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-SIXTH REPORT OF THE MONITOR
MAY 31, 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 ("Docap") and the related limited partnerships Ivaco Rolling Mills Limited Partnership ("IRM") and Ifastgroupe and Company Limited Partnership ("Ifastgroupe").

3. On March 29, 2005, the Honourable Mr. Justice Farley issued an order setting a schedule for the hearing of a number of motions on June 13 – 15, 2005 (the "June Motions"), including the delivery of motion records, the conduct of cross-examinations and the exchange of facta.

4. On April 11, 2005, the Monitor's counsel advised the Service List that if a party required factual information for the June Motions, the Monitor would file a report regarding such information on or before May 2, 2005. Parties were asked

to provide all information requests by April 21, 2005. The Monitor received one information request from counsel to National Bank of Canada ("National Bank") and a further request by one stakeholder for the security opinion referenced in previous reports.

5. The purpose of this Twenty-Sixth Report of the Monitor (the "Report") is to: (i) supplement the factual matters addressed in the Twenty-Fifth Report of the Monitor (the "Twenty-Fifth Report"); (ii) provide clarification of factual matters included in the Twenty-Fifth Report in response to requests from a number of stakeholders; and (iii) provide the Service List with additional pertinent factual information in advance of the June Motions.

TERMS OF REFERENCE

6. 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.

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.

SUPPLEMENT TO THE TWENTY-FIFTH REPORT

8. As indicated in the Twenty-Fifth Report, on April 21, 2005, the Monitor received a detailed information request from National Bank. As of the date of the Twenty-Fifth Report some information was still pending. Consequently supplemental information is set out below and is referenced to the questions and answers set out in the Twenty-Fifth Report:

G. Confirm the total amounts paid to non-unionized employees during the period from September 16, 2003 to December 1, 2004.

The Monitor made inquiries of the former divisional controllers of the Applicants and were informed that the amounts paid to non-unionized employees during the period from September 16, 2003 to December 1, 2004 were as follows:

Entity	Gross amount ($)	Net Amount ($)
Ivaco (corporate)	2,269,673	1,385,954
Ivaco (Sivaco Quebec)	7,354,207	4,200,396
Ivaco (Sivaco Ontario)	1,477,632	1,020,446
Ivaco Rolling Mills	11,697,111	7,325,186
Ifastgroupe (Infasco/Galvano)	13,071,523	7,934,234
Ifastgroupe (Ingersoll Fasteners/Infasco Nut)	3,230,093	2,298,267
Total	39,100,239	24,164,484

N. Can the Monitor determine the amount that the Chubb insurance policy referenced in the Rivest Affidavit in relation to the request for insurance funding would cost?

The Monitor has followed up with the Pension Committee on this request. The Pension Committee informed the Monitor that Chubb has indicated it will not be determining or disclosing the amount of the insurance premium prior to the D&O Claims Bar Date (June 3, 2005). The Monitor will report back to this Honourable Court prior to the June Motions if further information is obtained.

REQUESTS FOR CLARIFICATION

9. On May 10, 2005, after the filing of the Twenty-Fifth Report, the Monitor received a request to clarify some of the information contained in its Twenty-Fifth Report from the Superintendent of Financial Services ("FSCO"), through its legal counsel. The information sought by FSCO and obtained by the Monitor is presented below:

   A. *Appendix A of the Monitor's [Twenty-Fifth] Report states that the Applicants had 510 employees as at November 30, 2004, of which 228 (45%) were Ontario employees. The WW Report indicates that there were 600 employees as at January 1, 2004, of which 297 (49%), were Ontario employees. Please advise whether the discrepancy between the reports is explained by (i) the termination of 90 employees between January 1, 2004 and November 30, 2004, with 69 (77%) of such terminations occurring in Ontario; (ii) the exclusion of the Infasco employees who were assumed by Heico in the monthly head count reports; or (iii) some other reason. If the Monitor is of the view that the WW Report is incorrect, please advise how many employees were employed as of January 1, 2004, and the source of such information.*

   Although the Monitor has noted that the April 13, 2005 Watson Wyatt Report indicates 600 employees, the Monitor has not ascertained what source information Watson Wyatt used to determine this number, and therefore cannot explain the discrepancy. If FSCO provides this information to the Monitor, it will be followed up.

   Appendix A to the Twenty-Fifth Report summarizing the number of non-unionized employees of the Applicants as of November 30, 2004 was obtained from the Applicants' internal monthly head count report. Based on similar internal head count reports, the Monitor has attached hereto as Appendix "A", a schedule reconciling the number of non-unionized employees of the Applicants as at January 1, 2004 and November 30, 2004.

