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"

FORTY-FIRST REPORT OF THE MONITOR
OCTOBER 24, 2007

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OVERVIEW

1. The principal purpose of this Report, the Monitor's Forty-First Report to the Court, is to recommend the approval of the Plans by the Affected Creditors. For all of the reasons set forth herein, the Monitor believes that the Plans are fair and reasonable in the circumstances and represent a mechanism to distribute the proceeds of the three Ivaco estates to the creditors on a relatively expedited timeframe.

2. Previous reports of the Monitor filed with this Court detail the numerous issues, which have delayed the completion of the administration of these estates and the distribution of proceeds resulting from the sale of the operating businesses in December 2004. Some of these issues are summarized in the Report.

3. The settlement of the pension issues through the approval of the Salaried Minutes of Settlement, the Designated Minutes of Settlement, the Ingersoll Minutes of Settlement and the Docap Minutes of Settlement, approved by this Honourable Court on October 9, 2007, coupled with a settlement agreement entered into amongst each estates major creditors has broken the log-jam and made the filing and consideration of the Plans possible. If approved, the Plans will permit a significant initial distribution of the proceeds of the estates to the Affected Creditors.

4. The Plans have been negotiated and sponsored by the largest creditors in each estate and incorporate the negotiated resolution of a number of inter-creditor issues discussed herein, including make-whole premiums, foreign exchange, interest and costs. The two plan estates (IRM and Ifastgroupe) were represented by separate major creditors in a commercial negotiation in a manner the Monitor viewed as a proxy for the type of resolution that would have occurred if there were separate personal representatives of the two estates, and potential intra-estate disputes were also addressed on that basis.

5. In assessing the Plans, the Monitor has considered the following:

   i. The possible range of values of creditor claims resulting from different outcomes of the outstanding legal issues;

   ii. A comparison of possible distributions to creditors under the Plans compared to a bankruptcy occurring as of September 30, 2007. For purposes of this comparative analysis, the Monitor had to make certain assumptions as to the ultimate outcome on the outstanding legal issues, which were then applied consistently to both scenarios; and

   iii. The prejudice to all creditors resulting from waiting for the resolution of outstanding issues through further protracted litigation rather than implementing the Plans.

6. The Monitor's analysis based on the criteria enumerated above indicates that the anticipated ranges of recovery are not materially different under the Plans than could reasonably be expected from a September 30, 2007 bankruptcy.

7. In addition, the time, cost and risk associated with pursuing further litigation could be significant and would not necessarily yield any better recovery to individual creditors.

INTRODUCTION

8. Ivaco Inc. ("Ivaco" or the "Company") 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.

9. The Applicants for the Initial Order included, among others, Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC (Fasteners) Inc. ("IFC") and Docap (1985) Corporation ("Docap"). For purposes of this Report, Ivaco Rolling Mills Inc. and the related limited partnership Ivaco Rolling Mills Limited Partnership will be referred to as "IRM" and Ifastgroupe Inc. and the related limited partnership Ifastgroupe and Company Limited Partnership will be referred to as "Ifastgroupe". Both partnerships are protected under the Initial Order.

10. On October 17, 2007, the Monitor issued its Fortieth Report of the Monitor (the "Fortieth Report") in support of a motion seeking orders, among other things: (i) approving filing of the Plans of Compromise and Arrangement Affecting Claims against Ifastgroupe (the "Ifastgroupe Plan"), IRM (the "IRM Plan") and IFC (the "IFC Plan") (collectively the "Plans"); (ii) authorizing the Monitor to call, hold and conduct meetings of creditors on November 13, 2007; and (iii) directing the Plan Committees to bring a motion returnable on November 19, 2007 to seek an Order of this Honourable Court sanctioning the Plans pursuant to the CCAA, if the Plans are approved by the requisite majorities of Creditors.

11. By Orders of this Honourable Court dated October 23, 2007 (the "Meeting Orders"), the Court approved November 13, 2007 as the date for the Meetings as well as the procedures for the Meetings.

12. The purpose of this Forty-First Report of the Monitor (the "Report") is to provide this Honourable Court with:

    a) a further overview of the Plans;

b) an estimate of the illustrative range of distributions to Affected Creditors pursuant to the Plans;

c) an estimate of the illustrative range of distributions to Affected Creditors in the event that the distributions are affected through bankruptcies, which is a likely outcome if the Plans are not approved by the applicable Creditors; and

d) the Monitor's recommendation in respect of the Plans.

