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"

THIRTY-NINTH REPORT OF THE MONITOR
OCTOBER 5, 2007

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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 (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 included, among others, Ivaco, Ivaco Rolling Mills Inc. and the related limited partnership Ivaco Rolling Mills Limited Partnership ("IRM"), Ifastgroupe Inc. and the related limited partnership Ifastgroupe and Company Limited Partnership ("Ifastgroupe"), IFC (Fasteners) Inc. ("IFC") and Docap (1985) Corporation ("Docap").

3. On October 2, 2007, the Monitor issued its Thirty-Eighth Report of the Monitor (the "Thirty-Eighth Report") in support of a motion seeking orders: (i) approving the Salaried Minutes of Settlement, the Designated Minutes of Settlement, the Ingersoll Minutes of Settlement and the Docap Minutes of Settlement; (ii) approving the Pension Agreement and the Escrow Agreement and authorizing and directing Ernst & Young Inc. to act as the Escrow Agent; and

(iii) authorizing and directing the Monitor to file assignments in bankruptcy on behalf of Ivaco and Docap upon the satisfaction of certain conditions precedent.

4. This Thirty-Ninth Report of the Monitor (the "Report") is provided to this Honourable Court as an update to the Thirty-Eighth Report, in part, to clarify certain aspects contained in paragraph 46 of the Thirty-Eighth Report and to advise this Honourable Court in respect of recent developments concerning the form of release sought barring and discharging all claims relating to the Pension Plans.

TERMS OF REFERENCE

5. Capitalized terms not defined in this Report are defined in the Initial Order and the Monitor's previous reports. All references to dollars are in Canadian currency unless otherwise noted. The estimates provided in this report are based on the Monitor's current assessment and incorporate assumptions as to possible future events and outcomes. The Monitor has not audited or otherwise verified the figures and estimates included herein. Actual results may vary and the differences may be material.

THIRTY-EIGHTH REPORT CLARIFICATION

6. As reported in paragraph 46 of the Thirty-Eighth Report, the highest possible recovery for the Salaried Plan is achieved through a full deemed trust which would result in $40.8 million being paid to the Salaried Plan from the IRM, Ifastgroupe and Ivaco estates as follows: $15.9 million from IRM, $12.1 million from Ifastgroupe and $12.8 million from Ivaco.

7. The Salaried Minutes of Settlement provide for contributions from the different estates as follows: $14,250,000 from IRM, $13,750,000 from Ifastgroupe and $1,000,000 from Ivaco.

However, it should be noted that under the full range of possible legal outcomes on the pension and non-pension issues discussed in the Thirty-Eighth Report the estimated range of possible distributions from the estates of IRM, Ifastgroupe and Ivaco are as follows: approximately $8 million to $20.1 million for IRM, approximately $5.5 million to $15.6 million for Ifastgroupe and $0 to approximately $12.8 million for Ivaco.

MINUTES OF SETTLEMENT – AN UPDATE

8. As reported in the Thirty-Eighth Report, the IAC agreed to resolve all claims relating to the Salaried Plan pursuant to Minutes of Settlement dated August 22, 2007 (the "Salaried Minutes of Settlement"). A copy of the Salaried Minutes of Settlement was attached as Appendix "A" to the Thirty-Eighth Report.

9. The Salaried Minutes of Settlement provide for, amongst other things, an order of the Court staying, barring and discharging all claims relating to the Salaried Plan.

10. On October 2, 2007, the Monitor's counsel filed its motion record returnable October 9, 2007. Paragraph 11 of the proposed Order included release language which barred and discharged all claims relating to the Salaried Plan.

11. As indicated in the Thirty-Eighth Report, on September 24, 2007, the Court appointed Blake, Cassels & Graydon LLP ("Blakes") as representative counsel to represent the interests of the Plan Beneficiaries in respect of the proposed bar orders at the motion to seek approval of the Minutes of Settlement scheduled for October 9, 2007.

12. Parties on behalf of the Plan Beneficiaries have raised concerns that appear to relate to claims filed pursuant to the Subsequent Claims Process described more fully in the Thirty-Seventh Report of the Monitor. Those claims include, but are not limited to, claims for termination and severance, lost supplemental pension benefits (i.e. Supplemental Executive Retirement Plans and Retiring Allowance Programs), lost bridge benefits and pension plan deficiencies.

13. The issue appears to centre on whether the release language contained in the proposed order bars the types of claims described above on the basis that they relate to or derive from the Salaried Plan or whether these claims should be over and above the pension

settlement and should survive to be determined at a later date by the Claims Officer pursuant to the Subsequent Claims Procedure.

14. The uncertainty appears to be primarily with the loss of pension growth and bridge benefits claimed by a number of former employees and retirees. The types of claims that counsel representing the former employees has expressed concern with and want specifically excluded from the terms of the release include:

a) claims for supplemental pension benefits under any unregistered pension plan, retirement agreement or post-retirement non-pension benefits including any such benefits that are triggered by, related to or depend upon, the payment of pension benefits to any such Plan Beneficiary under the Salaried Plan, but are not themselves obligations or entitlements to be paid pursuant to the terms of the Salaried Plan;

b) claims for breach of employment contract, wrongful dismissal, termination or severance payments, calculated with respect to the loss of the ability to accrue pensions, benefits or other entitlements under, or related to, the Salaried Plan; and

c) claims for loss of ability to accrue pensions, benefits or other entitlements under, or related to, the Salaried Plan after the termination of the Salaried Plan.

15. At the time of this Report, the Monitor understands that discussions are taking place between the parties on the terms of the release with a view to agreeing on wording that would be acceptable to both parties. In the event a mutually acceptable agreement can not be reached prior to the return of the motion on October 9, 2007, the parties intend to proceed by making submissions to this Honourable Court. The Monitor has provided information to Blakes, the IAC and the Pension Parties as to the break-down of the various claims.

16. The Monitor does not take a position on the merits or substance of the interpretation issue which will be left to the interested parties to address. The Monitor will address the manifest benefits to all stakeholders from the approval of the Minutes of Settlement and the costs, delays and expenses likely to occur if the parties return to the litigation ways of the past three years.

All of which is respectfully submitted this 5th day of October, 2007.

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

Michel Marleau
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.