B. *Please advise whether the estimate for the solvency deficiency set out in section 7(B) [of] the Monitor's [Twenty-Fifth] Report for the Ivaco Salaried Plan contains any margins or assumptions to reflect the additional risks that arise upon a wind-up of that pension plan. If the estimates do provide such assumptions, please advise what those assumptions are.*

The estimated solvency deficiencies set forth in Section 7(B) of the Twenty-Fifth Report were provided by Mercer Human Resource Consulting ("Mercer") based on actuarial valuations calculated for the Applicants by Mercer. The Monitor forwarded the question to Mercer and was informed that the estimates made as of December 1, 2004 and before do not include any margins. Mercer also indicated that the liabilities in the draft wind-up report currently being prepared by Mercer will include a margin as required under the Quebec legislation.

C. *Please advise whether the pension liabilities on account of the employees of Infasco Nut who were assumed by Heico were taken into account in determining the solvency deficiency set out in section 7(B) for the Designated Employees Plan. If such employees were not taken into consideration in determining the solvency deficiencies, please advise us of what the estimate of the solvency deficiency would be if such employees were included.*

The Monitor made inquiries of Mercer and is informed that the solvency deficiency of the Designated Employees Plan as at January 1, 2003, included Infasco Nut. The Monitor was further informed that as reported in Section 7(B) of the Twenty-Fifth Report, the estimated solvency deficit as of December 1, 2004 amounted to $691,000, including Infasco Nut employees. The solvency deficiency was reduced to an amount of $114,000 after taking account of the split of the plan in respect of the Infasco Nut employees just before the plan wind-up.

D. *Section 7(B) of the Monitor's [Twenty-Fifth] Report states that the Ingersoll Plan had a solvency deficiency of $791,400 at December 31, 2003. Please advise if there is a filed actuarial report dated December 31, 2003 and if so, please kindly provide us with a copy of that report. If there is no such report, please advise us of the basis upon which the solvency deficiency was determined to be $791,400 as at December 31, 2003.*

The Monitor made inquiries of Mercer and was informed that an actuarial report with respect to the Ingersoll Plan as of December 31, 2003 was filed with FSCO. A copy of the report has been attached as Appendix "B".

E. *Section 7(C) of the Monitor's [Twenty-Fifth] Report states that all but five of the 466 employees affected by the Asset Sales were retained by Heico. Our prior understanding, based on advice received from the Monitor, was that all but one employee had been retained by Heico. Please confirm the accuracy of the information contained in section 7(C) and advise whether the number of employees retained by Heico changed at any time, and if so, why.*

The information provided in Section 7(C) of the Twenty-Fifth Report was obtained from the former Ivaco management now employed by Heico. In response to inquiries from the Monitor regarding the number of salaried employees not retained by Heico, Heico management indicated that only one active employee was not being retained by Heico. The Monitor analyzed the internal head count reports, from which it appears that four inactive employees of Ivaco had not been transferred to Heico as well.

F. *Section 7(E) of the Monitor's [Twenty-Fifth] Report provides an estimate of the assets under administration as at March 31, 2005. Please advise whether those amounts include the Capital Accumulation Plan [("CAP")] Account Balances. Furthermore, please advise us of the actual value of the assets under administration as at December 1, 2004.*

The information included in Section 7(E) of the Twenty-Fifth Report was obtained from Mercer. Mercer informed the Monitor that the estimates of assets under administration as of March 31, 2005 provided by Mercer and shown in Section 7(E) do not include CAP amounts.

Based on information provided by Mercer, the Monitor has attached as Appendix "C", a table estimating the market value of assets (excluding CAP) as of December 1, 2004.

G. *Section 7(H) of the Monitor's [TwentyFifth] Report states that the proceeds from the Asset Sales are currently being held by the Monitor in separate bank accounts. Please advise of the particulars of each such account (i.e., date of opening, account number and name), including, which proceeds were deposited into each identified account; the current balances of each account and whether any of the accounts were opened as "trust" accounts.*

The Monitor opened separate bank accounts on November 26, 2004 with Royal Bank of Canada for each of Ivaco, Ivaco Rolling Mills and Ifastgroupe. The proceeds of the Heico transactions were deposited into the accounts. The Monitor does not consider it appropriate to include the account numbers in a public response. The Monitor has received advice from counsel that the issue of whether the bank accounts are "trust" accounts is a legal issue. The name of the accounts on the bank statements and the account balances as at April 30, 2005 were as follows:

Name of Account	April 30, 2005 Balance
ERNST & YOUNG INC. IN TRUST FOR MONITOR - IVACO	$15,192,661
ERNST & YOUNG INC. IN TRUST FOR MONITOR - IRM	$121,265,912
ERNST & YOUNG INC. IN TRUST FOR MONITOR – IFASTGROUPE	$84,678,963

10. On May 11, 2005, the Monitor's legal counsel received a request from the Pension Committee for the following items:

(i) A copy of the annotation to Section 162 of the *Quebec Supplemental Pension Plans Act*; and

(ii) The entire text of the Ivaco Salaried Plan.