13. Attached as Schedule B to this Report are copies of resolutions in respect of IRM, Ifastgroupe and IFC authorizing and approving the Plans.

14. The Monitor intends to distribute a copy of this Report (in French and English) to all Affected Creditors along with the Meeting Materials with respect to the Meetings in accordance with paragraph 5 of the Meeting Orders.

15. The Report is organized as follows:

- Terms of Reference
- Background
- The Plans
- Summary of Claims
- Illustrative Recovery Analysis for Affected Creditors Pursuant to the Plans
- Estimated Recovery Analysis to Creditors in a Bankruptcy
- Monitor's Analysis and Recommendation

TERMS OF REFERENCE

16. Without limiting the foregoing, underlying the illustrative recovery for Affected Creditors under the Plans are a number of estimates and assumptions that are subject to significant contingencies and uncertainties, including factors beyond the control of the Monitor. In addition, these matters would necessarily take place in the future and under the circumstances existing at the time, which cannot be predicted with any certainty. Accordingly, the recovery to Affected Creditors under the Plans could be materially different than the amounts set out in this Report, and no representation or warranty can be

or is being made by the Monitor or any other person with respect to these matters or any other matter contained in this Report.

17. The summary of and references to the Plans and to other documents entered into in connection with the Plans are qualified in their entirety by the full text of the Plans and such other documents. Persons reading this Report should not consider this Report to be investment, legal or tax advice, and should consult with their own advisers as to legal, tax, business, financial and other aspects of the Plans.

18. Capitalized terms not defined in this Report are defined in the Initial Order, the Plans 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.

BACKGROUND

19. Ivaco was a corporation headquartered in Montreal whose shares were publicly traded on the Toronto Stock Exchange. It directly or indirectly owned 100% of all of its subsidiaries, some of which were set up as limited partnerships.

20. When Ivaco filed for protection in 2003, the Company operated from 12 locations across Canada and to a limited extent in the United States and was a leading North American producer of steel, fabricated steel products and precision machined components. Ivaco employed approximately 2,400 employees and conducted regular business with over 2,000 suppliers.

21. The Company operated its business in three primary operating groups: IRM, Ifastgroupe and Sivaco Wire Group ("Sivaco"). Sivaco was the operating arm within the top (and only public) company in the group, Ivaco. IRM and Ifastgroupe were wholly owned

subsidiaries of Ivaco, structured as limited partnerships and each had distinct creditors, financing and operations.

22. IRM, the largest subsidiary of Ivaco, was comprised of steel and wire rod manufacturing facilities in L'Orignal, Ontario. Ifastgroupe was the largest producer of fasteners (nuts and bolts) in North America. It was organized into four distinct operating segments located in both Ontario and Quebec. Ivaco itself had manufacturing operations, through its Sivaco divisions in addition to housing the head office and corporate functions (as well as all the legacy debt from various discontinued operations). Sivaco had operations in both Quebec and Ontario and manufactured and distributed a wide variety of wire and wire products.

23. Although Ivaco had previously endured difficult market conditions as the steel market moved through economic cycles, it was unable to deal with the conditions extant in 2003.

24. The steel and steel products industries had been beset by serious difficulties caused, in part, by the broad economic downturn that affected the North American economy in 2001 to 2003. As a result of this downturn, manufacturing and capital spending declined, reducing the demand for steel, fabricated steel products and precision machined components produced and sold by Ivaco and its affiliates. The increase in imports of steel products from offshore countries also had a negative impact on Ivaco's revenues and margins, especially in the fastener business.

25. Compounding these difficulties for Canadian exporters was the rapid rise of the Canadian dollar against the U.S. dollar. Approximately 70% of Ivaco's revenues were denominated in U.S. dollars. At the same time as currency fluctuations depressed revenues, a number of factors increased Ivaco's costs of production. Both IRM and the Sivaco Québec division entered into new labour contracts in late 2002, which substantially increased labour and pension costs for those businesses. Ivaco was also subject to substantial pension and legacy costs including those related to previously discontinued operations.

26. The price of scrap metal, one of the most significant inputs in IRM's production of steel, increased substantially in 2003. Energy and transportation costs also increased significantly during the same period.

