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"**

# TWENTY-FIRST REPORT OF THE MONITOR
**DECEMBER 14, 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

*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"**

**TWENTY-FIRST REPORT OF THE MONITOR**
**DECEMBER 14, 2004**

## INTRODUCTION

1. 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") 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. ("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 Fifteenth Report of the Monitor (the "Fifteenth Report") was filed on August 9, 2004. It provided information to support the approval of the asset purchase agreements ("APAs") and related documents comprising the agreements between the Selling Parties and the Purchaser of substantially all of the Applicants' core business operations. This Honourable Court approved the APAs on August 18, 2004.

4. The Twentieth Report of the Monitor was filed on November 26, 2004. It provided information regarding the understanding reached between the parties to allow Closing to occur. The sales closed effective December 1, 2004.

5. This Twenty-First Report of the Monitor (the "Report") is provided in support of the Applicants' request for: 1) an extension of the Stay of Proceedings to March 31, 2005; 2) approval of interim additional powers and duties to the Monitor to permit it to undertake activities necessary to continue the administration of the Applicants' estates; and 3) approval to distribute funds to National Bank as first ranking secured creditor in respect of Ivaco. The Report is organized as follows:

- Terms of Reference
- Status of the Sales Process
- Status of the Non-Core Assets
- Claims Process Update
- Subsequent Claims Process
- Financial Performance and Cash Flow Projections
- Corporate Allocations and Inter-company Transactions
- Debtor-in-Possession Financing
- Extension of the Stay of Proceedings
- Monitor's Conclusions and Recommendation

## TERMS OF REFERENCE

6. In preparing this Report, the Monitor has relied upon company-prepared unaudited financial information and records as well as discussions with management of the Applicants and their legal and financial advisors. The Monitor has not performed an audit or other verification of such information. An examination of the financial projections prepared by the Applicants as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information and estimates on timelines

relied upon in this Report are based on assumptions regarding future events. Actual results achieved will vary from this information, maybe materially.

7. 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, the Monitor's previous reports and the Purchase Agreements.

**CLOSING OF THE HEICO SALES**

8. Although all of the documents to effect the Closing were executed on December 1, 2004 (the effective date of Closing), the cash sale proceeds were not delivered by Heico until December 2, 2004. The Closing documents were released from escrow upon receipt of the cash and confirmation from the Applicants and Heico that all conditions had been satisfied or waived, whereupon the Monitor filed its certificate as provided for in the Vesting Orders.

9. The total sale proceeds received were equivalent to the Estimated Cash Amount calculated on each of the three Exhibit A documents that Ivaco, IRM and Ifastgroupe delivered to the Purchaser on November 26, 2004, less the three $5 million deposits previously paid to Ernst & Young Inc. in its capacity as Escrow Agent on August 6, 2004. Exhibit A calculated the Estimated Cash Amount by adding to the Purchase Price all capital expenditures made with the approval of the Purchaser and deducting amounts calculated pursuant to the APAs in respect of the following:

- pension deficits
- liabilities for capital leases and equipment loans assumed by the Purchaser
- consent fees owing
- accrued vacation pay for all Assumed Employees
- the Environmental Credit and Environmental Excess Credit

- transfer taxes
- accrued post-retirement benefits

10. On Closing, pursuant to the APAs, Heico was directed to pay to the Escrow Agent 20% of the Estimated Cash Amounts less the $5 million deposits for each of Ivaco, Ifastgroupe and IRM. Heico was also directed to pay the residual sale proceeds to the Applicants' counsel's ("Davies") trust account. Davies then paid on behalf of the Applicants certain consent payments and lease buyouts, as well as the success fees owing to both UBS and the CRO, before remitting the balance to the Monitor on December 3, 2004. The following table outlines the amount of sale proceeds and cash on hand received by the Monitor as at the end of business on December 3, 2004:

| (in $000's) | Amount in Escrow | Residual Sale Proceeds | Total Sale Proceeds (Note 1) | Less Consents, Lease Buyouts and Other (Note 2) | Plus Cash on Hand (Note 3) | Net Cash |
|---|---|---|---|---|---|---|
| Ivaco | 7,556 | 30,224 | **37,780** | (10,784) | 4,182 | **31,178** |
| Ifastgroupe | 17,240 | 68,961 | **86,201** | (2,396) | 2,022 | **85,827** |
| IRM | 28,062 | 112,250 | **140,312** | (20,291) | 35,486 | **155,507** |
| Total | 52,858 | 211,435 | **264,293** | (33,471) | 41,690 | **272,512** |

**Note 1** Equivalent to the Estimated Cash Amount per Exhibit A delivered to Heico on Nov 26, 2004.
**Note 2** Payments made by Davies before the residual proceeds were transferred to the Monitor.
**Note 3** Cash on hand represents end of day Dec 3rd operating bank balances held by the Monitor. Adjustments will be made for the settlement of intercompany transactions when finalized. These results do not reflect the repayment of the Ivaco Sub DIP outstanding at Closing of $3,000 to Ifastgroupe and IRM (shared equally).

11. The Monitor also took possession of the Applicants' cash on hand (reflected in column 5 and Note 3 in paragraph 10 above) shortly after Closing and is holding these funds in new bank accounts.

12. In accordance with the APAs and the Escrow Agreements, the Escrow Agent is currently holding approximately $52.9 million or 20% of the Estimated Cash Amount in escrow until the Selling Parties and the Purchaser finalize the adjustments to the Purchase Price and give direction regarding release of the

funds. If, after 120 business days, no direction is received, the Escrow Agent may apply to this Honourable Court for direction.

13. In addition, the APAs restrict the amount of sale proceeds that are available to be distributed to creditors after the Closing to 60% of the Estimated Cash Amount (the "Released Amount"). The cash that is available for distribution is as follows:

| (in $000's) | Total Sale Proceeds (Note 1) | 60% of Total Sale Proceeds | Plus Cash on Hand | Subtotal | Less Cash Already Distributed (Note 2) | Total Cash Available for Distribution |
|---|---|---|---|---|---|---|
| Ivaco | **37,780** | 22,668 | 4,182 | **26,850** | (10,784) | **16,066** |
| Ifastgroupe | **86,201** | 51,721 | 2,022 | **53,743** | (2,396) | **51,347** |
| IRM | **140,312** | 84,187 | 35,486 | **119,673** | (20,291) | **99,382** |
| Total | **264,293** | 158,576 | 41,690 | **200,266** | (33,471) | **166,795** |

**Note 1** See previous table for explanation of amount.
**Note 2** Represents payments made for consents, lease buyouts, success fees paid to UBS and the Chief Restructuring Officer and other misc fees.

14. The 20% of the sale proceeds held by the Monitor but not available for distribution at present will be available for distribution to creditors in whole or in part when it has been determined that the quantum of the Purchase Price adjustments that are subject to bona fide dispute is less than this 20% holdback amount. Based on the timetable for delivery of the Closing working capital statements and any related dispute notices, these funds could become unrestricted in mid-January 2005.

15. Exhibit C to the APAs calculates the actual quantum working capital delivered to the Buyer on Closing and the actual amount of certain assumed liabilities for which the Buyer receives a credit. It is being compiled by the former management and staff of the Applicants (who at present are employed by the Purchaser) and will be reviewed by the CRO and the Monitor prior to finalization and delivery to the Buyer. The APAs also provide for a dispute resolution

procedure with respect to Exhibit C should there be any matters not resolved by the parties.