The requested documents have been attached to this report as Appendices "D" and "E".

ADDITIONAL INFORMATION

Pension Plans

11. In order to facilitate the reader's understanding of the unpaid contribution and solvency deficiency tables included in the Twenty-Fifth Report, included as Appendix F is a pension contribution and deficit summary table for illustrative purposes only.

12. The information included in this table was provided to the Monitor by Mercer. The Monitor has included the detailed results, key methods and assumptions used by Mercer to derive the estimated financial situation on a solvency basis of each plan in Appendices 'G", "H" and "I". In addition to the assumptions presented in Appendices "G", "H" and "I", the following assumptions and comments are relevant in assessing this information:

(i) The information provided to the Monitor was only meant to provide estimates of the deficits. Wind-up reports which have to be completed for the various plans will provide more precise estimates of the deficits;

(ii) As required by law, the wind-up reports will have to provide for a margin. For example, for the Salaried Pension Plan, Section 212.1 of the Québec Supplemental Pension Plans Act provides for a margin that allows for any variation in the cost of purchasing the pension between the date of the termination report and the probable date of purchase. This margin will likely be significant and will increase the deficiency;

(iii) The premium to buy annuities is currently higher than generally estimated in these estimates which will also likely result in a larger deficit; and

(iv) Any data adjustments will also affect the deficit.

All of which is respectfully submitted this 31st day of May, 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.

APPENDIX A

APPENDIX A

Ivaco Inc.
Head Count summary

Location	January 1, 2004 Salaried	January 1, 2004 Hourly	January 1, 2004 Total	November 30, 2004 Salaried	November 30, 2004 Hourly	November 30, 2004 Total	Difference Salaried	Difference Hourly	Difference Total
(Subsidiary or divisions)	non unionized	non unionized		non unionized	non unionized		non unionized	non unionized	
Ivaco Rolling Mills	104		104	97	0	97	7	0	7
Sivaco Ontario Processing	26		26	26	0	26	0	0	0
Galvano	12		12	13	0	13	(1)	0	(1)
Infasco	140		140	131	0	131	9	0	9
Calgary (warehouse)	2		2	0	0	0	2	0	2
Dartmouth (warehouse)	2	2	4	2	1	3	0	1	1
Edmonton (warehouse)	4	4	8	7	5	12	(3)	(1)	(4)
Mississauga (warehouse)	10	4	14	10	5	15	0	(1)	(1)
Vancouver (warehouse)	3		3	0	0	0	3	0	3
Winnipeg (warehouse)	7	1	8	6	1	7	1	0	1
Infasco Nut	13		13	13	0	13	0	0	0
Ingersoll Fasteners	47		47	44	0	44	3	0	3
Vermont Fasteners Mfg.	4	1	5	3	6	9	1	(5)	(4)
Vermont Fast. Sales Corp.	1		1	0	0	0	1	0	1
Infatool	1		1	1	0	1	0	0	0
Docap	22	11	33	21	11	32	1	0	1
Calgary (warehouse)	1		1	0	0	0	1	0	1
Edmonton (warehouse)	6	5	11	5	3	8	1	2	3
Lachine (warehouse)	2	4	6	1	3	4	1	1	2
Vancouver (warehouse)	1		1	0	0	0	1	0	1
Sivaco Québec *	78		78	86	0	86	(8)	0	(8)
IMT – Ingersoll	51		51	45	0	45	6	0	6
IMT – Port Colborne	24		24	25	0	25	(1)	0	(1)
Ivaco – siège social	32		32	18	0	18	14	0	14
Total au Canada	588	31	619	551	29	580	37	2	39
Total aux États-Unis	5	1	6	3	6	9	2	(5)	(3)
TOTAL GLOBAL	593	32	625	554	35	589	39		36
Less:									
Vermont Fasteners Mfg.	4	1	5	3	6	9	1	(5)	(4)
Vermont Fast. Sales Corp.	1		1	0	0	0	1	0	1
IMT – Ingersoll	51		51	45	0	45	6	0	6
IMT – Port Colborne	24		24	25	0	25	(1)	0	(1)
NET TOTAL	513	31	544	481	29	510	32	2	34
Less:									
Docap				21	11	32			
Docap - warehouses				6	6	12			
NET TOTAL				454	12	466			