27. In October 2002, the United States International Trade Commission made a determination that certain wire rod products imported from seven countries, including Canada, were injuring the U.S. domestic steel industry. Ivaco was hit with a duty tariff and was required to deposit with the U.S. Customs Service 9.9% of the value of certain wire rod shipments to the United States. This also had a short term adverse impact on Ivaco's profitability and cash flow.

28. In large part, these factors led to the Applicants' filing for protection under the CCAA in September 2003.

29. In mid-November 2003, two months into the restructuring the Monitor reported that the Applicants continued to be unable to convince stakeholders, including the IAC, that the whole of the consolidated enterprise was likely to be worth more than the sum of its parts. As a result, the Applicants concluded in consultation with their advisors and the Monitor that there should be a dual track process to canvass both a stand-alone restructuring and sale options.

30. The sale process generated more interest than the stand-alone restructuring process. The successful bidder, Heico, and the Applicants entered into purchase agreements in August 2004. Separate asset purchase agreements were executed for each of IRM, Ifastgroupe and Ivaco ascribing distinct purchase prices to each. Court approval of the transactions was obtained on August 18, 2004. The sales closed on December 1, 2004, after which the estates held cash of approximately $275 million.

31. A dispute concerning the post-closing working capital adjustment followed as the Applicants and Heico had a disagreement that totalled approximately $50 million. At present, this dispute is still on-going with a hearing before the Ontario Court of Appeal

on October 26, 2007. As additional security for the amounts in dispute, including interest, the Applicants have received letters of credit for approximately $70 million in respect of the aggregate potential additional recoveries for all of the estates under the working capital adjustment and related litigation.

32. After closing, the sole remaining representatives of the Ivaco selling entities and their estates were the directors (who eventually resigned in late February 2005) and the CRO. The CRO also wound down his involvement through the first half of 2005. The role of the Monitor in supervising the Applicants expanded and several orders were obtained providing for a broader role of the Monitor in the circumstances.

33. Shortly after the Heico sale closed, an issue emerged concerning the claims of the pension plans that Heico had not assumed.

34. In the spring of 2005, the IAC filed motion materials seeking to lift the CCAA stay to permit creditors of Ivaco, IRM and Ifastgroupe to file or pursue petitions in bankruptcy to facilitate the distribution of the sale proceeds. Meanwhile, the representatives and regulators of the remaining pension plans indicated that they intended to initiate proceedings to protect their interests and that they would oppose any bankruptcy of the Applicants.

35. On March 4, 2005, this Honourable Court issued a "standstill" order, which, *inter alia,* prohibited the IAC or the Pension Parties from taking any step until the motions could be heard. The motions were heard on June 13-15, 2005 and on July 18, 2005 the Honourable Justice Farley dismissed the Pension Parties' motion and ordered that bankruptcy hearings be held at which time further issues could be raised concerning the Pension Plans.

36. The Pension Parties sought and obtained leave to appeal to the Ontario Court of Appeal. On October 17, 2006, the Ontario Court of Appeal released its decision, dismissing the appeal.

37. On October 27, 2006, on motion of the Pension Parties, the Ontario Court of Appeal stayed Justice Farley's July 18, 2005 order until determination of the application for leave to appeal to the Supreme Court of Canada.

38. On February 20, 2007, on motion of the Pension Committee, Justice Ground issued an order lifting the CCAA stay to allow a payment of approximately $10 million from the PBGF to be made to the Salaried Plan. On May 7, 2007, on motion of the Superintendent, Justice Ground issued an order lifting the CCAA stay to allow a payment of $155,000 from the PBGF into the Designated Plan and a payment of $1,643,000 from the PBGF into the Ingersoll Plan.

39. On May 3, 2007, the Supreme Court granted the application for leave to appeal. The parties agreed that upon the granting of leave to appeal, the stay of the order of Justice Farley was extended pursuant to the *Supreme Court Act* (Canada) until the final disposition of the appeal.

40. In June 2007, the Pension Committee served motion materials seeking, *inter alia*, a declaration that the Quebec *Supplemental Pension Plans Act* (the "QSPPA") applies to the Salaried Plan, and that Ivaco, Ifastgroupe and IRM are jointly and severally liable for the unfunded liabilities owing to the Salaried Plan.

