Court File No. 09-8363-00CL

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 BARZEL INDUSTRIES CANADA INC.

Applicant

FIFTH REPORT OF THE MONITOR
DATED NOVEMBER 10, 2009

INTRODUCTION AND OVERVIEW

1. On September 15, 2009, Barzel Industries Canada Inc. ("**Barzel Canada**" or the "**Applicant**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Honourable Court dated September 15, 2009 (the "**Initial Order**"), Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Monitor of the Applicant (the "**Monitor**") in the CCAA proceeding. Deloitte filed a report (the "**Pre-Filing Report**") with this Honourable Court in its capacity as proposed Monitor. A copy of the Initial Order is attached as Exhibit "A" to this fifth report of the Monitor (the "**Fifth Report**"). A copy of the Pre-Filing Report (without exhibits) is attached as Exhibit "B" to this Fifth Report.

2. On the same day, Barzel Canada's parent, Barzel Industries Inc. ("**BII**") and certain affiliated U.S. entities including Barzel Holdings Inc., Barzel Finco Inc. ("**Barzel Finco**"), Barzel Industries U.S. Inc., American Steel and Aluminum Corporation, Nova Tube and Steel Inc., Novamerican Tube Holdings, Inc. and Nova Tube Indiana, LLC (collectively, the "**U.S. Debtors**") filed voluntary petitions under chapter 11 of title 11 of the *United States Code*, 11 U.S.C. §101-1532 (the "**Bankruptcy Code**") in the United States

Bankruptcy Court for the District of Delaware (the "**U.S. Court**")(the "**Chapter 11 Cases**").

3. The U.S. bankruptcy proceedings were recognized by this Honourable Court as a "foreign proceeding" under s. 18.6 of the CCAA in a companion order entered on September 15, 2009.

4. Collectively, Barzel Canada and the U.S. Debtors are known as the "Barzel Group".

5. On September 14, 2009, Barzel Canada and the U.S. Debtors entered into an asset purchase agreement (as amended on September 30, 2009, the "**Initial APA**") with Chriscott USA Inc. and 4513614 Canada Inc. (collectively "**Metco**") for the sale of substantially all of the assets, property and undertaking of the Barzel Group. The APA contemplated that, subject to court approval, the terms contained therein would serve as a "stalking horse" bid in a sale process (the "**Sale Process**") to be conducted according to certain bidding procedures (the "**Sale Procedures**").

6. On October 6, 2009, this Honourable Court made an Order (the "**Sale Procedures Order**"): (i) approving the Sale Procedures; (ii) approving the Initial APA as the "stalking horse" bid for the purpose of conducting the Sale Process; and (iii) approving the Termination Fee and Expense Reimbursement (as defined in the Initial APA). The Sale Procedures specified a bid deadline of October 26, 2009 (the "**Bid Deadline**"), an auction to be held on October 28, 2009 (if qualified bids were received) (the "**Auction**") and a joint hearing of the sale approval motion on October 30, 2009.

7. Between October 6, 2009 and October 26, 2009, Houlihan Lokey Howard and Zukin Capital Inc. ("**Houlihan**"), as financial advisor to the Barzel Group, conducted a Sale Process seeking to attract a higher or better offer than the one contained in the Metco bid. In advance of the Bid Deadline, the Barzel Group received a total of four bids (not including the Metco bid) by entities seeking to purchase certain separate components of the Barzel Group business. The Barzel Group aggregated the four bids (as the "**Consortium Bid**") to compete against the Metco bid and accepted the bids as Qualified Bids for purposes of entitlement to participate in the Auction.

