

Court File No.

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

APPLICATION RECORD OF THE APPLICANT

DAVIES WARD PHILLIPS & VINEBERG LLP
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TAB 1

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CANADA INC.

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NOTICE OF APPLICATION

TO THE RESPONDENTS LISTED HEREIN:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant.
The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a judge
presiding over the Commercial List on a date and time to be established by the
Commercial List Office, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of
any step in the application or to be served with any documents in the application you
or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in
Form 38C prescribed by the Rules of Civil Procedure, serve it on the Applicant's
lawyers or, where the Applicant does not have a lawyer, serve it on the Applicant,
and file it, with proof of service, in this court office, and you and your lawyer must
appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER
DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-
EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in
addition to serving your notice of appearance, serve a copy of the evidence on the
Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the
Applicant, and file it, with proof of service, in the court office where the application is
to be heard as soon as possible, but not later than 2 p.m. on the day before the
hearing.

IF YOU FAIL TO APPEAR AT THIS HEARING, JUDGMENT MAY BE
GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

IF YOU WISH TO OPPOSE this application but are unable to pay legal fees, legal aid may be available to you by contacting a local Legal Aid Office.

Date September 15, 2009

Issued by _____

Address of local office:
330 University Avenue
Toronto, Ontario

TO: THIS HONOURABLE COURT

APPLICATION

1. The Applicant makes an application for an Order:
 - (a) abridging the time for, or dispensing with service, of this Notice of Application;
 - (b) declaring that the Applicant is a company to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") applies;
 - (c) appointing Deloitte & Touche Inc. (the "**Monitor**") as officer of this Court to monitor the assets, businesses and affairs of the Applicant;
 - (d) staying all proceedings taken or that might be taken in respect of the Applicant or the Monitor;
 - (e) for the relief set out in the draft Initial Order attached as Tab 3 to this Application Record; and
 - (f) for such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:
 - (a) the Applicant is a company to which the CCAA applies;
 - (b) the Applicant has assets in Canada and carries on business in Canada;
 - (c) the claims against the Applicant exceed \$5,000,000;
 - (d) due to the urgency of the Application, it has not been possible to provide all interested parties with notice of the relief requested;
 - (e) Rules 3.02 and 14.05 of the *Rules of Civil Procedure* and the urgency associated with obtaining a stay of proceedings under the CCAA;
 - (f) the CCAA; and

- (g) such other grounds as counsel may advise and this Honourable Court may permit.
3. The following documentary evidence will be used at the hearing of the application:
- (a) the Affidavit of Karen Narwold sworn September 15, 2009 and the Exhibits referred to therein; and
 - (b) the Consent of Deloitte & Touche Inc. to act as Monitor;
 - (c) the report of Deloitte & Touch Inc., in its capacity as proposed Monitor in these proceedings, dated September 15, 2009, filed separately; and
 - (d) such further and other material as counsel may advise and this Honourable Court may permit.

September 15, 2009

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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.

Court File No:

<p>ONTARIO SUPERIOR COURT OF JUSTICE- COMMERCIAL LIST</p> <p>Proceeding Commenced at Toronto</p>
<p>NOTICE OF APPLICATION</p>
<p>DAVIES WARD PHILLIPS & VINEBERG LLP 1 First Canadian Place Suite 4400 Toronto, ON M5X 1B1</p> <p>Robin B. Schwill (LSUC#: 384521)</p> <p>Tel: 416.863.5502 Fax: 416 863 0871</p> <p>Lawyers for the Applicant</p>

T A B 2

**ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF BARZEL INDUSTRIES CANADA INC.

Applicant

AFFIDAVIT OF KAREN NARWOLD

I, Karen Narwold, of the City of Wilmington, in the State of Delaware,
U.S.A. MAKE OATH AND SAY:

1. I am the Vice President of Barzel Industries Canada Inc. (the "**Applicant**") and have held this position since April 15, 2008. As such I have personal knowledge of the matters to which I depose in respect of the Applicant and its affiliates (collectively, the "**Barzel Group**"). To the extent that I do not have personal knowledge, I verily believe the information to which I depose.

Overview

2. The Applicant seeks protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") to provide it with the necessary forum, time and a stable operational environment so as to effect and implement a going concern sale of its business (the "**CCAA Application**").

3. The Applicant is a corporation incorporated under the *Canada Business Corporations Act* having assets and carrying on business in Ontario and Québec. The

Applicant's registered office and chief place of business is in Ontario and the total of claims against the Applicant exceeds five million dollars. As discussed in greater detail below, the Applicant is currently insolvent.