41. As described at length in previous Monitor's Reports, these pension issues prevented an interim distribution to creditors. The Monitor attempted to facilitate a resolution of these pension issues and as described in previous Monitor's Reports, in August of 2006, the Monitor, the IAC and the Pension Parties participated in mediation to attempt to settle the outstanding pension issues. No resolution was reached during the August 2006 mediation.

42. Given the continued pressure by creditors for a distribution and as highlighted in the Thirty-Fifth Report of the Monitor, the Monitor proposed a second mediation session to attempt to bring the parties together to discuss their individual issues and to work towards developing a commercially reasonable settlement of all of the outstanding issues.

43. On August 20 and 21, 2007 a second mediation session was held. Terms of settlement were agreed upon between the IAC and the Pension Parties, subject to Court approval, to resolve the issues of quantum, priority and joint and several liability in respect of the Ivaco Salaried Pension Plan and the Designated, Ingersoll and Docap Pension Plans.

44. As well, the Minutes of Settlement provided that all parties would co-operate to obtain further orders to facilitate distributions to all proven creditors of IRM, Ifastgroupe and IFC pursuant to Plans of Arrangement and to National Bank of Canada as secured creditor of Ivaco. The parties agreed to extend or adjourn all the deadlines for the Supreme Court of Canada appeal and the joint and several motion to a date not earlier than November 30, 2007 to allow for the implementation of the Minutes of Settlement.

45. On October 9, 2007, this Honourable Court issued an Order: (i) approving the Minutes of Settlement; and (ii) authorizing and directing the Monitor to implement the Minutes of Settlement on behalf of the Applicants including causing payments to be made to the various pension plans. Pursuant to this Order, the pension settlement as described in the Thirty-Eighth Report of the Monitor will be implemented on October 31, 2007.

46. To that end, the informal advisory committee of the creditors of Ifastgroupe ("Ifastgroupe IAC"), IRM ("IRM IAC") and IFC ("IFC IAC") (collectively the "IAC") obtained an Order on October 23, 2007 authorizing and directing it to file the Plans and to present the Plans to Affected Creditors for their consideration.

47. Pursuant to the Plans, the Monitor is to issue a Monitor's report describing the circumstances and events leading up to the Plans and commenting on the fairness and reasonableness of the Plans.

THE PLANS OF COMPROMISE AND ARRANGEMENT

Summary of the Plans

48. The purpose of the Plans is to settle or quantify Claims and effect a compromise and arrangement of all Claims (other than the Unaffected Claims) against IRM, Ifastgroupe

and IFC in a manner that provides consistent and equitable treatment among the Creditors, and to allow for the timely distribution of the Proceeds to the Affected Creditors on a *pari passu* basis generally as if IRM, Ifastgroupe and IFC had become bankrupt on the Valuation Date, which is defined under the Plans to be February 28, 2007.

49. The Plans do not compromise or affect CCAA Charge Indemnity Claims, Secured Claims, Enhanced Pension Claims, Unsecured Pension Claims (provided that the Pension Settlement Conditions set out in the Plans are met), Government Priority Claims, the Monitor's fees and expenses or certain claims by any Plan Sponsor for reimbursement of legal fees and disbursements incurred after the Valuation Date in connection with the drafting, negotiation, approval, sanctioning and implementation of the Plans. Holders of Unaffected Claims are not entitled to vote on or receive any Distributions under the Plan in respect of such Unaffected Claims. These claims shall be paid in accordance with Section 5.1 of the Plans.

50. There is one Class of Creditors which consists of all Affected Creditors. Any Creditor that did not submit a Proof of Claim in respect of a Claim by the Claims Bar Date or the Subsequent Claims Bar Date, or by such later date as was agreed to by the Monitor before October 15, 2007, as applicable, will not be entitled to vote on, or receive Distributions under the Plans. Each Affected Creditor may vote for or against the Plans to the extent that its Affected Claim is a Proven Affected Claim prior to the date on which such Creditor's Proxy is required to be filed with the Monitor pursuant to the Meeting Orders. The votes of Affected Creditors in respect of Affected Claims that are not proven Affected Claims will be marked and tabulated separately to determine whether their acceptance for voting purposes could affect the result of the voting process, in which case the Monitor shall seek directions from the Court. Nothing in the Meeting Orders shall determine the issues of whether the claims of Heico, if any, should be treated as Affected Claims or whether the Heico claims, if any, should be treated as Unaffected Claims and such issues are reserved for determination by the Court.