16. In conjunction with the Closing of the sales transactions under the APAs, the parties executed a Transition Matters Agreement. This agreement expires ninety days after Closing and covers the following matters:

- insurance policies that both the Purchaser and the Selling Parties are named insured under;
- reimbursement of closing week wages paid by the Selling Parties relating to the post Closing period;
- credit for a documentary letter of credit that has been cash collateralized by one of the Selling Parties;
- the provision of administrative and other non-financial assistance and support as may reasonably be required by the Selling Parties for purposes of processing claims outstanding as at December 1, 2004 relating to the various benefit plans;
- arrangements regarding banking, including an irrevocable direction for all customer deposits received by the Selling Parties' lockbox accounts to be sent directly to the Purchaser's bank accounts, and the return of any Excluded Assets to the Selling Parties; and
- general administrative services to be provided by the Purchaser to the Selling Parties, including the continuing use by the Monitor and the CRO of the office space occupied immediately prior to the Closing.

## STATUS OF NON-CORE ASSETS

IMT Corporation

17. IMT Corporation ("IMT") is a wholly owned subsidiary of Ivaco and is not an Applicant in these proceedings. The background relating to the sale of IMT is summarized in the Sixteenth Report of the Monitor. Because the equity value of IMT is an asset of Ivaco, the Monitor has observed the sale process and provides its comments below:

- on August 11, 2004 IMT signed an asset purchase and sale agreement with a newly formed private company 2051554 Ontario Inc (the "IMT Purchaser"). The Closing was expected to occur on September 17, 2004;

- the asset purchase agreement was amended on each of October 27, 2004 and November 26, 2004 (the date of Closing). The purchase price paid by the IMT Purchaser was $18,250,000 plus the assumed liabilities as defined in the asset purchase agreement;

- the sale closed on November 26, 2004. The IMT Purchaser has assumed IMT's assets, operations, employees and most of its liabilities. The sale proceeds were distributed as follows: $13.1 million to CIBC as the first ranking secured creditor of IMT and $5,150,000 to IMT;

- the purchase price is subject to a net working capital adjustment whereby the IMT Purchaser will pay IMT for net working capital in excess of $15,250,000 and IMT will be required to refund to the IMT Purchaser for net working capital that is less than$14,750,000; and

- the IMT Purchaser will deliver a holdback amount of $700,000 to the Escrow Agent (Ernst & Young Inc.), subject to the Escrow

Agreement executed on November 26, 2004, for any potential contractual obligations which cannot be determined at this time. The holdback amount is payable to the Escrow Agent when IMT and the IMT Purchaser have agreed on the net working capital, which could be more than 90 days after the Closing date.

18. As all of Ivaco's management and employees have become employees of Heico pursuant to the Heico transactions (although two members of the prior Ivaco management team are still currently directors of IMT), it has become apparent that IMT will require a modification to its corporate governance structure. In light of this, the Applicants and the Monitor have concluded it is necessary and appropriate to seek additional powers for the Monitor to cause the Applicant Ivaco as the sole shareholder of IMT to execute shareholder's resolutions to effect the completion of the pending working capital issue, control the $5.1 million of cash currently held for the benefit of the Ivaco creditors and as well facilitate the resolution of any other issues relating to the completion of the transaction, distribution of the proceeds and wind-up of IMT.

Sales Tax Refunds and Supplier Deposits

19. Sales tax refunds and supplier deposits are Excluded Assets pursuant to the APAs. These amounts are estimated as follows:

| Description (in CDNS) | Ivaco | Ifastgroupe | IRM |
|---|---|---|---|
| Sales Tax Refunds | 4,400,000 | 3,200,000 | 1,150,000 |
| Supplier Deposits | 340,000 | 700,000 | 2,500,000 |
| Totals | 4,740,000 | 3,900,000 | 3,650,000 |

20. The Monitor is actively engaged in discussions with suppliers to recover the supplier deposits and is monitoring the processing of the Applicants' sales tax refund applications. These estimates are based on current information available and sales tax claims filed by the Applicants. Actual recoveries could vary

materially and are subject to delays and audit from the sales tax authorities as well as other factors out of the Monitor's control.

Docap

21. Docap is a wholly owned subsidiary of Ivaco and an importer and distributor of automotive and industrial products to customers located in both Canada and the United States. It is not directly affected by the Heico transaction. Unlike IMT, it is an Applicant in these proceedings and remains subject to the supervision of the Monitor, although additional powers may be required by the Monitor in the event of resignations by its directors. The majority of its products are imported from overseas. Docap owes its principal lender, National Bank, approximately $3.9 million under a loan secured by, among other things, a security agreement covering inventory and accounts receivable.

22. The Applicants engaged Continua to conduct a sale process in respect of Docap. The process commenced on November 19, 2003. Expressions of interest were due on January 16, 2004 and several parties expressed an interest in acquiring the business and/or specific assets.

23. After having reviewed the expressions of interest, Continua and the Applicants concluded that the transaction having the most likelihood of successful completion would be with the current management team of Docap. Management's offer is under review with both the National Bank and the Applicants. Based on the discussions with the prospective purchaser and the Monitor's preliminary analysis, it appears that no funds will be available for distribution to the unsecured creditors of either Docap or Ivaco. The Monitor will report further to this Honourable Court as more information becomes available.

IFC USA Corp.:

24. IFC USA Corp. ("IFC USA") is a wholly-owned subsidiary of IFC Fasteners. IFC USA is not itself an Applicant, nor is it subject to any formal proceedings in the U.S. at this time. Early in these proceedings, the Applicants identified IFC

USA's assets and operations as being non-core and began assessing options to wind operations down and realize upon any asset value for the Applicants' stakeholders. In January 2004, the Applicants engaged Continua to advise on a potential sale of the operations of IFC USA Corp. including Vermont Fasteners Sales Corp. ("VFS"), a subsidiary (70% ownership) and Vermont Fasteners Manufacturing ("VFM"), a division of IFC USA. The Applicants identified a prospective purchaser for all of the assets of IFC USA but after preliminary due diligence, the potential purchaser decided not to proceed with further investigation or a transaction.

25. The Applicants began to discuss with the creditors of IFC USA an informal proposal to be developed and circulated to the creditors. The Applicants believed that the proposal could result in a better recovery for creditors generally and some recovery by Ifastgroupe or its subsidiaries, the largest creditors of IFC USA. However, the proposal was never formalized or circulated.

26. In parallel with the creditor discussions, the Applicants took preliminary steps to liquidate the assets of VFS and VFM. The Applicants listed both the VFS and VFM real properties with Redstone Commercial Group ("Redstone"), a Vermont real estate agency. There have been indications of interest on the VFS property but little interest on the VFM property.

27. Concurrently, the Applicants obtained independent valuations for the assets of IFC USA in a liquidation scenario. The Applicants have received a number of offers for the manufacturing equipment owned by each of VFS and VFM.

28. The current status of efforts to realize on the assets of both VFS and VFM is as follows:

*Vermont Fasteners Sales Corp.*

- The operations of VFS ceased when the Applicants filed for CCAA, in September 2003. Most of the assets used in this operation were leased, including the land and building. The operating equipment (forklifts, racking, etc.) were sold with the authorization of the secured creditors or bought-out directly from the secured creditors and the proceeds were remitted to them. This essentially cleansed the balance sheet of everything other than obligations related to the land and building.

- The Applicants had the property appraised and listed for the appraised value of US$2.2 million.

- A third party offer was received for US$1,750,000. This offer if accepted would, based on an analysis of the secured debt and other payables, yield a return of approximately US$355,000 to IFC USA Corp (when considering the 70% ownership).

- The minority shareholder, through a corporation called VFS Acquisition LLC, made an offer to buy IFC USA's shares of VFS for US$425,000. The Applicants have accepted the minority shareholder's offer and the deal is being documented with a view to Closing before the end of 2004.

- No funds are expected to flow up directly to the Applicants from this transaction; however, it will provide recovery to VFM from which the Applicants may benefit indirectly.