The Applicant

4. The Applicant is a wholly-owned indirect subsidiary of Barzel Industries Inc., a corporation organized under the laws of the State of Delaware. Barzel Industries Inc. and certain of its U.S. subsidiaries (the "**US Debtors**") filed voluntary petitions for relief under 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 early in the morning on September 15, 2009 (the "**Chapter 11 Proceedings**") and will be seeking first day orders on September 16, 2009 before the United States Bankruptcy Court for the District of Delaware. The US Debtors intend to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. It is not expected that any trustee or examiner will be appointed in the US Debtors' cases.

5. The Applicant's relationship to its affiliated companies is illustrated on the corporate group organizational chart attached as Exhibit "**A**" hereto. The US Debtors together with the Applicant and 632422 N.B. Ltd. are collectively referred to herein as the "**Barzel Group**".

6. The Applicant itself owns, directly or indirectly, all of the shares or other equity interests in 632422 N.B. Limited (a New Brunswick corporation), Hencorp LLC (a

Delaware corporation) and Chriscorp ULC (a Nova Scotia unlimited liability company). None of these companies have any assets or employees and none of them currently carry on any business.

7. The Applicant is also a party to a joint venture arrangement with ArcelorMittal Tubular Products Montreal Inc. pursuant to which the Applicant owns a 60% equity interest in Delta Tubes Inc. (a Québec corporation) and 60% of the limited partnership units of Delta Tube and Company Limited, a Québec limited partnership. Delta Tubes Inc. is the general partner of Delta Tube and Company Limited. The owner of the 40% equity interest in Delta Tubes Inc. and remaining 40% of the limited partnership units of Delta Tube and Company Limited is ArcelorMittal Tubular Products Montreal Inc. The material terms of this joint venture arrangement are outlined in greater detail below.

Barzel Group's Business Generally

8. The Barzel Group is a leading one-stop metal manufacturing and service provider headquartered in Norwood, Massachusetts, U.S.A. with an operational hub in Ontario, Canada. The Barzel Group operates an integrated system of fifteen (15) (which includes its Delta Tube joint venture described below) strategically located metal processing, manufacturing and distribution facilities throughout the Northeastern, Mid-Atlantic and Mid-Western United States and the Canadian provinces of Ontario and Québec. From these locations, the Barzel Group employs approximately 570 people (not including approximately 30 people employed by the Delta Tube joint venture) in the United States and Canada, who serve over 3,800 customers.

9. Through an innovative management system that includes close statistical monitoring and analysis of its plant capabilities, the Barzel Group serves its customers with speed, quality and reliability.

Business Lines

10. The Barzel Group has four primary business lines: (a) tube and pipe production, (b) manufacturing, (c) processing and (d) distribution:

(a) Tube and Pipe Production. The Barzel Group is a leading North American producer of hollow structural section ("**HSS**") tubes and A53 electric resistance welded ("**ERW**") pipes. Collectively, the HSS tube and A53 pipe markets represent a US\$5 billion market in North America. The Barzel Group operates five (5) state-of-the-art tube and pipe facilities (including the only A53 ERW pipe facility on the East Coast of the U.S.) that have total annual capacity of approximately 700,000 tons. In 2008, tube and pipe production accounted for approximately 16% of the Barzel Group's total consolidated revenue.

(b) Manufacturing. The Barzel Group's manufacturing operations are located in Québec, Canada and consist primarily of the production of custom light and heavy fabricated components. Manufacturing services include roll-forming, welding, punching, cutting and assembly. In 2008, manufacturing generated approximately 5% of the Barzel Group's consolidated revenue.

- (c) Distribution. The Barzel Group is also a leading distributor of steel, aluminum and stainless products, including hot and rolled carbon, aluminum, stainless and alloys and coated products in sheet, coil, bar, shapes, tubular and plate forms. The Barzel Group operates five (5) distribution facilities that are strategically located in close proximity to major customers and transportation routes. Distribution services generated approximately 33% of the Barzel Group's total consolidated revenue in 2008.
- (d) Processing. The Barzel Group operates the largest independent continuous process-pickling facility in Canada and offers a range of other metal processing services including slitting, cutting-to length, shearing, levelling and blanking. While the majority of the Barzel Group's processing business involves direct processing (i.e., the processing of raw materials purchased directly by the Barzel Group for sale to its customers) the Barzel Group also provides toll-processing services (i.e., the processing of raw materials purchased directly by the Barzel Group's customers). In 2008, processing generated approximately 46% of the Barzel Group's total consolidated revenue. Because the majority of the Barzel Group's processing business relates to the automotive industry, processing revenues have decreased dramatically and are projected to account for only 3% of the Barzel Group's total consolidated revenue in 2009.