51. Distributions will be made to Affected Creditors holding Proven Affected Claims as of the date that is ten Business Days before the date such Distribution is to be made.

Distributions to Affected Creditors are intended to be made on the Plan Implementation Date, being the date on or before November 30, 2007.

52. Each Creditor entitled to receive a Distribution will be entitled to receive its Pro Rata Share of such Distributions. Affected Creditors whose Claims become Proven Affected Claims after one or more distributions have been made will be entitled to receive a special catch-up payment at the same time as the next Distribution.

53. Affected Creditors with Proven Affected Claims established pursuant to the Claims Order, or otherwise settled and accepted by the Monitor shall be entitled (without duplication for amounts included in its Proven Affected Claim) to claim for any interest which such Affected Creditor is entitled to by contract, or where such Affected Creditor does not have a contractual entitlement to interest, 5% per annum, that is referable to the period commencing the day after the Filing Date and ending on and including the Valuation Date. Claims filed as part of the Subsequent Claims Process will be entitled to interest from December 1, 2004 to the Valuation Date. Claims will be updated by the Monitor automatically to account for interest up to the Valuation Date in accordance with the Meeting Orders. No claim shall be made by a Creditor, or accepted by the Monitor, for interest accrued after the Valuation Date. Monies owing to Creditors in foreign currencies will be converted, for all purposes of the Plans, using the closing rate of the Bank of Canada on the Valuation Date, which was Cdn $1.1698 = U.S. $1.00 for US denominated claims. The Claim of any Creditor shall be net of any amount owing by the Creditor to IRM, Ifastgroupe or IFC as at the Valuation Date.

54. Upon implementation of the Plans, among other things, (i) the Plans will become effective and be binding on IRM, Ifastgroupe and IFC and the Creditors but shall not affect Unaffected Claims, (ii) the Monitor, the members of the Plan Sponsors, and each of their respective directors, officers, employees, agents and professional advisers shall be released and discharged from certain claims relating to the Plans, and (iii) proceedings against IRM, Ifastgroupe or IFC shall be stayed as reflected in the Sanction Orders.

55. In the event that any Plan is not approved by the Affected Creditors, the Sanction Order will not be issued or if the Plan is not implemented for any other reason, Creditors in the

affected estate shall not be bound to the valuation, settlement or compromise of their Claims in accordance with that Plan or the Meeting Order.

56. Implementation of the Plans is subject to: (i) the approval of the meetings of creditors by a majority in number of the Affected Creditors representing two-thirds in value of the Accepted Claims for voting purposes who actually vote on the Plans (in person or by proxy) at the Creditor's Meeting; and (ii) the approval of this Honourable Court granting an Order sanctioning the Plans and the transactions therein and the expiry of all appeal periods therefrom.

Plan Sponsor Agreement

57. As indicated below, one of the conditions precedent for approval of the Plans is the implementation of a settlement agreement, entered into among the Plan Sponsors relating to the settlement of a number of issues concerning the quantification of claims of the Plan Sponsors.

58. In the Thirty-Fifth Report of the Monitor, the Monitor described a number of inter-creditor issues, primarily involving the IRM estate and its major creditors that stood in the way of a potential interim distribution to creditors.

59. The inter-creditor disputes essentially relate to issues concerning the valuation of creditors' claims. There are three types of claim-related issues: (i) the treatment of interest from September 16, 2003 to present; (ii) the appropriate foreign exchange rates for valuing foreign currency denominated claims; and (iii) the admissibility and calculation of make-whole premiums on the unsecured notes.

(i) Interest

60. In determining the estimated value of claims below, the Monitor included interest calculated on creditors' claims from the date of the CCAA filing to the Valuation Date. There are obviously alternatives, based on different regimes, as to the treatment of post-

filing interest ranging from including post-filing interest from September 16, 2003 to October 2007 to not including any post-filing interest. Some creditors have expressed the view that only creditors who have a contractual rate of interest with the Applicants should receive post-filing interest if any post-filing interest is to be admitted. Another option is to allow post-filing interest whether or not there is a contractual rate of interest with those creditors who do not have a contractual rate receiving an arbitrary rate of interest stipulated by the Court.

