtain consents post-closing.
5.	Post-closing interest on leases	Post-closing interest on Capital Leases and Equipment Loans assumed will not form part of the Credit Amount, or any reduction of cash proceeds or the purchase price amount.
6.	Capital vs. operating leases	Heico will drop its list challenging the classification of capital vs. operating leases and not create new lists.
7.	Use of Ivaco name post closing	Ivaco will use the "Ivaco" name post-closing for no purposes other than the CCAA proceedings and the transition services agreement and will not otherwise use the name to carry on any business. As soon as practicable Ivaco will cease to use the name Ivaco.
8.	(a) Marieville – Verrault Street lands not used in the business.	At Closing Ivaco will convey the Verrault Street lands to Heico.
	(b) the Back 40 and the Strip	At Closing Ivaco will convey the Back 40 to Heico. At Closing Heico will enter into an agreement in favour of Ferme Bresette to convey the agreed to portion of the lot to the farmer when any required regulatory approvals have been received.
	(c) Ifastegroupe two vacant lots	At Closing Ivaco will convey the vacant lots to Heico.
9.	Deferral of Missed Pension Payments by Heico	Heico will indemnify those Ivaco directors and officers who have personal liability for the missed pension payments and Ivaco will not interfere in any way with Heico's approach to the regulators to obtain a deferral of Pension Missed Payments. Purchaser and Sellers will waive the closing conditions in 7.1(n) and 7.2(j) of the APAs regarding soft comfort from the regulators.
10.	Post-closing use of office space by Monitor and Ivaco	Transition services agreement will provide that CRO and Monitor can continue at no cost to use existing office space at Ivaco locations until all issues relating to the APAs are finally resolved.
11.	Real estate and municipal taxes	All past due real estate and municipal taxes will be paid directly by the Selling Parties at or prior to Closing.

No.	Description of Item	Proposed Resolution
		directly by the Selling Parties at or prior to Closing.
12.	Quebec Order	The Purchaser will waive the closing condition that a Quebec Order be obtained and Ivaco will undertake to obtain the Quebec Order promptly after closing.
13.	Amendment of Court Approval	The Purchaser and the Selling Parties agree that the obtaining prior to Closing of an amendment of the vesting order, if required, and the second vesting order as agreed between the parties' counsel will constitute full satisfaction of the closing conditions in Section 7.1 (c) and 7.2 (c) of the APAs whether or not the appeal periods from such orders have expired.

Agreed to this 23rd day of November, 2004.

Ivaco Inc.
1039028 Ontario Inc.
Ifastegroupe and Company, Limited Partnership
Ifastegroupe Realty Inc.
IFC (Fasteners) Inc.
Ivaco Rolling Mills Inc.
Ivaco Rolling Mills Limited Partnership

By: RC Bender
Its: Authorized Signatory.

III Canada Acquisition Company

By: Asst Sec'y