Customers

11. The Barzel Group's customer base is well diversified, with no one customer accounting for more than 10% of sales. The Barzel Group's customers include automotive parts manufacturers and stampers, other steel service centers, general fabricators and manufacturers of transportation equipment, material handling equipment, electrical components, appliances, storage tanks, ship building material, construction and heavy equipment and agricultural equipment.

Corporate History of the Barzel Group

12. In 2006, Symmetry Holdings Inc. ("**Symmetry**") was incorporated in Delaware as a development stage company formed for the purposes of acquiring one or more operating businesses (i.e., a special purpose acquisition company) raising gross proceeds of US\$150 million in its initial public offering on March 2007. At that time, Symmetry's common stock and warrants were listed on the American Stock Exchange.

13. On November 15, 2007, Symmetry acquired Novamerican Steel Inc., a corporation incorporated under the laws of Canada, and various of its subsidiaries (collectively, "**Novamerican**"), for US\$585.2 million by way of a leveraged buy out pursuant to an arrangement agreement and in accordance with the terms of a court-approved statutory plan of arrangement under the *Canada Business Corporations Act*.

14. The acquisition of Novamerican (and related transaction costs) were financed by US\$112 million of the net proceeds from Symmetry's initial public offering, US\$15 million from a private placement sale of additional equity in Symmetry, debt

financing consisting of US\$315 million of senior secured notes and US\$67 million of borrowings under an asset based lending facility, each of which is discussed more fully below, and cash held by Novamerican at closing.

15. On December 31, 2007, Symmetry's public stock listing was moved from the American Stock Exchange to the NASDAQ Capital Market.

16. On December 6, 2007, Symmetry changed its name to Novamerican Steel, Inc. and on February 13, 2009, Novamerican Steel, Inc. changed its name to Barzel Industries Inc. "Barzel," which means "iron" and/or "steel" in many languages.

17. From February 17, 2009 through August 20, 2009, Barzel Industries Inc.'s common stocks and warrants were traded publicly on the NASDAQ Global Market under the symbols "TPUT" and "TPUTW," respectively.¹

Applicant's Business

18. All of the Applicant's operations are located in Ontario and Québec and integrate into the overall tube and pipe, manufacturing and processing business lines of the Barzel Group.

¹ On August 20, 2009, trading in Barzel Industries, Inc.'s common stock and warrants was suspended due to non-compliance with NASDAQ Rule 5550(b)(1), which requires companies whose securities are listed on the NASDAQ Capital Market to maintain (a) a minimum of \$2,500,000 in stockholders' equity, or (b) to have had a minimum of \$500,000 of net income for the most recently completed fiscal year (or 2 of the last 3 years), or (c) have a minimum of \$35,000,000 of market value of listed securities. On or about September 14, 2009, Barzel Industries, Inc. will be de-listed from the NASDAQ Capital Market.

Applicant's Facilities

19. The Applicant has two tube and pipe facilities (not including its Delta Tube joint venture), four manufacturing facilities and one processing facility. The Applicant's tube and pipe facilities are located in Baie d'Urfé, Québec and Mississauga, Ontario. The Applicant's manufacturing facilities are located in Granby, St. Hubert and Shawinigan, Québec. The Applicant's processing facility is located in Stoney Creek, Ontario. Some of the facilities are owned while others are leased from third party landlords. A more detailed description of each of the facilities is as follows:

- 19460 Clark Graham Avenue, Baie d'Urfé, Québec: a 47,100 sq. ft. hot-rolled tube mill which is owned by the Applicant and is also used for toll rolling of tubing for the structural market.
- 2730 Meadowpine Boulevard, Mississauga, Ontario: a leased 90,000 sq. ft. hot and cold-rolled tube mill capable of producing high quality structural and mechanical tubing targeting industrial furniture, manufacturing components, transportation and general manufacturing applications, and hydroform quality automotive tubing.
- 553 Léon Harmel, Granby, Québec: an owned 71,600 sq. ft. manufacturing facility containing 15 roll forming lines, 7 punch presses, and stamping and in-line welding lines with the ability to manufacture a variety of sophisticated roll formed sections on customer demand.