(ii) Foreign Exchange

61. The estimated amount of claims below valued foreign-denominated claims using the exchange rate in effect as at the Valuation Date. The Canadian dollar has appreciated substantially relative to the US dollar. The foreign exchange rate as at September 16, 2003 was one US dollar to 1.369 Canadian dollars. The exchange rate as of the Valuation Date was one US dollar to 1.1698 Canadian dollars and the exchange rate as at noon on the day before this Report, was one U.S. dollar to 0.9674 Canadian dollars.

(iii) Make-Whole Premiums

62. In determining the estimated value of claims, an issue arose as to the admissibility of the make-whole premium on note holder claims. The terms of the note agreements provide for the calculation of a make-whole premium by subtracting the sum of the unpaid principal amount of a note as at the appropriate valuation date from the present value of all amounts of principal and interest on such note that would otherwise have become due on or after that same valuation date. Certain creditors have expressed a view that make-whole premiums should not be admitted as part of the claims.

63. As a result of extensive negotiations among, primarily the IRM IAC and with the assistance of the second mediation, as discussed above, the Plan Sponsors reached an agreement among themselves (the "Plan Sponsor Agreement") regarding the validity, enforceability and quantum of each of their respective claims against IRM, all with a view to moving towards implementing the IRM Plan which will see a substantial interim distribution be made to creditors of IRM upon the implementation of such Plan. The Monitor has not been provided with a copy of the Plan Sponsor Agreement.

64. The Plan Sponsors have advised that the terms of the Plan Sponsor Agreement provide that the Plan Sponsors agree that, for voting and distribution purposes, the Proven Affected Claims of the Plan Sponsors shall be calculated based on the following criteria:

- Any Affected Creditor that has a Proven Affected Claim shall be entitled to claim for any interest which such Affected Creditor is entitled to by contract with respect to such proven Affected Claim, or where such Affected Creditor does not have a contractual entitlement to interest, 5% per annum for the period commencing the day after the Filing Date and ending on the Valuation Date;

- Foreign denominated claims will be valued using the exchange rate in effect on the Valuation Date, being February 28, 2007, the date settled by the Plan Sponsors; and

- The holders of the unsecured notes shall be entitled to include 50% of their make-whole premium in the valuation of their claims.

Similar agreements exist between the Plan Sponsors of Ifastgroupe and IFC.

65. The Monitor has also been informed that there has been some relatively minor transfer or assignment of claims among the IRM IAC creditors but can confirm that the assignment does not affect or in any way impact the overall distributions under this Plan to IRM's Affected Creditors who are not members of the IRM IAC.

Conditions for Approval of the Plan

66. The implementation of the Plans is conditional upon, among other things:

a) the Monitor reporting that the terms and conditions of the Plans are fair and reasonable;

b) the making of Sanction Orders, in form and substance as attached to the Plans on or before November 15, 2007 (or such later date as may be agreed by the Plan Sponsors). The sanction motion is currently scheduled for November 19, 2007;

c) the implementation of a settlement agreement entered into among the Plan Sponsors relating to the settlement of any issues concerning the quantification of the Claims of the Plan Sponsors as described above; and

d) the Monitor having filed a certificate with the Court that it is ready and able to make on that day an initial Distribution to each holder of a Proven Affected Claim as of the date that is seven days before the Plan Implementation Date of at least 40% for IRM, 30% for Ifastgroupe and 10% for IFC of the amount of such Creditor's Proven Affected Claim.

67. In the case of IRM, in addition to the aforementioned items, implementation of the Plan is also conditional on the execution and delivery of the BNS D&O Agreement. The purpose of the agreement is to avoid a distribution reserve with respect to a possible indemnity claim being asserted against IRM in connection with BNS' D&O Claim and thereby make a greater amount available for distribution. The Monitor is advised that counsel to the D&Os has expressed some concerns over the wording of the Plans and Sanction Orders as they relate to the D&Os. The Monitor is further advised that counsel to the D&Os and the Plan Committees have agreed to try and resolve these concerns and that any changes to the Plans resulting from these discussions would be put to the Affected Creditors at the Meetings of Creditors. The Monitor will seek authority from this Honourable Court to execute the BNS D&O Agreement at the same time as the Plan Sponsors seek the Sanction Orders.

