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"

FOURTEENTH REPORT OF THE MONITOR
JULY 13, 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.,

Court File No. 03-CL-5145

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INTRODUCTION

1. On September 16, 2003 Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants") filed for and obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36, *as amended* (the "CCAA"). The terms of these proceedings are governed by 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 during these CCAA proceedings.

2. The Applicants included in the Initial Order consist of, amongst others, Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC (Fasteners) Inc. ("IFC"), and Docap (1985) Corporation ("Docap") and the related limited partnerships Ivaco Rolling Mills Limited Partnership ("IRM") and Ifastgroupe and Company Limited Partnership ("Ifastgroupe").

3. The United Steelworkers of America ("USWA" or the "Union") has brought a motion returnable on July 15, 2004 seeking an order amending the Initial Order. The Union's motion was brought on previously but was adjourned at a hearing on March 2, 2004 at which the Honourable Mr. Justice Farley directed the Monitor to

observe and report on the discussions and level of cooperation between the Applicants and the USWA. Pursuant to his Honour's direction, the Monitor has provided bi-weekly confidential reports to this Honourable Court on these matters. The purpose of this Fourteenth Report of the Monitor (the "Report") is, in the context of the motion now returnable, to provide information with respect to the status of information exchange and discussions between the Union and the Applicants as it relates to the following:

- Information Requests;
- Grievance and Arbitration Process;
- Participation of the Union in the Sales Process; and
- CCAA Discussions.

TERMS OF REFERENCE

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Initial Order and the Monitor's previous reports.

INFORMATION REQUESTS

5. The Applicants have received detailed information requests from Union representatives as well as from the Union's financial advisors. The Applicants, with the assistance of the Monitor, have responded to these requests as soon as practicable. At present, the Applicants have responded to all information requests from the Union representatives and are in the process of addressing a number of outstanding requests from the Union's financial advisors.

GRIEVANCE AND ARBITRATION PROCESS

6. On March 12, 2004, the Applicants delivered a draft proposal to the Union's counsel to permit the expedited arbitration of issues relating to: union representation, discipline, job posting, health and safety issues, overtime, call-in pay, vacation and payment of premiums.

7. The Applicants proposed that the Union could request that other issues be referred to arbitration and they would review such requests on a case by case basis to determine whether, in the context of this restructuring, they could consent to such cases proceeding, with any financial implications being dealt with in the plan(s). The Applicants reiterated their position that they would not consent to arbitration of any case where the outcome could entail a "significant negative financial impact" on the restructuring process. This would include grievances relating to termination, severance or other payments resulting from layoffs or terminations and grievances relating to past service contributions.

8. On May 26, 2004, the Union advised the Applicants that it rejected any arbitration process that would be contrary to the terms of the Applicants' collective agreements.

9. As more fully described below, on July 13, 2004 the Applicants advised the Union that they would agree to the resumption of the grievance and arbitration process called for under the existing collective agreements. The Applicants' position includes the proviso that any arbitration awards requiring the payment of money will be stayed for the time being and will be settled either under a plan or otherwise dealt with upon the termination of these CCAA proceedings. The Applicants have offered on the record to incorporate these terms into the Initial Order.

10. The Monitor believes that in light of the period of time that the CCAA stay has been in place, the position of the Applicants (that the "pressure-release"

mechanism of the grievance procedure should be reinstituted) is a sensible and flexible position to adopt.

PARTICIPATION OF THE UNION IN THE SALES PROCESS

11. On May 14, 2004 the Applicants received several potentially viable offers in connection with the Second Round of the Sales Process. The Applicants reviewed the offers with their financial and legal advisors, the Monitor and relevant members of the Informal Advisory Committee.

12. The Applicants have offered to meet with representatives of the Union to provide them with the offers as soon as a satisfactory confidentiality agreement can be agreed upon. The parties have not yet reached agreement on the terms of the USWA's participation in the Sales Process. To date, the Applicants have been able to effectively advance the discussions with bidders without the direct involvement of the Union while attempting to minimize any negative impact the sale or restructuring may have on the employees.

CCAA DISCUSSIONS

13. Both the Union and the Applicants have indicated that they are available and willing to meet to engage in meaningful discussions concerning the Applicants' business and restructuring plans.

14. On June 18, 2004, this Honourable Court directed that the Applicants and the Union were to engage in bona fide CCAA discussions before the return of the Union's motion on July 15, 2004. In an effort to facilitate such discussions, on June 21, 2004, counsel for the Applicants, counsel for the Monitor and the Union's counsel took part in a conference call to attempt to arrange a date for the Applicants and the Union to meet and commence CCAA discussions. As a result of the call, a meeting took place on July 8, 2004 in Toronto.

