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-SECOND REPORT OF THE MONITOR
MAY 16, 2006

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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 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. This Thirty-second Report of the Monitor is provided to this Honorable Court in support of the Monitor's request for an Order, amongst other things, amending: 1) the April 19th, 2005 D&O Claims Process Order; and, 2) the June 18th, 2004 Claims Procedure Order.

TERMS OF REFERENCE

4. Capitalized terms not defined in this Report are as defined in the Initial Order, the D&O Claims Order, the Claims Procedure Order and the Monitor's previous reports. All references to dollars are in Canadian currency unless otherwise noted.

D&O CLAIMS PROCESS

5. On January 12, 2006, the Monitor filed its Thirtieth Report containing a chronology of the more significant events relating to the D&O Claims Process and requesting approval from this Honourable Court for a number of amendments to the D&O Claims Order. On January 16, 2006, this Honourable Court granted an order approving the requested amendments.

6. The Monitor now seeks a further amendment to the D&O Claims Order in order to advance the D&O Claims Process and to make it more efficient. In particular, the Monitor seeks approval to allow the D&O Claims Officer with the consent of the Monitor or approval of this Honourable Court to extend the 30 Business Day period in which the D&O Claims Officer is required to schedule and conduct hearings.

CLAIMS PROCESS

7. On June 18, 2004, this Honourable Court issued an order authorizing the Applicants to conduct a process calling for and determining claims of their creditors (the "Claims Process"). Among other things, the Claims Procedure Order provided for the appointment of a single Claims Officer, Mr. Gordon Marantz.

8. The Claims Process is now well advanced. Of the original claims submitted (approximately 1,800 with a face value of approximately $2.1 billion), twenty-

one claims, relating to IRM and Ifastgroupe, with a face value of about $70 million were provided to Mr. Marantz for resolution. Of these claims, the amount is dispute appears to be closer to $23 million, of which about $22 million relates to IRM. There are approximately another 70 claims that have not been resolved. Fifty-nine claims relate to the Ivaco estate and have been set aside by the Monitor since, at present, there is no expectation of a distribution to any unsecured creditors at Ivaco. The Monitor is attempting to consensually resolve 8 claims relating to IRM and Ifastgroupe worth approximately $1.7 million and there are 3 claims with a face value of about $2.3 million that have a related D&O claim.

9. The amendment that the Monitor now seeks is to add Mr. David Stockwood as a Claims Officer. Mr. Stockwood is one of the Claims Officers in the D&O Claims Process. Adding Mr. Stockwood will allow the 3 claims referred to above to be sent to Mr. Stockwood so that he can resolve the D&O claims and related general claims at the same time. The Monitor believes that this will make the process more efficient. In addition, other general claims can be referred to Mr. Stockwood if doing so would expedite the proceedings.

OTHER ISSUES

Acquisition of Claims

10. The Monitor has been contacted by a number of investment funds in the United States that have been acquiring IRM's and Ifastgroupe's creditors' claims and who have requested the Monitor's assistance in communicating with the creditors. These requests and the facts set out below raise a number of issues and potential concerns that the Monitor considers it should draw to the attention of this Honourable Court and the Service List to allow anyone with an interest to take a position and so that the Monitor can receive the direction and guidance of this Honourable Court.

11. The level of recovery for the IRM and Ifastgroupe estates is uncertain at this time and depends on the resolution of a number of issues, including but not limited to:

- The resolution of certain pension and other issues at present under reserve at the Court of Appeal.
- The Heico working capital dispute also underway at present.
- Two claims processes are underway and are being administered by the Monitor: the first with respect to direct claims against the Applicants and the second with respect to claims against the directors and officers of the Applicants, which may result in secured or unsecured indemnity claims against the Applicants. In addition, a process to deal with post-filing claims has not yet been finalized.
- Other ancillary issues as described in previous Monitor's reports.

12. It is a relatively common occurrence in CCAAs, liquidating or otherwise, for there to be trading in claims. There are a number of entities that have contacted the Monitor and, to the knowledge of the Monitor, are contacting or seeking to contact creditors who have filed claims to acquire their claims.

13. An obvious benefit is that these persons provide liquidity for creditors who may wish to receive at least some funds before the estates are able to be distributed.

14. There are also some potential down-sides as well. The Monitor has been provided with copies of correspondence between potential purchasers and creditors who have filed claims. Redacted copies of examples of such correspondence are attached as Appendix A. The Monitor has been contacted by creditors who have filed proofs of claim and received this correspondence. Without multiplying examples the Monitor is concerned as a result of these

contacts that the creditors may not fully understand the offers that are being made and the risks involved.