SUMMARY OF CLAIMS

68. As discussed in the Thirty-Seventh Report of the Monitor (the "Thirty-Seventh Report"), this Honourable Court authorized the Applicants to conduct a process for soliciting and determining claims of their creditors arising prior to September 16, 2003 or post-filing claim arising between September 16, 2003 and June 18, 2004. The Claims Bar Date was established as August 6, 2004. The Court also made provision for a Subsequent Claims Bar Date for Subsequent Claims, which is discussed in detail in the Thirty-Seventh Report and will not be repeated here.

69. The June 18, 2004 Claims Process is now substantially complete, excluding claims filed against Ivaco, which at present have been set aside by the Monitor since there is no expectation of a distribution to the unsecured creditors of Ivaco.

70. The following chart summarizes the value of the Claims against IRM, Ifastgroupe and IFC as determined or, in the case of the unresolved claims, estimated by the Monitor as at the Valuation Date.

Estimated value of claims as at February 28, 2007 **($000's)**	**IRM**	**Ifastgroupe**	**IFC**
Estimated claims value without the Pension Plan Claims	325,491	172,384	161,813

For illustrative purposes and in anticipation of the payments to the Pension Parties further to the Minutes of Settlement, the table above provides the value of the Ifastgroupe and IRM estimated claims as at February 28, 2007 without the Salaried Pension Plan deficit claims.

71. In determining the estimated value of claims above, the Monitor has valued all claims based on the agreement reached to by the Plan Sponsors concerning the calculation of interest, foreign exchange and make-whole as described above in paragraph 64.

72. It is not possible to predict the final amount of Proven Claims with certainty at this time as the Subsequent Claims Process is still in progress and a number of Subsequent Claims need to be resolved. Included in the Proven Claims in the table above are Subsequent Claims (including interest to the Valuation Date) in the amounts of $44.7 million for IRM, $51.3 million for Ifastgroupe and $19.8 million for IFC. Although the quantum of these claims has not been finally determined, these claims will be allowed for voting purposes as described above in paragraph 50 and accordingly have been fully reserved for by the Monitor in calculating the estimated value of claims above.

ILLUSTRATIVE RECOVERY ANALYSIS FOR CREDITORS PURSUANT TO THE PLANS

73. Based on cash available for distribution (after deducting for various reserves, including the pension settlement amounts, future administration costs, Plan Sponsor costs and unresolved D&O claims) and the estimated value of claims as per the above table (including a reserve for the full value of the disputed Subsequent Claims) it is anticipated that Affected Creditors with Proven Claims will receive an initial distribution in the range of approximately 40% to 46% for IRM, 30% to 33% for Ifastgroupe and 10% to 11% for IFC of the amount of such Creditor's Proven Affected Claim. The lower end of the range in each case represents the amount provided for in the Plans as a condition of Plan Implementation discussed above in paragraph 66(d).

74. Further distributions may be made to Affected Creditors pending a resolution of the working capital adjustment dispute described in more detail in the Thirty-Seventh Report of the Monitor. Other factors that may contribute to additional funds being available for distribution include the following:

- Resolution of the unresolved D&O claims thereby eliminating or reducing the need for a holdback;
- A determination by the Claims Officer in respect of the unresolved Subsequent Claims thereby reducing the reserve included in the estimated value of claims as indicated above; and
- A reduction in the reserve for future administration costs and Plan Sponsor costs.

ESTIMATED RECOVERY ANALYSIS TO CREDITORS IN A BANKRUPTCY

75. If the Plans are not approved by the Affected Creditors, the Sanction Order is not issued or if the Plans cannot be implemented for any other reason then the stay of proceedings granted by the Court in the Initial Order may be lifted and creditors shall not be bound to

the valuation, settlement or compromise of their claims in accordance with the Plans or any agreement relating thereto.

76. Accordingly, this may result in the IAC proceeding with applications pursuant to the *Bankruptcy and Insolvency Act ("BIA")* for bankruptcy orders against each of IRM, Ifastgroupe and IFC.

77. In a bankruptcy, the trustee in bankruptcy would be required to value claims in accordance with the *BIA* rules and procedures. Under a bankruptcy scenario, creditors' claims denominated in a foreign currency would be converted based on the exchange rate in effect on the day of bankruptcy. Given the noon exchange rate on October 23, 2007 (one US dollar to 0.9674 Canadian dollars), the aggregate value of Affected Claims (excluding any make-whole premiums) would decrease. This reduction in Affected Claims would be partially offset by the additional interest Affected Creditors may be entitled to for the period from the Valuation Date to the date of bankruptcy. Whether or not certain creditors would be successful in asserting their make-whole claims is currently unknown. For purposes of this Report, the Monitor has calculated the value of creditors' claims in bankruptcy using the foreign exchange rate as at September 30, 2007 (one U.S. dollar to 0.9948 Canadian dollars) and included interest to September 30, 2007.