15. The Monitor participated in the July 8th meeting and observed an open and serious discussion of each party's issues and concerns. While no consensus was reached,

the parties have continued their dialogue since the meeting, culminating in the letter sent by the Applicants to the Union on July 13, 2004 that is attached as Appendix A.

16. The Applicants have agreed to the foregoing without requiring anything in return from the Union in recognition of the continuing contribution their employees are making to the restructuring and the ongoing viability of the businesses. The Applicants clearly recognize that the Union has other issues and concerns and have suggested to the Union that these other concerns require significant consultation with the major creditors that will by necessity continue beyond the return date for the Union's motion. In light of this, the Applicants have requested that the Union consider adjourning its motion to permit the CCAA discussions to continue. The Monitor considers that the Applicants are dealing with the Union stakeholders, and indeed all stakeholders, in good faith and, in the context of the numerous competing interests (in common with most CCAA filings), the Applicants are seeking to work sensibly with all constituencies for the collective advantage of all.

All of which is respectfully submitted this 13th day of July, 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

DAVIES WARD PHILLIPS & VINEBERG LLP

44TH FLOOR, 1 FIRST CANADIAN PLACE. TORONTO CANADA M5X 1B1
TELEPHONE : 416.863.0900 FAX : 416.863.0871

MATTHEW P. GOTTLIEB
Direct Line 416.863.5516
mgottlieb@dwpv.com

File No. 202140

July 13, 2004

BY FAX

Ken Rosenberg
Paliare Roland Rosenberg Rothstein LLP
Barristers & Solicitors
500 - 250 University Avenue
Toronto, ON M5H 3E5

Dear Mr. Rosenberg:

Ivaco Inc.

Further to the meeting that took place last Thursday between representatives of the USWA, the Monitor and Ivaco, we appreciate that the representatives of the USWA made themselves available and discussed, in a frank and open matter, their concerns regarding this proceeding and, in particular, how the proceedings have impacted the USWA and its members. As we advised, Ivaco takes those concerns very seriously and recognizes that its employees are key stakeholders in this process. Ivaco has, throughout these proceedings, attempted to restructure its affairs in such a manner as to minimize any negative impact on the employees.

At the meeting, the USWA representatives expressed their view that it would be appropriate for Ivaco to agree to comply with the provisions of the collective agreements regarding grievance and arbitration procedures and termination and severance pay for terminated employees.

Based on the current circumstances of this restructuring:

1. Ivaco agrees that any grievances filed by USWA may be referred to arbitration in accordance with the provisions of the relevant collective agreements. Should there be any monetary awards arising from the disposition of any grievance settled or arbitrated, except as otherwise agreed, the enforcement of such award or settlement shall be stayed pending resolution in any plan or the termination of these proceedings. I would suggest that we agree to an Order in this regard along the lines of what was agreed to in Stelco regarding grievances and arbitration. I would be pleased to discuss this with you promptly.

2. Subject to the agreement of Ivaco and the USWA as to the eligible individuals and the quantum of payment, Ivaco agrees to set aside an amount equal to the severance pay currently outstanding to USWA's employees that were terminated from the commencement of

this proceeding to today. Ivaco will recommend to its major creditors that such amount be paid to the appropriate employees, on a voluntary basis, as soon as the creditors consent or, if the consent is not forthcoming, pursuant to a plan. Ivaco undertakes to discuss this matter with its major creditors immediately.

While Ivaco recognizes that the USWA has other issues that it would like Ivaco to consider, the other issues require significant discussion between Ivaco and its major stakeholders. Ivaco has already raised some of these issues with its stakeholders and will continue its discussions with them. In light of the foregoing, it would appear that the major issues that are to be dealt with in the USWA's outstanding motion have been addressed. As a result, it is our view that it would be appropriate that the motion be adjourned, for the time being, so as to allow Ivaco and the USWA to continue discussions in the hopes that all of the concerns of the USWA regarding this proceeding can be addressed. In the event that the USWA wishes to proceed with this motion, we will provide this letter to the Court so that it is in the record.

Yours very truly,

Matthew P. Gottlieb

MPG/amh

cc: Peter Howard *(Stikeman Elliott)*
Brian Denega *(Ernst & Young)*
Xeno Martis *(Fasken Martineau DuMoulin)*
Sheryl Siegel *(Fasken Martineau DuMoulin)*
Andy Kent *(McMillan Binch)*
Dan MacDonald *(McMillan Binch)*
Kevin Zych *(Bennett Jones)*
Rick Orzy *(Bennett Jones)*
Rob Staley *(Bennett Jones)*