15. To put it shortly, some creditors are inexperienced in insolvency matters and relatively unsophisticated. This has the potential to lead to confusion and potentially disputes between the parties.

16. The Monitor is concerned that if it provides any form of assistance to one or more potential purchasers of claims that the unsophisticated creditor claimant may see that assistance as entailing the approval or imprimatur of the Monitor and/or this Honourable Court, which would, in the assessment of the Monitor, not be appropriate.

17. The Monitor raises these issues as it may be asked to bring or other persons may bring a motion to have the Monitor provide assistance to these purchasers and the Service List thus will have an opportunity to formulate positions.

Mail Redirection

18. On December 17, 2004, this Honourable Court issued the Interim Additional Powers Order directing the Monitor, in addition to its role as Monitor pursuant to the Initial Order, to assist the Applicants with the realization of all current and future assets, including the assets of IMT Corporation and any tax refunds.

19. In order to assist the Applicants with the realization of current and future assets, the Monitor must receive from Canada Revenue Agency ("CRA"), and certain other tax and administrative bodies, all correspondence, refund cheques or other amounts payable, and notices of any kind relating to the Applicants (with the exception of Docap (1985) Corporation) or IMT Corporation.

20. Attached as Appendix B is a copy of a self-explanatory letter from CRA confirming that until such time as the Monitor obtains a specific order redirecting the mail of the Applicants, it will not issue any cheques or send any correspondence to the Applicants. Without addressing whether the CRA

position is tenable, in order to expedite the matter, the Monitor hereby requests that this Honourable Court grant an Order directing CRA to redirect all correspondence, refund cheques and notices of any kind relating to the Applicants (with the exception of Docap (1985) Corporation) or IMT Corporation to the attention of the Monitor, Ernst & Young Inc. The Monitor also requests a similar Order with respect to the Ontario Ministry of Finance, the Ministère du Revenu du Quebec, the Commission de la santé et de la sécurité du travail, the Ontario Workplace Safety and Insurance Board, the Department of Human Resources and Skills Development Canada, and other similar tax and administrative bodies which have raised, or may raise, similar issues relating to correspondence with the Monitor and the Applicants.

MONITOR'S ANALYSIS AND RECOMMENDATION

21. For the reasons outlined above, the Monitor recommends that this Honourable Court approve an order amending the D&O Claims Process and the Claims Procedure Order and addressing the CRA concern as described above.

All of which is respectfully submitted this 16th day of May, 2006.

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

Jeffrey D. Kerbel
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

4/26/2006

RE: Ivaco Rolling Mills Inc. & Ifastgroupe Inc.,

(Ontario Superior Court of Justice)
Case No. 03-CL-5154

Dear Creditor,

We are writing you to express an indication of our interest in your allowed and undisputed claim in Ivaco Rolling Mills Inc. and Ifastgroupe Inc. at the rates of 45% and 50% respectively. For the first 100 creditors that contact us only, we will increase our offer for claims against each of the debtors listed above by up to two points. This indication is valid through the first five business days of your receipt of this letter and is expressly subject to further due diligence and mutually agreeable documents of transfer. This indication of interest is on a first come first serve basis. This transfer may be rescinded for any reason whatsoever without further notice or obligation by either party.

If you are interested in offering your claim, please sign the last two pages where indicated and return the three page agreement to us.

Sincerely,

APPENDIX B

Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

August 15, 2005

Ernst & Young Inc.
100 Queen St.
Suite 1600
Ottawa (Ontario) K1P 1K1

Attention: Christopher Mediratta

Subject: Ivaco Inc et al. (the co-applicants)
Proceedings under the Companies' Creditors Arrangement Act:
Request to redirect correspondence

Dear Sir

I am writing further to your letter dated of July 15, 2005, and subsequent telephone conversations of August 2nd, 4th and 11, 2005 with Diane Rainville of this Section, in respect of the above-referenced.

Based on legal advice received, I regret to inform you that the April Order is not broad enough or precise enough for the Agency to redirect the correspondence which you have requested. Consequently, we would suggest that you obtain a specific order from the Court instructing the Agency to redirect to you any correspondence destined to the co-applicants. This power would be similar to subsection 35(1) of the *Bankruptcy and Insolvency Act*, which gives the trustee the power to redirect mail. Pending the obtaining of such an order, we will not issue any cheques, or send any correspondence to the co-applicants.

Should you need any clarification, please do not hesitate to contact Diane Rainville at (613) 954-8450.

I trust you find this satisfactory.

Don Dewar
Manager
Field Support Section
Accounts Receivable Division

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