Estimated value of claims as at September 30, 2007 ($000's)	**IRM**	**Ifastgroupe**	**IFC**
Estimated claims value without the Pension Plan Claims or make-whole amounts	315,062	172,739	164,865
Estimated claims value without the Pension Plan Claims but including full make-whole amounts	326,506	172,962	165,027

78. Accordingly, based on the cash available to the Monitor (without deduction for Plan Sponsor costs) and the revised value of Affected Claims taking into account the revised foreign exchange and interest as discussed above, distributions to Affected Creditors

would likely be in the range of 45% to 48% for IRM, 32% to 33% for Ifastgroupe and 10% to 11% for IFC.

79. The Monitor has assumed for purposes of this analysis that the assumptions concerning the quantum of unresolved D&O and Subsequent claims and reserves for future administration costs are identical to the assumptions used in determining the estimated distribution to Affected Creditors pursuant to the Plans.

80. This comparison indicates that the holders of Proven Affected Claims will receive approximately the same distributions under the Plans as under a bankruptcy. However, perhaps the more significant factor to take into consideration in the evaluation of the Plans is the anticipated Plan Implementation Date being the date which is on or before November 30, 2007. It is extremely unlikely that a distribution in bankruptcy would occur by that time. In addition to further delay, there would be costs associated with addressing the claim valuation issues that are being resolved under the Plans.

MONITOR'S ANALYSIS AND RECOMMENDATIONS

81. The Plans have been negotiated and sponsored by the largest creditors in each estate and are structured to address the agreed resolution of the dispute among the creditors concerning make-whole premiums, foreign exchange and interests and costs. The Monitor provided information and analysis to the Plan Sponsors during their lengthy negotiations.

82. The Meetings to consider the Plans are scheduled for November 13, 2007. The Monitor believes the Plans will result in a meaningful distribution to Affected Creditors on or before November 30, 2007 in an amount that is not materially different than Affected Creditors would receive under a bankruptcy. Perhaps far more important is the accelerated time frame to effect distributions to Affected Creditors pursuant to the Plans.

83. In addition, the Monitor considers that the benefit of breaking the stalemate that has delayed these estates for almost 3 years has meaningful value to the unsecured creditors of each estate. The time, cost and risk of rejecting the Plans and seeking an alternative

way forward could be significant and would not necessarily yield any better recovery to individual creditors.

84. Accordingly, for the reasons outlined in this and previous Monitor's reports and to permit the Monitor to advance the administration of the Applicants' estates and to effect a distribution to Affected Creditors, the Monitor recommends the Plans as fair and reasonable and that Affected Creditors vote in favour to approve the Plans.

All of which is respectfully submitted this 24th 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.

Schedule "B"

Form of Plan Resolution

BE IT RESOLVED THAT the Plan of Compromise and Reorganization affecting claims against Ivaco Rolling Mills Inc. and Ivaco Rolling Mills Limited Partnership presented to the meeting pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) made on October 23, 2007 under the *Companies' Creditors Arrangement Act* be and it is hereby authorized and approved.

Form of Plan Resolution

BE IT RESOLVED THAT the Plan of Compromise and Reorganization affecting claims against IFC (Fasteners) Inc. presented to the meeting pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) made on October 23, 2007 under the *Companies' Creditors Arrangement Act* be and it is hereby authorized and approved.

Form of Plan Resolution

BE IT RESOLVED THAT the Plan of Compromise and Reorganization affecting claims against Ifastgroupe Inc. and Ifastgroupe and Company Limited Partnership presented to the meeting pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) made on October 23, 2007 under the *Companies' Creditors Arrangement Act* be and it is hereby authorized and approved.

IN THE MATTER OF A PLAN OR PLANS OF COMPROMISE OR ARRANGEMENT OF IVACO INC. et al. under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended

Court File No: CL 03-CL-5145

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

FORTY-FIRST REPORT OF THE MONITOR
(October 24, 2007)

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