- 424 St. Vallier, Granby, Québec: an owned 72,500 sq. ft. manufacturing facility conducting electrostatic powder coating and making pallet racking.
- 5675 La Savane Place, St. Hubert, Québec: a leased 118,300 sq. ft. manufacturing facility making front loader buckets for industrial equipment.
- 1463 Cloutier Road, Shawinigan, Québec: a leased 19,322 sq. ft. manufacturing facility containing five punch presses and stamping and assembly lines for the manufacture of hardwood flooring nails, nailers and accessories.
- 830 South Service Road, Stoney Creek, Ontario: an owned 171,000 sq. ft. processing facility containing one pickling line and two slitting lines for the pickling and slitting of coils on a toll rolling basis and as a feed into other Barzel Group facilities production.
- 7070 Mississauga Road, Mississauga, Ontario: the Applicant's leased head office.

20. The Applicant also leased a house in Mississauga, Ontario, three apartments in Toronto, Ontario and one apartment in Montreal, Québec for certain of its executives. Notices of termination have been provided to each of the respective landlords for each of the Ontario leases and, accordingly, such leases will terminate between September 14, 2009 and October 31, 2009. The lease in Montreal expires on December 31, 2009.

Employees

21. As of September 9, 2009, the Applicant had 343 employees comprised of 126 active salaried employees (plus 2 on layoff and 6 on leave) and 153 active hourly workers (plus 49 on layoff and 7 on leave).

22. By facility, as of September 4, 2009, the active employee count was as follows:

<u>Facility</u>	<u>Active Salaried</u>	<u>Active Hourly</u>	<u>Active Total</u>
19460 Clark Graham Avenue, Baie d'Urfé, Québec	19	27	46
2730 Meadowpine Boulevard, Mississauga, Ontario	2	1	3
553 Léon Harmel, Granby, Québec	17	49	66
424 St. Vallier, Granby, Québec	9	23	32
5675 La Savane Place, St. Hubert, Québec	6	21	27
1463 Cloutier Road, Shawinigan, Québec	8	0	8
830 South Service Road, Stoney Creek, Ontario	18	24	42
7070 Mississauga Road, Mississauga, Ontario	57	0	57
TOTALS	136	145	281

23. The United Steelworks of America, Local 6136, is the union for the hourly workers at the Léon Harmel and St. Vallier facilities in Granby, Québec, currently representing the 72 active hourly employees at these facilities, plus the 9 hourly employees on temporary layoff and 1 hourly employee on leave. The current collective bargaining agreement expires on February 21, 2011. None of the Applicant's other facilities are unionized.

24. There is also one person in the Applicant's legal department which, while critical to the ongoing activities of the Applicant given its restructuring and continued downsizing, is on contract with the Applicant. In order to retain this person's critical services, the Applicant will need to pay all amounts owed to this person as if such amounts were otherwise wages of an active employee.

25. The Applicant does not have any defined benefit pension plans. The Applicant does have two defined contribution pension plans, one which is a registered plan pursuant to the *Pension Benefits Act* (Ontario) and the other which is a registered plan pursuant to the *Supplemental Pension Plans Act* (Québec). The Applicant's required contributions to this defined contribution plan are equal to approximately CDN\$87,000 per month and there are no contributions which have become due which have not been paid.

26. In addition to the foregoing, the Applicant also maintains various other employment benefit plans for its salaried and hourly employees.

27. The Applicant expects to continue to make all statutorily required contributions to its registered defined contribution pension plans as they come due. The Applicant expects to continue making all other employment and post employment benefit payments in the ordinary course.

Suppliers

28. All of the Barzel Group's contractual supply arrangements are with Barzel Industries Inc. on its own behalf and on behalf of its subsidiaries and affiliates.

However, the Applicant is the major purchaser of product under some of these contracts. Most of the Applicant's supply purchases have been on a "cash on delivery" basis for some time now.

Inter-company Arrangements

29. The Applicant's operations are highly integrated with those of the other members of the Barzel Group. All finance, public issuer regulatory matters, treasury, cash management and executive functions for the Applicant and the Barzel Group are provided by Barzel Industries Inc. out of the U.S. In addition, all supply contracts and processing contracts for the benefit of the Barzel Group are with Barzel Industries Inc. as the named counterparty. However, all operational decisions and functions for the Barzel Group are managed from the Applicant's head office in Mississauga, Ontario and the Applicant has its own customer service, marketing, human resources, accounts payable and accounts receivables teams.