*Vermont Fasteners Manufacturing*

- VFM was an American bolt manufacturer and the part of Ifastgroupe which permitted Ifastgroupe to bid and sell American-made bolts on major American structural contracts. VFM ended its production operations on November 30, 2004.

- Ifastgroupe (and its subsidiaries) represent approximately 67% of the total (both secured and unsecured) creditor claims of US$17,875,000.

- Based on information compiled by the Applicants, the Monitor estimates that there may be net assets available for unsecured creditors (after settling secured and priority claims) of up to US$2 million. This estimate includes VFM's recovery from the sale of the VFS shares described above.

- The Applicants have not yet completed the negotiation of an orderly liquidation scenario with the creditors of VFM. Through the proposed motion, the Monitor seeks to obtain additional powers to enable it to act on behalf of the Applicants in completing the liquidation of VFM's assets and any arrangement with the VFM creditors.

29. The Monitor will report back to this Honourable Court as realization of the VFS and VFM assets progresses.

<u>Real Estate</u>

30. As set out in the Monitor's previous reports, Ivaco has sold certain properties and has various other properties presently listed for sale. Below is an update on the status of the Trois-Rivières, Cartersville and Ingersoll properties.

*Trois-Rivières, Québec*

- This property consists of approximately 7.68 acres located in the city of Trois-Rivières located approximately 100 kilometers from Montréal. During early 2003, the City of Trois-Rivières expressed an interest in acquiring the property; however, in June 2003 the City decided not to proceed with the purchase of the property.

- Given the significant environmental costs associated with the clean-up of the property, the Applicants decided to sell the property for nominal consideration.

- During the month of August 2004, the Applicants and the City of Trois-Rivières revived negotiations and on November 5, 2004, the Applicants and the city of Trois-Rivières finalized the sale of this property for an amount equal to the unpaid municipal and school taxes (approximately $7,850).

*Cartersville, Georgia*

- This property, owned by Ivaco, is the remaining parcel of vacant land from the Cartersville Steel Facility and consists of approximately 13.7 acres. The property has been listed for sale since December 20, 2003 with North Star Realty at an asking price of U.S. $409,800.

- One offer was received during 2004, but the offer did not result in a sale transaction. There has been very little activity on this property. The listing contract expires on December 20, 2004.

*Ingersoll, Ontario*

- This property is adjacent to the IMT property in Ingersoll, Ontario and consists of approximately 7 acres of land. The property was listed with Colliers International for price of $210,000 and an Agreement of Purchase and Sale was executed on November 26, 2004 between IMT Corporation and 1167554 Ontario Inc. for an amount of $185,000. The transaction is expected to close on December 17, 2004.

## DISTRIBUTIONS TO NATIONAL BANK

31. Pursuant to the Order of this Honourable Court dated May 11, 2004, Ivaco was authorized to distribute existing and future proceeds of sale from the Applicants' non-core assets to National Bank, subject to any prior ranking liens or

encumbrances on such non-core assets and/or Closing adjustments in respect of the relevant sale transactions.

32. As at December 13, 2004, Ivaco's secured indebtedness to National Bank, after deducting for interim distributions as discussed below, is approximately $28.5 million. Based on the sale proceeds received from Heico and pursuant to the Ivaco APA, there is approximately $16 million available for distribution to National Bank. A distribution of these funds to the Bank at this time will be subject to an agreement reached between National Bank, Ivaco, 1039028 Ontario Inc. and the Monitor and an order incorporating claw-back provisions in certain circumstances. The agreement essentially provides that the Monitor is authorized to release approximately $16 million to the Bank as a repayment of its loan provided, however, if in certain circumstances a bona fide claim is proven against the directors and officers of Ivaco pursuant to a D&O Claims Process to be approved by this Honourable Court, the bank is required to return up to $10 million of the proceeds to the Monitor. This claw-back provision is consistent with the Initial Order whereunder the directors and officers obtained a charge against the property of the Applicants which ranks ahead of National Bank's security to a maximum of $10 million.

33. As at November 30, 2004, the Applicants have remitted the following proceeds to National Bank as partial repayment of National Bank's secured loans.

| DESCRIPTION | CDN$ | US$ |
|---|---|---|
| Equipment Sales | 5,751 | 320,500 |
| Chambly Properties | 918,162 | |
| Marieville Properties | 528,540 | |
| AIG Insurance Claim | | 1,350,000 |
| Warrenton, Virginia | | 1,500,000 |
| Arrowhead Property | 2,619,744 | |
| Totals | 4,072,197 | 3,170,500 |

## CLAIMS PROCESS UPDATE

34. 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 Procedure Order"). Among other things, the Claims Procedure Order established August 6, 2004 as the Claims Bar Date with respect to claims arising prior to September 16, 2003 or arising after September 16, 2003 as a result of the restructuring, repudiation or termination on or before June 18, 2004 of any contract, lease or employment agreement.

35. Since August 6, 2004 the Monitor has been actively engaged in the claims process. The Monitor's activities to date include but are not limited to the following:

- compiled a database of all claims received;
- reviewed claims for technical compliance, supporting documentation and accuracy;
- contacted creditors to obtain additional information regarding their claims and to consensually resolve disputes and differences;
- assisted the Applicants with and reviewed the reconciliation of all claims;

- prepared briefs on all complex claims for review by counsel;
- worked closely with the Applicants, their legal counsel and consultants in reviewing all contentious claim related issues; and
- responded to a significant number of inquires from creditors and former employees regarding the claims process.

36. The following chart summarizes the number and value of Proofs of Claim received by the Monitor as at December 1, 2004. For the reasons set out below, the Monitor anticipates that the values provided in this summary are in all likelihood materially higher than the actual admitted or proven claims will be after the claims process is complete.

| **Applicant** | **Number of Claims filed** | **Face Value of Claims as at Dec. 1, 2004 (in millions)** |
|---|---|---|
| Ivaco Inc. | 792 | $544.9 |
| Ivaco Rolling Mills Inc. | 416 | $497.9 |
| Ifastgroupe Inc. | 645 | $253.3 |
| Docap (1985) Corporation | 82 | $111.1 |
| IFC (Fasteners) Inc. | 22 | $220.0 |
| Ifastgroupe Realty Inc. | 12 | $191.3 |
| Florida Sub One Holdings, Inc. | 1 | $104.8 |
| 3632610 Canada Inc. | 2 | $104.8 |
| TOTAL | 1,972 | $2,028.1 |

37. Since August 6, 2004, the Applicants with the assistance of the Monitor have substantially reconciled all trade-related claims. This was accomplished by the Applicants and the Monitor contacting the affected creditor directly and consensually resolving the claim resulting in the creditor, in most instances, filing an amended claim. The Monitor is in discussions with approximately twenty trade creditors with a view to resolving their claims and avoiding a formal disallowance. For those claims that cannot be resolved on a consensual basis, Notices of Revision or Disallowance will be sent.

38. There are a significant number of former and retired employees who have filed claims for termination, severance, pension, and other benefits entitlements. The Monitor is working with the Applicants and Mercer Human Resource Consulting Group to confirm the amounts owing to these creditors and the valuation of their claims. The Monitor will attempt to either consensually resolve differences with respect to these claims with the creditor directly and/or issue Notices of Revision or Disallowance where appropriate.

39. Approximately eighty significant and complex claims have been provided to the Applicants' and/or the Monitor's counsel for review. The Monitor is working closely with legal counsel to ensure that the issues associated with these claims can be resolved as soon as practicable.

