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"

NINETEENTH REPORT OF THE MONITOR
NOVEMBER 18, 2004

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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. On October 22, 2004, the Monitor filed its Eighteenth Report of the Monitor (the "Eighteenth Report") in support of the Applicants' request for approval of the buy-out of leases, amongst other things. This Honourable Court granted the Applicants' request for approval of the buy-out of leases involving Caterpillar Financial Services Limited; however, Heico and the Applicants agreed to adjourn the Applicants' motion for authority to enter into future lease buy-outs

in order to continue discussions concerning the Applicants' rights under the Asset Purchase Agreements ("APA") with respect to leases.

4. The parties have had discussions and their positions remain divergent. The Applicants are of the view that they are entitled to pursue and enter into additional lease buy-outs and believe it is in the best interests of their creditors to proceed with proposals to buy out leases with two further entities at this time. This Nineteenth Report of the Monitor (the "Report") should be read together with the Eighteenth Report and is filed in support of the Applicants' request for approval to complete the two lease buy-outs described herein and to buy out further leases as they are negotiated without seeking this Honourable Court's approval on each occasion.

TERMS OF REFERENCE

5. 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.

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.

SALES PROCESS

Equipment and Lease negotiations

7. Commencing early in these CCAA proceedings, the Applicants with the assistance of the Monitor engaged in an analysis of their leases, including reviewing the necessity of each piece of equipment under lease as well as the cost of each lease with a view to strengthening their businesses and financial

structure. The Applicants held discussions with certain of their large lessors in an attempt to renegotiate the terms of their leases. As a result of the review and based on discussions with lessors, the Applicants determined that it is in the best interests of their stakeholders to negotiate to have certain leases bought out for cash on closing of the Heico transaction so that the underlying assets could be delivered to Heico free and clear. The Applicants and Heico differ with respect to their interpretation of the APA provisions relating to the treatment of leases.

8. The Applicants have now negotiated buy-out agreements with GE Canada Equipment Financing ("GE") and Fleet Capital Corporation ("Fleet"), two of the Applicants' most significant lessors.

9. Although the details of the negotiated buy-outs with GE (relating to in excess of twenty-five leases for manufacturing and office equipment at both Ivaco and IRM) and Fleet (relating to eight leases for manufacturing equipment at IRM) will not be disclosed in this Report (due to the confidential and commercially sensitive nature of the arrangement), the Monitor has reviewed the buy-out proposals and believes that these buy-outs serve an economic and an operational purpose for the Applicants. The Monitor also reviewed the basis of allocation of the cost of the GE buy-out and is satisfied that the allocation among the Applicants is reasonable in the circumstances. The buy-outs provide that payment of the negotiated amount is conditional on closing of the Heico transaction.

10. The Monitor is of the view that the GE and Fleet buy-out proposals are in the best interest of stakeholders for the following reasons:

   i. GE: The GE buy-out proposal deals with significant assets that are integral to the Applicants' ongoing operations and related lease obligations as well as redundant assets in the United States and related lease obligations, all of which are covered by a single master lease agreement. GE was not prepared to sever any individual leases under the master lease agreement or otherwise without a global settlement of all issues relating to its lease exposure to the Applicants. The proposed buy-out addresses all of GE's claims with respect to its leases for material equipment used by the Applicants in their operations and permits the Applicants to transfer the necessary assets to Heico on favourable economic terms; and

ii. Fleet: The Fleet buy-out proposal deals with the majority of the operating equipment located at IRM's rolling mill and ensures that the Applicants will be in a position to deliver this essential equipment to the Purchaser on closing at economically favourable terms.

11. The Applicants are requesting authorization from this Honourable Court to finalize other buy-out proposals as they are negotiated, without having to seek authorization from this Honourable Court on each occasion. The Applicants have agreed that any future buy-out proposals would be subject to the consent of the Monitor who may consult with the relevant member(s) of the Informal Advisory Committee (having an interest in the Applicant where the lease is held) in considering whether to provide its approval.

MONITOR'S ANALYSIS AND RECOMMENDATION

12. As discussed above, the Monitor concurs with the Applicants' assessment that the GE and Fleet buy-outs would be beneficial to the Applicants and their respective stakeholders. In light of the short time remaining until the anticipated closing of the Heico transaction and the ongoing discussions with several other lessors, the Monitor is of the opinion that the additional relief sought with respect to future lease buy-outs strikes an appropriate balance between safeguarding stakeholders' interests and the Applicants' need for speed and flexibility.

13. The Monitor recommends that this Honourable Court grant the Applicants' request for approval to enter into the lease buy-outs with GE and Fleet and to enter into future lease buy-out proposals without seeking Court authorization on each occasion but such buy-outs would be subject to the consent of the Monitor as discussed above.

All of which is respectfully submitted this 18th 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.