8. On October 28, 2009, the Barzel Group conducted an auction for the sale of substantially all of its assets at the offices of its U.S. lawyers, Kelley, Drye and Warren LLP, in New York, NY. After, *inter alia*, lengthy negotiations surrounding the terms of the Consortium Bid and a new bid by three of the four bidders that made up the Consortium Bid, Metco submitted a new offer (the "**Metco Revised Bid**") to acquire the assets of the Barzel Group for a payment of $75.0 million, of which $500,000 was to be paid to the official committee of unsecured creditors' formed within the Chapter 11 Cases (the "**UCC**") in return for, among other things, a release of certain statutory avoidance action claim rights in the Chapter 11 Cases. The Barzel Group, in consultation with the Secured Lenders (as defined in the Pre-Filing Report of the Monitor), the UCC and the Monitor and their respective counsel, determined that the Metco Revised Bid was the highest and best bid and therefore the Successful Bid at the Auction. The Metco Revised Bid formed the basis for an amendment and restatement of the Initial APA in order to incorporate the terms of the Metco Revised Bid (the "**Final APA**").

9. On October 30, 2009, after a joint hearing before this Honourable Court and the U.S. Court, this Honourable Court entered an Order approving the Final APA and approving the sale to and vesting of substantially all of the assets of Barzel Canada in Metco (the "**Sale and Vesting Order**"). The fourth report of the Monitor (the "**Fourth Report of the Monitor**") was filed in connection with the joint hearing on October 30, 2009. A copy of the Fourth Report of the Monitor (without exhibits) is attached as Exhibit "C" to this Fifth Report.

10. Metco does not expect to determine the allocation of the sale proceeds (the "**Proceeds**") as between the Barzel Group's U.S. and Canadian assets in advance of the closing of the sale transaction pursuant to the Final APA (the "**Closing**"), which is currently scheduled for November 13, 2009. Certain of these proceeds must be used to pay out the DIP loan while the remainder of the Proceeds allocated to the Applicant's assets (the "**Canadian Proceeds**") will be held by the Monitor as a reserve against priority payables subject to a distribution in favour of the Secured Lenders on account of their pre-filing debt.

11. In order for the Monitor to hold the Canadian Proceeds, the Applicant seeks to have the powers of the Monitor expanded so that, upon Closing and after the allocation has been

settled and the DIP loan paid out, the Monitor shall hold the Canadian Proceeds in accordance with the terms of the draft Order filed. The Applicant also seeks a provision in the Order empowering the Monitor to handle other post-Closing matters, as applicable.

12. The Applicant will bring a motion returnable November 12, 2009 seeking an Order:

    (a) authorizing and directing that, from and after the Closing, the Monitor be authorized and directed to hold the Canadian Proceeds pending further order of this Honourable Court, provided that, after the Closing, and without further order of this Honourable Court, the Monitor is authorized and directed to disburse funds from the Canadian Proceeds in its possession to pay for fees, costs, expenses and disbursements incurred by the Monitor, its counsel and the Applicant's counsel in connection with these proceedings; and

    (b) authorizing and directing the Monitor, in addition to its rights and obligations set out in the Initial Order, from and after the Closing, to take such administrative and other steps that it deems necessary to assist the Applicant in the administration of these proceedings.

PURPOSE

13. The purpose of this Fifth Report is to provide the Court with information concerning the Applicant's motion. For the reasons discussed below, the Monitor respectfully recommends that the Court grant the relief requested by the Applicant.

TERMS OF REFERENCE

14. In preparing this Fifth Report, the Monitor has relied upon unaudited financial information, Barzel Canada's books and records, financial information prepared by Barzel Canada and its advisors, and discussions with management of Barzel Canada and management of the Barzel Group including Mr. Wayne Day, Chief Restructuring Officer of the Barzel Group. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report.

15. Unless otherwise stated, all monetary amounts contained herein are expressed in US dollars.

16. Capitalized terms not defined in this Fifth Report are as defined in the Pre-Filing Report of the Monitor and the Fourth Report of the Monitor.

SCHEDULED CLOSING OF THE SALE TRANSACTION

17. By Order dated October 30, 2009 (the Sale and Vesting Order), this Honourable Court approved the sale of substantially all of the assets of Barzel Canada to Metco (the "**Sale Transaction**") pursuant to terms set out in the Final APA. Under the terms of the Final APA, at Closing, all of Barzel Canada's right, title and interest in and to the Purchased Assets (as defined in the Final APA) are to be vested in Metco free and clear of all encumbrances.