40. The Claims Procedure Order required creditors to identify on their Proof of Claim which Applicant they had a claim against. For a number of reasons, certain creditors have filed the same claim against two or more of the Applicants. One instance where this occurs is where a creditor takes the position that all Applicants are jointly and severally liable for one Applicant's debt. Another situation that gives rise to identical claims being filed against two or more Applicants is where one or more Applicants have guaranteed another Applicant's indebtedness to a particular creditor. The gross value of the claims summarized above includes a number of duplicate claims, which has the effect of overstating the total value of claims filed to date. For example, the regulator responsible for

the U.S. pension plans is the Pension Benefit Guaranty Corporation ("PBGC"). The PBGC has filed a large claim against each of the Applicants. The Monitor is working with the Applicants' and Monitor's legal counsel and Mercer Human Resource Consulting to review the quantum of their claim and the legal basis for the filing of multiple identical claims. The Monitor may require the assistance of this Honourable Court in resolving the various issues associated with PBGC's claims. It is proposed to work with Canadian counsel to the PBGC, counsel to the members of the IAC and counsel to the Applicants to agree upon a methodology to have these claims adjudicated. In the absence of agreement, the Monitor will seek direction from this Honourable Court.

41. The summary above also includes claims relating to deficiencies in the Applicants' Canadian and U.S. pension plans. With respect to the deficiencies in the Canadian pension plans, claims have been filed by United Steelworkers of America, Financial Services Commission of Ontario on behalf of the Pension Benefit Guaranty Fund, Royal Trust Company and the Quebec Pension Committee. As discussed in the Fifteenth Report, the Purchaser under the APAs became the successor employer under the existing collective bargaining agreements and under the pension plans for unionized employees. As such, the Purchaser is bound by the collective agreements and has assumed the contractual and statutory obligations under the pension plans, in both cases effective as at the time of Closing. This includes the obligation to remedy all pension contribution payments that were unpaid by an Applicant in respect of unionized employees as at the Closing Date. As a result, a number of the claims filed by the various pension regulators, trustees and unions will be significantly reduced to exclude any portion of their claim relating to deficiencies and missed contributions in the pension plans for unionized employees. The summary above includes the value of all of these claims prior to the making of any adjustments for pension plan obligations assumed by the Purchaser. The Purchaser has not assumed any pension, retirement or other employee benefit programs or plans in respect of the non-unionized employees.

42. The claims review process is ongoing. The Monitor anticipates that it will be necessary to issue a number of Notices of Revision or Disallowance. Creditors who intend to dispute a Notice of Revision or Disallowance must deliver a Notice of Dispute to the Monitor within seven calendar days of receipt of the Notice of Revision or Disallowance.

43. Upon receipt of a Notice of Dispute, the Monitor in consultation with the Applicants may attempt to consensually resolve the issue with the creditor. Unless the issue is resolved consensually in advance, the Monitor shall within seven calendar days of receipt deliver a copy of the Creditor's Dispute Package to the Claims Officer.

44. The Claims Officer will review and determine all claims for distribution purposes which are in dispute for any reason and have not been consensually resolved between the creditor and the Monitor. The Claims Officer will co-ordinate the hearing of all disputed claims within twenty calendar days from the date of the Notice of Dispute or such later time as the Claims Officer determines.

45. As at December 1, 2004, there were approximately 100 creditors that filed Proofs of Claim totalling $7.5 million after the Claim Bar Date. The Monitor wrote to all of the creditors who had filed late claims and requested an explanation as to why the Proof of Claim was not filed on time. Based on the responses received, the Monitor will propose a solution for Court approval in accordance with the developed law on late claims.

46. The Claims Procedure Order excluded claims with respect to goods and/or services provided to the Applicants after the date of the Initial Order ("Post-filing Claims"). Furthermore, with a few exceptions, Heico assumed all Post-Filing Claims. The Monitor is not at present aware of any significant Post-Filing Claims filed to date. However, to the extent that the Monitor receives a bona fide Post-Filing Claim that has not been assumed by the Purchaser, it will be addressed on a timely basis and in priority to the claims of other unsecured creditors.

## SUBSEQUENT CLAIMS PROCESS

47. The Applicants will shortly be requesting approval from this Honourable Court to establish a Subsequent Claims Bar Date for claims arising as a result of a restructuring, repudiation or termination of a contract, lease or employment agreement from and after June 18, 2004 up to and including December 1, 2004, being the Closing date of the Heico transactions. This will likely result in additional claims being filed.

48. Although the order is still under discussion, it is expected that the Applicants propose that any creditor asserting a post-filing claim which arose from and after June 18, 2004 (collectively, "Subsequent Claims") be required to file a proof of claim with the Monitor on a date to be set (the "Subsequent Claims Bar Date"). Known creditors will be notified of the requirement to file proofs of claim before a date to be set by the following means:

- The Monitor will distribute proof of claim forms, related instructions and filing information (the "Subsequent Claim Package") by regular mail to all creditors who have notified the Monitor of a potential Subsequent Claim and to all other Persons that the Monitor believes should receive a Subsequent Claims Package;

- The Monitor will place notices addressed to all potential creditors in the following newspapers: The Globe and Mail (National Edition), La Presse (a French translation) and The Wall Street Journal (National Edition) on two separate days approximately two weeks apart;

- The Monitor will post a copy of the Proof of Claim Package on its website; and

- The Monitor will send a copy of the Subsequent Claims Package, by ordinary mail, as soon as practicable following receipt of a request for a package, to any person claiming to be a creditor and requesting such material prior to the Claims Bar Date.

49. The Monitor considers that the identification of known creditors, mailing and newspaper advertisements noted above will provide potential creditors with sufficient and timely notification in order for them to submit their proofs of claim prior to the Claims Bar Date.

50. Creditors will be asked to submit their proofs of claim to the Monitor. Each creditor will be required to file a separate proof of claim for each Applicant against which it has a claim. The Monitor will supervise the receipt, collection and examination of claims with the assistance of the Applicants.

51. In consultation with the Applicants, their counsel and if appropriate, the relevant members of the IAC, the Monitor may: (i) admit any claim in its entirety; (ii) revise the claim; or, (iii) disallow the claim. Creditors whose claims have been revised or disallowed will receive a "Notice of Determination of Claim" advising them of this fact and the reasons on which the Monitor relies.

52. Creditors who intend to dispute a Notice of Determination of Claim must deliver a Notice of Dispute to the Monitor within ten business days of receipt of the Notice of Determination of Claim. Upon receipt of a Notice of Dispute, the Monitor, in consultation with the Applicants, may attempt to consensually resolve the issue with the creditor. Unless the issue is resolved consensually in advance, the Monitor shall, within five business days of receipt, deliver a copy of the Creditor's Notice of Dispute to the Claims Officer.

53. The Applicants propose that Gordon Marantz will act as the Claims Officer. The Claims Officer will review and determine all claims filed prior to the claims bar date (as defined below) which are in dispute for any reason and have not been consensually resolved between the creditor and the Monitor. The Claims Officer will co-ordinate the hearing of all disputed claims within ten business days from

the date of the Notice of Dispute or such later time as the Claims Officer determines.

54. The Applicants propose that the Applicants or the Creditor may appeal the Claims Officer's determination by appealing such determination to this Honourable Court within a specified timeframe.

55. The Applicants will propose a Claims Bar Date for Subsequent Claims to be set. The Monitor believes this date will provide a reasonable time from the initiation of the notification process described above during which potential claimants may evaluate any claims against the Applicants and submit their claims.

56. Creditors who wish to dispute a Notice of Determination of Claim must file a Notice of Dispute with the Monitor no later than ten business days from the receipt of the Notice of Determination of Claim. The Monitor believes that this period of time is reasonable given that creditors will in most cases have performed their own evaluation of their claim prior to submitting the original proof of claim and, therefore, should be in a position to respond quickly.

