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-SIXTH REPORT OF THE MONITOR
APRIL 25, 2007

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ERNST & YOUNG

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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 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. This Thirty-Sixth Report of the Monitor (the "Report") is provided as an update on the status of the working capital dispute discussed more fully in the Thirty-Fourth Report of the Monitor (the "34th Report").

TERMS OF REFERENCE

4. 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.

WORKING CAPITAL DISPUTE

5. On April 24, 2007, the Expert KPMG LLP provided the parties with its Final Report in the working capital dispute (the "Final KPMG Report"). A copy of the Final KPMG Report (without certain appendices) is attached as Schedule 1 to this Report.

6. As directed by the Honourable Mr. Justice Ground, the Expert prepared its Final KPMG Report on two alternate approaches. The history of the working capital dispute is briefly summarized in paragraphs 74 to 108 of the 34th Report. At the outset, the Applicants were claiming that Heico owed them a further $63,313,000 in Adjustments under the Asset Purchase Agreements ("APAs") and Heico was alleging that it only owed $16,483,000. By the time of the final submissions, the Applicants had accepted certain adjustments and so were only seeking $61,714,000 (subject to interest as provided for in the APAs).

7. In its Final KPMG Report, the Expert calculated the total Adjustments owing by Heico under the APAs as $52,887,000 under the Heico approach and $59,572,000 under the Applicants' approach (each before interest). The Expert stated that it considered the Heico approach preferable for the reasons it set forth in its Report.

8. Pursuant to the APAs and the November 7, 2006 Order of Justice Ground, the Adjustments as determined by the Expert are "deemed to be the final Adjustments for all purposes of this Agreement."

9. Paragraphs 17, 18 and 21 of the December 15, 2006 Reasons of Justice Ground provide as follows:

> [17] In my view, the issue of the directions to KPMG with respect to the calculation of the working capital adjustments must be kept separate and distinct from the issues relating to a lifting of the CCAA stay to permit Heico to bring the proposed action against Ivaco based upon negligent and/or fraudulent misrepresentations, breach of contract and breach of duty to act in good faith. There is clearly a live dispute between the parties as to the method of calculating the working capital adjustments and as to the interpretation of sections 2.11 and 2.12 of the APAs and of the Reasons of Farley J. for his order of August 4, 2005, which are relevant to the method of calculation.
>
> [18] It appears to me that, for practical purposes, the first step to get over this impasse is to direct KPMG to do a calculation of the working capital adjustments pursuant to the approaches set out in the Initial Written Submissions of Ivaco and Heico to determine the extent of the differences between the calculations based upon the Ivaco approach and upon the Heico approach. It may well be that the issues relating to the calculation of the working capital adjustments could be settled or resolved once the extent of the discrepancies between the calculations based on the two approaches is determined.
>
> ...
>
> [21] Accordingly, an order will issue that:
>
> 1. KPMG include in its report a calculation of working capital adjustments under each of the APAs pursuant to the approaches specified in the Initial Written Submissions of Ivaco and in the Initial Written Submissions of Heico; and
>
> 2. if the parties do not, within 60 days after receipt of the report of KPMG, resolve the issues with respect to the calculation of the net working capital adjustments, a trial of issues proceed limited to the interpretation of sections 2.11 and 2,12 of the APAs and whether the Reasons of Farley J. for his order of August 4, 2005 are *res judicata* in this regard and, if so, to what extent.

10. The Monitor will cause certain of the Applicants to send to Heico instructions for immediate payment of the following amounts:

Applicant	Amount	Interest per APAs to April 27, 2007	Daily Interest[1]
IRM	$20,247,000	$1,720,262	$2,330
Ivaco	$8,127,000	$690,501	$935
Ifastgroupe	$24,513,000	$2,082,718	$2,821
	$52,887,000	$4,493,481	$6,086

11. The Monitor will follow up with Heico to address payment of these amounts and the resolution of the issues with respect to the balance of $6,685,000 (being the quantum of the difference between the two approaches).

All of which is respectfully submitted this 25th day of April, 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

[1] Daily interest will increase with the effect of compounding, depending on the length of time the amounts remain unpaid. Daily interest will also be subject to change with fluctuations in the prime rate.

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.