18. The Sale Transaction is currently scheduled to close on November 13, 2009.

ALLOCATION AND USE OF SALE PROCEEDS

19. The DIP Credit Agreement (as defined in the Pre-Filing Report of the Monitor) matures on Closing, so all amounts drawn under the DIP Facility must be paid on Closing. As of the date of this Fifth Report, the Canadian borrowings under the DIP Facility are approximately $12.065 million.

20. The Monitor has advised the Purchaser, the DIP Lenders and the Applicant that it requires that a reserve from the Canadian Proceeds (the "**Reserve**") be maintained to satisfy:

    1) any priority payables, the Directors' Charge and the Administration Charge; and

    2) amounts reasonably expected to be incurred in connection with the administration of the wind down of the estate in Canada.

21. Metco is still in the process of finalizing an allocation of the Proceeds as between the U.S. and Canadian assets. In respect of the calculation of the Reserve, the Monitor is currently performing an analysis that takes into consideration the projected magnitude of priority

payables, director and officer liabilities pursuant to the Directors' Charge, advisory fees and expenses relating to the administration of the estate. The Monitor will deliver a report to the Court once the allocation and Reserve issues are settled to advise as to both: i) the amounts of the allocation and the Reserve; and ii) the specifics of the process through which the Applicant, the Secured Lenders and the Monitor have agreed to address and resolve any priority payables. If the Applicant, the Secured Lenders and the Monitor cannot agree on the Reserve and/or the process for resolving priority payables, it is the Monitor's intention to seek the advice and direction of this Honourable Court with respect thereto.

22. The Monitor is advised that the Applicant intends to bring a motion shortly after the Closing and as soon as the allocation and Reserve issues are settled seeking an Order authorizing the Monitor to distribute to the Secured Lenders an amount equal to the Canadian Proceeds less the amount of the Reserve.

POST-CLOSING OPERATIONS AND WINDING DOWN OF BARZEL CANADA'S BUSINESS

23. Barzel Canada and the Secured Lenders, in consultation with the Monitor, have agreed that the Monitor should receive and hold the Canadian Proceeds. In order to hold the Canadian Proceeds and to be permitted, subject to further Order of this Honourable Court, to distribute such Canadian Proceeds, the Monitor requires an expansion of its powers as approved and granted in the Initial Order of this Honourable Court. The Applicant has requested, and the Monitor has agreed to and supports, such an expansion of the Monitor's powers.

24. In addition, after Closing, Barzel Canada will no longer have any employees or management. It is contemplated that, at Closing, the Applicant will provide Metco with a direction to pay the Canadian Proceeds to the Monitor. As such, it is proposed that the Monitor be provided with additional authority to take such administrative and other steps that it deems necessary to assist the Applicant in the administration of these CCAA proceedings.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

25. The Monitor believes that the relief requested by the Applicant is reasonable in the circumstances and that it is necessary to and will assist in the efficient and expeditious distribution of the Canadian Proceeds to stakeholders of Barzel Canada and the wind-down of the estate of Barzel Canada.

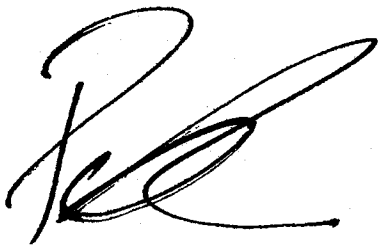
CONCLUSION

26. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the proposed order being requested by Barzel Canada.

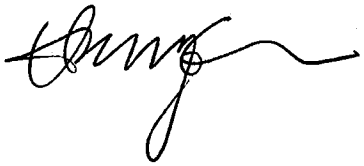
All of which is respectfully submitted this 10th day of November, 2009.

DELOITTE & TOUCHE INC.
In its capacity as Monitor of Barzel Industries Canada Inc.

Per:



Paul van Eyk, CA•CIRP, CA•IFA
Senior Vice President



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Vice President