**POST-CLOSING STRUCTURE**

57. The Closing of the Heico transactions represents a significant milestone in the dual track process that the Applicants implemented a year ago. As a result of the sale, it is clear that the recovery to the Applicants' pre-filing creditors will be in the form of cash distributions, not ongoing interests (debt or equity) in continuing operations. These proceedings are now essentially liquidation proceedings in which the overriding objective on behalf of all stakeholders is to complete the process of maximizing the cash available for distribution and then to distribute cash realized in as timely and efficient a manner as is possible.

58. The objective described above drives several continuing processes. First, the Heico transactions provide for post-Closing adjustments and the release of significant proceeds for distribution, which proceeds are currently held in escrow by the Escrow Agent or are otherwise not available for distribution. The

disposition of these restricted amounts and collection of any additional amounts owed by Heico may have a material impact on the recoveries to the Applicants' respective creditors.

59. Second, as described above, there are potentially material recoveries to be achieved from realization of certain non-core assets. The Applicants and the Monitor have been active in pursuing these recoveries; however, given the nature of the issues and outside parties involved, the finalization of these matters prior to the Closing of the Heico transactions and the transfer of the Applicants' employees has not been possible. Therefore, continued attention and effort by the Monitor on behalf of the stakeholders is warranted.

60. Third, the Claims Process approved by this Honourable Court has been advanced considerably in parallel with the preparation for Closing the Heico transactions. The complexity and value of some of the unresolved claims will necessitate significant continuing attention from the Monitor and counsel. In addition, the Heico Closing provides an appropriate watershed date for restructuring claims that were not barred in the first Claims Process Order.

61. The Claims Process currently underway (including related amendments to further deal with Subsequent Claims) does not address an important and potentially substantial body of claims that may be asserted in light of the issues underlying the Applicants' insolvency. The issue of the Applicants' directors' and officers' claims under the charges provided pursuant to the Initial Order (which cover post-filing liabilities as well as pre-filing statutory liabilities) and their rights to assert general unsecured claims for indemnification have to be addressed. Given the priority afforded to the Directors' Charge and the uncertainty as to the impact of unsecured indemnification claims on the Applicants' unsecured creditors pools, the Monitor considers that it is necessary to determine the extent to which the directors may have such claims before distributions to unsecured creditors of any Applicant can take place. In addition, the previous Claims Process Order expressly excluded inter-company claims and these claims must be finalized.

62. The Monitor and the Applicants met with the Informal Advisory Committee (including QIT) (the "IAC") on December 7, 2004 to provide a complete status report on the Closing of the Heico transactions, on the Applicants' estates generally and on the steps required to proceed with meaningful distributions to unsecured creditors. The IAC expressed support for efforts outlined at the meeting to move forward in the short term to complete the Heico transactions, continue the current and expanded claims process and non-core asset recoveries and to seek this Honourable Court's approval of a process to identify claims against the Applicants' directors and officers that could give rise to claims described in the preceding paragraph (the "D&O Claim Process"). The members of the IAC, through counsel, have strongly expressed a wish for a rapid and efficient administration allowing for distribution including partial distributions, as soon as practicable and for involvement in the Subsequent Claims and D&O Claims Process.

63. There was also considerable discussion with the IAC concerning the structure for completing the balance of these proceedings, in light of the liquidating nature now evident and the resulting issues and priorities. This discussion is continuing; however, in the shorter-term, the IAC agreed that the transfer of all of the Applicants' employees to Heico creates a void in the management of the Applicants that is being filled at present on an ad hoc basis by the Monitor and the CRO. The IAC agreed that in the interim it is appropriate in the circumstances to seek this Honourable Court's approval of the Monitor assuming direct responsibility for key aspects of the ongoing administration of the Applicants' proceedings.

64. In particular, the circumstances appear to require that the Monitor address the following issues:

- possession and control of the Applicants' cash, including the Heico sale proceeds, cash on hand and proceeds of future realizations, including the investing of the funds in consultation with the IAC and authorization and processing of receipts and disbursements generally in accordance with the cash flow projections filed with this Report or as amended from time to time;

- direct involvement in the process to finalize the Heico transactions and post-Closing adjustments;
- supervision and involvement in the realization of non-core assets;
- continued involvement in the Claims Process on behalf of the Applicants;
- involvement in the Subsequent Claims Process and D&O Claims Bar Process;
- authority to deal with day-to-day administrative matters necessary to advance the orderly administration of the Applicants' estates; and
- inter-Company claims.

65. The Applicants seek to formalize these additional matters by supplementing the Monitor's existing powers and responsibilities to reflect these issues. The Monitor has worked with counsel to the Applicants and the IAC to finalize the optimal structure for the completion of the administration of the estates.

**FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS**

66. Attached as Appendix A to this Report is an updated summary of the Applicants' receipts and disbursements for the period from July 31, 2004 to November 30, 2004 along with the Applicants' analysis of variances from the cash flow projections filed with the Monitor's previous reports. The Applicants had consolidated net cash inflow of approximately $11.3 million for the period from July 31, 2004 to November 30, 2004, compared to the projections filed with this Honourable Court that reflected total cash inflow of approximately $41million.

| Entity (000's) | Actual Net Inflow (Net Outflow) | Projected Net Inflow (Net Outflow) | Variance Favourable (Unfavourable) |
|---|---|---|---|
| **Ivaco** | 990 | 1000 | (10) |
| **IRM** | 19,786 | 42,505 | (22,719) |
| **Ifastgroupe** | (10,022) | (2,356) | (7,666) |
| **Docap** | 508 | (183) | 691 |
| **Total** | 11,262 | 40,966 | (29,704) |

67. Overall, the Applicants experienced an unfavourable consolidated cash flow variance of approximately $29.7 million for the period from July 31, 2004 to November 30, 2004. Appendix A sets out the detailed analysis of the individual variances by entity.

68. The post-Closing cash flow projections for each of IRM, Ivaco and Ifastgroupe for the period from December 4, 2004 to April 1, 2005, as prepared by the Monitor, and the cash flow projection for Docap as prepared by management, are attached as Appendix B.

69. The post-Closing cash flow projections for each of Ivaco, IRM and Ifastgroupe show all projected costs of administrating the companies including the settlement of inter-company balances as at November 30, 2004 and the estimated payment of all liabilities not transferred to the Purchaser. The cash flow projections do not include any recoveries from non-core assets due to the difficulty in estimating the timing of their receipt.

70. The Ifastgroupe cash flow projection shows that Ifastgroupe requires an advance on their sale proceeds. The main reason for this advance is to refund IRM for a consent payment made on Ifastgroupe's behalf prior to closing for $2.3 million. This payment was required prior to the receipt of the sale proceeds in order to obtain a material consent required in order to close the sale.

## CORPORATE ALLOCATIONS AND INTER-COMPANY TRANSACTIONS

71. The outstanding inter-company balances between the Applicants as at November 30, 2004 have been updated to reflect more current information and are presented in the table below:

| Entity (000's) | Outstanding Inter-company Receivable/ (Payable) as at Jul 31 | Inter-company Sales/ (Purchases) Jul 31 - Nov 30 (Note 1) | Allocation of Corporate Costs Receivable/ (Payable) Jul 31 - Nov 30 (Note 2) | Net Inter-company (Receipts) / Disbursements Jul 31 - Nov 30 | Outstanding Inter-company Receivable/ (Payable) as at Nov 30 |
|---|---|---|---|---|---|
| Ivaco | (3,493) | (46,133) | 11,872 | 36,891 | **(853)** |
| IRM | 3,123 | 102,831 | (6,318) | (96,455) | **3,181** |
| Ifastgroupe | 370 | (56,708) | (5,554) | 59,564 | **(2,328)** |
| Total | ------- | ------ | ------ | ------ | ------- |

Note 1: For purposes of this table, inter-company sales and purchases include the purchase of wire rods or provision of cleaning or annealing services among the Applicants.

Note 2: For purposes of this table, corporate costs include costs allocated to the divisions for tax and property insurance, computer hardware, software and support, employee benefits, other direct expenses and professional fees.

72. The outstanding balances as at November 30, 2004 for inter-company transactions and corporate cost allocations were as follows:

| Entity (000's) | Net Inter-company Trade Balances Receivable (Payable) | | | Total Trade Inter-company | Corporate Allocation of Costs (Payable)/ Receivable | Outstanding Balance at Nov, 30 |
|---|---|---|---|---|---|---|
| | Ivaco | IRM | Ifastgroupe | A | B | A+B |
| **Ivaco** | N/A | (827) | 137 | **(690)** | **(163)** | **(853)** |
| **IRM** | 827 | N/A | 2,098 | **2,925** | **256** | **3,181** |
| **Ifastgroupe** | (137) | (2,098) | N/A | **(2,235)** | **(93)** | **(2,328)** |

73. As at November 30, 2004, Ivaco owes IRM approximately $0.3 million and Ifastgroupe owes Ivaco approximately $0.1 million relating to allocated corporate costs. Deposits paid by Ivaco and Ifastgroupe to IRM of $0.7 million and $0.9 million respectively offset the inter-company trade balances owing to IRM by Ivaco and Ifastgroupe of $0.8 million and $2.1 million respectively. A deposit of $0.1 million offsets the inter-company trade payable from Ifastgroupe to Ivaco of $0.1 million. The resulting net payables from Ivaco to IRM of $0.4 million, from Ifastgroupe to IRM of $1.2 million and from Ifastgroupe to Ivaco of $0.1 million are included in their respective projections in Appendix B.

**STATUS OF DIP FINANCING**

74. In conjunction with the Closing of the sale of assets, the GE DIP facilities and the Blocked Account Agreements between GE and RBC were terminated. Upon the termination of the GE DIP facilities, GE remitted to Ifastgroupe and IRM the residual cash balances in their respective collection accounts after deducting certain fees and 105% of the face value of several of the letters of credit that were supported by the GE DIP facility. Total cash remaining at GE to cash collateralize Ifastgroupe's two letters of credit is $0.3 million. Total cash remaining at GE to cash collateralize IRM's letter of credit is $1.1 million. These funds will be returned to the Applicants upon expiry or early termination of those letters of credit if they are not drawn upon before that time. The expiry date of both of the Ifastgroupe letters of credit is December 31, 2004 and IRM's letter of credit expires May 6, 2005. If the letters of credit are drawn upon for expenses of the Purchasers rather than of the Selling Parties, this will be dealt with in the final purchase price adjustments.

75. The Ivaco Sub-DIP facility remains in place and there is currently a balance of $3 million owing by Ivaco to Ifastgroupe and IRM equally. This loan is subordinate to National Bank's security and therefore cannot be repaid until the secured claim of the National Bank has been paid in full.

## EXTENSION OF THE STAY OF PROCEEDINGS

76. The Applicants are seeking an extension of the Stay of Proceedings to March 31, 2005. It is anticipated that this time period will allow the Selling Parties to reach a settlement of the final purchase price adjustments.

## MONITOR'S CONCLUSIONS AND RECOMMENDATION

77. With the exception of the CRO, all of the Applicants' employees and management have become employees of Heico. Given this void in the Applicants' management, it is appropriate for the Monitor to be provided with additional powers as are necessary to assist the Applicants in their current circumstances. Accordingly, the Monitor recommends that this Honourable Court approve the Applicants' request for an amendment to the Initial Order as discussed in this Report.

78. The Applicants are working diligently and in good faith to conclude all Adjustments relating to the sale transactions. For the reasons outlined in this Report, the Monitor recommends that this Honourable Court grants the Applicants' request to extend the Stay Termination Date to March 31, 2005.

All of which is respectfully submitted this 14th day of December 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

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

**Ivaco- Ivaco Inc.**
**Comparison of Actual to Forecast**
**For the period July 31, 2004 to November 30, 2004**

| *(in thousands)* | **Actual July 31 - Nov 30** | **Forecast July 31 - Nov 30** | **Variance** | **Notes** |
|---|---|---|---|---|
| RECEIPTS | | | | |
| TRADE | 80,286 | 93,228 | (12,942) | (1) |
| OTHER | 3,572 | 3,113 | 459 | |
| INTER-COMPANY RECEIPTS BY CORPORATE | 10,287 | 9,687 | 600 | (2) |
| **TOTAL RECEIPTS** | **94,145** | **106,028** | **(11,883)** | |
| DISBURSEMENTS | | | | |
| PAYROLL & RELATED | (11,841) | (12,742) | 901 | (3) |
| MATERIAL | (2,113) | (7,849) | 5,736 | (4) |
| CONSUMABLES | (4,158) | (4,294) | 136 | |
| FREIGHT & CUSTOMS | (4,660) | (5,499) | 839 | (5) |
| UTILITIES | (5,249) | (4,898) | (351) | |
| OTHER | (9,790) | (9,336) | (454) | |
| PROFESSIONAL FEES | (8,193) | (7,700) | (493) | |
| DIP INTEREST AND CLOSING FEE | -- | (35) | 35 | |
| CONTRIBUTIONS TO CORPORATE | -- | -- | -- | |
| **TOTAL DISBURSEMENTS** | **(46,004)** | **(52,353)** | **6,349** | |
| **NET INTER-COMPANY (excluding cont. to corporate)** | **(47,151)** | **(52,675)** | **5,524** | (6) |
| **CHANGE IN CASH** | **990** | **1,000** | **(10)** | |

**Variance Analysis:**

1) Trade receipts were lower than forecast due to the timing of receipts and lower sales.

2) Inter-company receipts by corporate were higher than forecast due to adjustments between actual and planned corporate contributions.

3) Payroll was lower than forecast due to the timing of source deduction payments and pension payments. This variance is expected to reverse in future periods.

4) Material charges were lower than forecast as a result of reduced production in September and October and lower sales.

5) Freight & customs were lower than forecast due to reduced shipments.

6) Net inter-company payments were lower than forecast due to the timing of shipments and the reversal of a prior period variance.

**IVACO - Ivaco Rolling Mills Limited Partnership**
**Comparison of Actual to Forecast**
**For the period July 31, 2004 to November 30, 2004**

| *(in thousands)* | Actual July 31 - Nov 30 | Forecast July 31 - Nov 30 | Variance | Notes |
|---|---|---|---|---|
| RECEIPTS | | | | |
| TRADE | 151,618 | 171,418 | (19,800) | (1) |
| OTHER | (1,658) | 1,703 | (3,361) | (2) |
| **TOTAL RECEIPTS** | **149,960** | **173,121** | **(23,161)** | |
| DISBURSEMENTS | | | | |
| PAYROLL & RELATED | (17,982) | (19,204) | 1,222 | (3) |
| MATERIAL | (136,645) | (133,997) | (2,648) | (4) |
| CONSUMABLES | (15,118) | (13,717) | (1,401) | (5) |
| FREIGHT, CUSTOMS & DUMPING DUTY | (25,396) | (28,829) | 3,433 | (6) |
| UTILITIES | (12,077) | (15,374) | 3,297 | (7) |
| OTHER | (19,765) | (18,216) | (1,549) | (8) |
| PROFESSIONAL FEES | - | - | - | |
| DIP INTEREST AND CLOSING FEE | 354 | (22) | 376 | |
| CONTRIBUTIONS TO CORPORATE | (5,602) | (5,310) | (292) | |
| **TOTAL DISBURSEMENTS** | **(232,231)** | **(234,669)** | **2,438** | |
| **NET INTER-COMPANY (excluding cont. to corporate)** | **102,057** | **104,053** | **(1,996)** | (9) |
| **CHANGE IN CASH** | **19,786** | **42,505** | **(22,719)** | |

**Variance Analysis:**

1) Trade collections were lower than forecast due to lower sales in September and October coupled with a higher level of sales discounts than forecast and a lower US dollar.

2) Other receipts were lower than forecast due to a delay in receiving a federal tax (GST) refund. This variances is expected to reverse in future periods.

3) Payroll disbursements were lower than forecast due to the timing of the group insurance payment. This variance is expected to reverse in future periods.

4) Material disbursements were higher than forecast due to an unforecast increase in scrap purchases in order to facilitate meltshop planning.

5) Consumable disbursements were higher than forecast due to the timing of payments. This variance is a reversal of prior periods.

6) Freight & customs disbursements were lower than forecast due to a lower number of shipments and cost saving strategies.

7) Utilities were lower than forecast due to the timing of payments. This variance is expected to reverse in future periods.

8) Other disbursements were higher than forecast due to a payment to a lessor for amounts owed by IRM and Ifastgroupe. The portion owed by Ifastgroupe will be refunded in December.

9) Net inter-company receipts were lower than forecast due to the timing of receipts. This variance is a expected to reverse in the future period.

**IVACO - Ifastgroupe and Company, Limited Partnership & Ifastgroupe Inc.**
**Comparison of Actual to Forecast**
**For the period July 31, 2004 to November 30, 2004**

| *(in thousands)* | **Actual July 31 - Nov 30** | **Forecast July 31 - Nov 30** | **Variance** | **Notes** |
|---|---|---|---|---|
| RECEIPTS | | | | |
| TRADE | 116,863 | 121,833 | (4,970) | (1) |
| OTHER | 1,430 | 1,582 | (152) | |
| **TOTAL RECEIPTS** | **118,293** | **123,415** | **(5,122)** | |
| DISBURSEMENTS | | | | |
| PAYROLL & RELATED | (16,035) | (15,666) | (369) | |
| MATERIAL | (17,605) | (20,993) | 3,388 | (2) |
| CONSUMABLES | (12,157) | (11,790) | (367) | |
| FREIGHT & CUSTOMS | (6,036) | (4,868) | (1,168) | (3) |
| UTILITIES | (767) | (1,194) | 427 | |
| OTHER | (16,079) | (15,344) | (735) | (4) |
| PROFESSIONAL FEES | -- | -- | -- | |
| DIP INTEREST AND CLOSING FEE | (419) | (64) | (355) | |
| CONTRIBUTIONS TO CORPORATE | (4,685) | (4,171) | (514) | |
| **TOTAL DISBURSEMENTS** | **(73,783)** | **(74,091)** | **308** | |
| **NET INTER-COMPANY (excluding cont. to corporate)** | **(54,532)** | **(51,680)** | **(2,852)** | (5) |
| **CHANGE IN CASH** | **(10,022)** | **(2,356)** | **(7,666)** | |

**Variance Analysis:**

1) Trade receipts were lower than forecast due to the timing of receipts. This variance is expected to reverse in future periods.

2) Material was lower than forecast due to the timing of payments and intercompany purchases. This variance is expected to reverse in future periods.

3) Freight & customs were higher than forecast due to timing and an increase in shipment volumes in November.

4) Other disbursements were higher than forecast due to the timing of payments and the amount of sales commissions.

5) Net inter-company charges were higher than forecast due to a higher volume of shipments received. This variance is partially offset by the variance in materials purchases and is expected to reverse in future periods.

**IVACO - DOCAP Corporation**
**Comparison of Actual to Forecast**
**For the period July 31, 2004 to November 30, 2004**

| *(in thousands)* | Actual July 31 - Nov 30 | Forecast July 31 - Nov 30 | Variance | Notes |
|---|---|---|---|---|
| RECEIPTS | | | | |
| TRADE | 4,728 | 4,609 | 119 | |
| OTHER | -- | 0 | | |
| **TOTAL RECEIPTS** | **4,728** | **4,609** | **119** | |
| DISBURSEMENTS | | | | |
| PAYROLL & RELATED | (770) | (814) | 44 | |
| MATERIAL | (2,068) | (2,456) | 388 | |
| FREIGHT & CUSTOMS | (332) | (444) | 112 | |
| UTILITIES | (12) | (15) | 3 | |
| OTHER | (664) | (688) | 24 | |
| PROFESSIONAL FEES | -- | -- | -- | |
| DIP INTEREST AND CLOSING FEE | -- | -- | -- | |
| CONTRIBUTIONS TO CORPORATE | -- | -- | -- | |
| **TOTAL DISBURSEMENTS** | **(3,846)** | **(4,417)** | **571** | |
| **NET INTER-COMPANY (excluding cont. to corporate)** | **(374)** | **(375)** | **1** | |
| **CHANGE IN CASH** | **508** | **(183)** | **691** | |

**Variance Analysis:**

No significant variances.

# APPENDIX B

**Ivaco Inc.**
**CASH FLOW PROJECTION**
**For the period starting December 4, 2004 to April 1, 2005**
**In ($000's)**

| *Projection for the Month Ending* | NOTES | DEC | JAN | FEB | MAR | TOTAL |
|---|---|---|---|---|---|---|
| **OPENING CASH BALANCE** | 1 | **4,182** | **1,873** | **1,423** | **1,047** | **4,182** |
| RECEIPTS | | | | | | |
| INTEREST RECEIVED | | 73 | 73 | 73 | 91 | 309 |
| OTHER RECEIPTS | 2 | -- | -- | -- | -- | -- |
| INTERCOMPANY | 3 | 2,059 | 930 | 784 | 781 | 4,555 |
| **TOTAL RECEIPTS** | | **2,132** | **1,003** | **857** | **872** | **4,864** |
| DISBURSEMENTS | | | | | | |
| PROFESSIONAL FEES | 4 | (2,688) | (1,163) | (958) | (910) | (5,719) |
| ADMINISTRATIVE CHARGES | 5 | (1,145) | (108) | (108) | (126) | (1,487) |
| OTHER COSTS | 6 | (313) | (181) | (167) | (189) | (850) |
| INTERCOMPANY | 3 | (295) | -- | -- | -- | (295) |
| **TOTAL DISBURSEMENTS** | | **(4,441)** | **(1,452)** | **(1,233)** | **(1,225)** | **(8,351)** |
| **CHANGE IN CASH** | | **(2,309)** | **(449)** | **(376)** | **(352)** | **(3,487)** |
| **PLUS ADVANCES FROM SALE PROCEEDS** | 7 | -- | -- | -- | -- | -- |
| **ENDING CASH BALANCE** | | **1,873** | **1,423** | **1,047** | **695** | **695** |

**Ivaco Rolling Mills Limited Partnership**
**CASH FLOW PROJECTION**
**For the period starting December 4, 2004 to April 1, 2005**
**In ($000's)**

| *Projection for the Month Ending* | NOTES | DEC | JAN | FEB | MAR | TOTAL |
|---|---|---|---|---|---|---|
| **OPENING CASH BALANCE** | 1 | **35,486** | **37,135** | **35,426** | **35,290** | **35,486** |
| RECEIPTS | | | | | | |
| INTEREST RECEIVED | | 270 | 270 | 270 | 337 | 1,147 |
| OTHER RECEIPTS | 2 | -- | -- | -- | -- | -- |
| INTERCOMPANY | 3 | 3,902 | -- | -- | -- | 3,902 |
| **TOTAL RECEIPTS** | | **4,172** | **270** | **270** | **337** | **5,049** |
| DISBURSEMENTS | | | | | | |
| PROFESSIONAL FEES | 4 | -- | -- | -- | -- | -- |
| ADMINISTRATIVE CHARGES | 5 | (1,487) | (1,508) | (8) | (10) | (3,013) |
| OTHER COSTS | 6 | (12) | (12) | (12) | (15) | (51) |
| INTERCOMPANY | 3 | (1,024) | (459) | (386) | (383) | (2,252) |
| **TOTAL DISBURSEMENTS** | | **(2,523)** | **(1,979)** | **(406)** | **(408)** | **(5,316)** |
| **CHANGE IN CASH** | | **1,649** | **(1,709)** | **(136)** | **(71)** | **(267)** |
| **PLUS ADVANCES FROM SALE PROCEEDS** | 7 | -- | -- | -- | -- | -- |
| **ENDING CASH BALANCE** | | **37,135** | **35,426** | **35,290** | **35,219** | **35,219** |

**Ifastgroupe and Company, Limited Partnership**
**CASH FLOW PROJECTION**
**For the period starting December 4, 2004 to April 1, 2005**
**In ($000's)**

| *Projection for the Month Ending* | NOTES | DEC | JAN | FEB | MAR | TOTAL |
|---|---|---|---|---|---|---|
| **OPENING CASH BALANCE** | 1 | 2,022 | 200 | 200 | 200 | 2,022 |
| RECEIPTS | | | | | | |
| INTEREST RECEIVED | | 166 | 166 | 166 | 207 | 705 |
| OTHER RECEIPTS | 2 | 2,921 | -- | -- | -- | 2,921 |
| INTERCOMPANY | 3 | -- | -- | -- | -- | -- |
| **TOTAL RECEIPTS** | | 3,087 | 166 | 166 | 207 | 3,626 |
| DISBURSEMENTS | | | | | | |
| PROFESSIONAL FEES | 4 | -- | -- | -- | -- | -- |
| ADMINISTRATIVE CHARGES | 5 | (1,213) | (8) | (8) | (10) | (1,239) |
| OTHER COSTS | 6 | (12) | (12) | (12) | (15) | (51) |
| INTERCOMPANY | 3 | (4,631) | (459) | (386) | (383) | (5,859) |
| **TOTAL DISBURSEMENTS** | | (5,856) | (479) | (406) | (408) | (7,149) |
| **CHANGE IN CASH** | | (2,769) | (313) | (240) | (201) | (3,523) |
| **PLUS ADVANCES FROM SALE PROCEEDS** | 7 | 947 | 313 | 240 | 201 | 1,701 |
| **ENDING CASH BALANCE** | | 200 | 200 | 200 | 200 | 200 |

**Ivaco, Ivaco Rolling Mills Limited Partnership and Ifastgroupe and Company, Limited Partnership**
**Notes to the Cash Flow Projections**
**For the Period Starting December 4, 2004 to April 1, 2005**

1. Opening Cash Balance

   The opening cash balance represents funds held in the Monitor's operating bank accounts as at December 3, 2004. It therefore excludes all sales proceeds, the settlement of the Ivaco Sub-DIP and any funds in transit from the Applicant's bank accounts.

2. Other Receipts

   The other receipts line is for the receipt of non-core asset recoveries including supplier deposits, sales tax refunds and the sale of non-core assets. Expected timing of recoveries is difficult to predict due to factors out of the Applicants' and Monitor's control therefore they are not included in the projection. The $2.9 million receipt in December on the Ifastgroupe cash flow projection represents a $2.1 million wire transfer from an Ifastgroupe operating bank account received by the Monitor after December 3, 2004 and $0.8 million of pre-Closing non-core asset sale proceeds previously held by the Monitor.

3. Intercompany

   The majority of professional fees, administrative charges and other costs will be paid out of Ivaco Inc. and charged to Ivaco Rolling Mills Limited Partnership and Ifastgroupe and Company, Limited Partnership. The allocation basis has been changed due to the change in activity level. Allocation of costs will be done equally across the three entities. Any professional fees incurred relating to the Docap transaction will be charged to and paid directly from Docap. The settlement of intercompany balances outstanding as at the Closing have also been included in the month of December.

4. Professional Fees

   Includes fees of all professionals involved in the restructuring net of sales taxes and out of pocket expenses. These will be paid by Ivaco Inc. and 2/3's will be recovered equally from IRM and Ifastgroupe.

5. Administrative Charges

   Administrative charges include mainly bank and interest charges, computer, archiving and environmental costs. These costs will be paid by Ivaco Inc. and 2/3's will be recovered equally from IRM and Ifastgroupe. In addition, all pre-Closing liabilities that were excluded from the sale of assets are projected here including payroll related liabilities, and in the case of IRM, the last QST payment for the month of November 2004 which is due in January 2005.

6. Other Costs

   Other costs include mainly sales taxes and out of pocket expenses relating to professional fees as well as invoices for any contractors. These costs will be paid by Ivaco Inc. and 2/3's will be recovered equally from IRM and Ifastgroupe.

7. Advances from Sale Proceeds

   Advances will be made from the residual sale proceeds to the operating bank accounts to fund the administration of the estates if an Applicant requires it.

**IVACO - DOCAP (1985) CORPORATION**
**Cash Flow Projection**
**For the period starting December 4, 2004 to April 1, 2005**
**(In $000's)**

| *Projection for the Month Ending* | NOTES | DEC | JAN | FEB | MAR | TOTAL |
|---|---|---|---|---|---|---|
| **OPENING CASH BALANCE** | | **2,080** | **2,062** | **2,115** | **2,113** | **2,080** |
| **RECIEPTS** | | | | | | |
| TRADE | | 950 | 1,100 | 1,100 | 1,225 | 4,375 |
| OTHER | 1 | - | - | - | - | - |
| INTERCOMPANY | 6 | - | - | - | - | - |
| **TOTAL RECEIPTS** | | **950** | **1,100** | **1,100** | **1,225** | **4,375** |
| **DISBURSEMENTS** | | | | | | |
| PAYROLL & RELATED | 2 | (156) | (165) | (230) | (233) | (784) |
| MATERIAL | 3 | (420) | (520) | (560) | (700) | (2,200) |
| FREIGHT & CUSTOMS | | (86) | (104) | (104) | (122) | (416) |
| UTILITIES | 4 | (6) | (8) | (8) | (10) | (32) |
| OTHER | 5 | (213) | (163) | (163) | (188) | (727) |
| PROFESSIONAL FEES | | (75) | (75) | (25) | (25) | (200) |
| INTERCOMPANY | 6 | (12) | (12) | (12) | (15) | (51) |
| **TOTAL DISBURSEMENTS** | | **(968)** | **(1,047)** | **(1,102)** | **(1,293)** | **(4,410)** |
| **CHANGE IN CASH** | | **(18)** | **53** | **(2)** | **(68)** | **(35)** |
| **ENDING CASH BALANCE** | | **2,062** | **2,115** | **2,113** | **2,045** | **2,045** |

**DOCAP (1985) CORPORATION**
**Notes to the Cash Flow Projection**
**For the Period Starting December 4, 2004 to April 1, 2005**

1. Other Receipts

   Other receipts include sales tax refunds and other non-trade receipts.

2. Payroll & Related

   Payroll and related costs includes payroll costs, deductions at source, pension and benefit costs.

3. Material

   Material costs include raw material and finished good purchases from third parties.

4. Consumables

   Includes supplies other than utilities directly used to manufacture finished product.

5. Other

   Other costs include selling, general and administrative costs and the cost of insurance.

6. Intercompany

   Intercompany receipts and disbursements received from or paid to any related company are included here.