30. The Applicant sells products direct to end customers and also processes or manufactures products that it then sells on to certain U.S. affiliates in the Barzel Group that finish processing such product for sale to end customers. Some products are initiated by the Applicant, sold to a U.S. affiliate and then sold back to the Applicant for final processing and sale to the end customer.

31. Given the foregoing, the Applicant has transfer pricing agreements in place with each of Nova Tube & Steel Inc., Nova Tube Indiana, LLC and American Steel and Aluminum Corporation (all U.S. affiliates of the Applicant).

32. All research and development activities for the Barzel Group are conducted by the Applicant and the Applicant owns all of the intellectual property associated with the products manufactured by the Barzel Group although there are no formal intercompany license agreements in respect of such product-related intellectual property.

Delta Tube Joint Venture

33. The Applicant owns 60% of the equity interest in Delta Tube Inc., a Québec corporation. The Applicant and Mittal Canada Inc. entered into limited partnership agreement dated December 18, 2007 (the "**Partnership Agreement**") with respect to the limited partnership known as Delta Tube and Company, Limited (the "**Partnership**") to manufacture hollow structural sections and electric resistance weld pipes at a plant located at 5901 Irwin Street, City of LaSalle, Québec. The Partnership Agreement provides that the Applicant and Mittal Canada Inc. are the limited partners and Delta Tubes Inc. is the general partner of the Partnership. The Applicant has a 60% interest in the Partnership and, at the time, Mittal Canada Inc. had the remaining 40% interest in the Partnership. At that time, Mittal Canada Inc. also owned the remaining 40% of the equity interest in Delta Tubes Inc. and the Applicant and Mittal Canada Inc. were also parties to an amended and restated shareholders' agreement dated December 18, 2007 (the "**Shareholders' Agreement**").

34. On April 14, 2008, Mittal Canada Inc. advised the Applicant in writing that it had transferred to an affiliate, ArcelorMittal Tubular Products Montreal Inc. ("**ArcelorMittal**"), its shares in Delta Tubes Inc. and its interests in the Partnership.

35. The Partnership Agreement expired on August 18, 2008 in accordance with its terms and has yet to be renewed in writing.

36. The Partnership Agreement contains a right of first refusal in favour of the other party if one party wishes to sell, transfer, assign or otherwise dispose of its interests in the Partnership and shareholdings in Delta Tubes Inc. The Partnership Agreement also contains purchase option provisions upon the termination of the Partnership Agreement and restrictions on the pledging or otherwise encumbering of a party's interest in the Partnership and shareholdings of Delta Tubes Inc.

37. In addition, the Shareholders' Agreement contains a restriction on the sale, assignment, transfer or disposition (or the pledging or otherwise encumbering) of a party's shareholdings in Delta Tubes Inc. without the consent of the other party and requires the unanimous consent of the parties for any block sale of the assets of Delta Tubes Inc. or of the Partnership or a substantial portion thereof.

The Applicant's Financial Status

The Notes

38. On or about November 15, 2007, Barzel Finco Inc. issued US\$315 million of 11.5% Senior Secured Notes due 2015 (the "**Notes**") pursuant to an indenture dated November 15, 2007. The Notes have a maturity date of November 15, 2015, and they pay interest at an annual rate of 11.5% semi-annually in arrears on May 15 and November 15.

39. As discussed above, the proceeds of the Notes were used to fund the acquisition of Novamerican.

40. The Notes are guaranteed by each of the other US Debtors and are secured by:

- (a) a first priority security interest in all of the US Debtors' (i) owned real property, fixtures, equipment, instruments, investment property, intellectual property, contract rights, other general intangibles and other assets that do not constitute second-priority collateral (as outlined in subparagraph (b) below), (ii) 100% of the capital stock of each existing and future U.S. subsidiary of Barzel Industries Inc. that is directly owned by any of the US Debtors, and 66% of the capital stock of each existing and future foreign subsidiary of Barzel Industries Inc. that is directly owned by any of the Debtors, (iii) 100% of the capital stock of each existing and future subsidiary of Barzel Canada except certain subsidiaries that were in liquidation or expected to be liquidated shortly, (iv) intercompany receivables, and (v) proceeds of the foregoing; and
- (b) a second priority security interest in all of the US Debtors' (i) accounts receivable and related records, chattel paper, deposit accounts, cash, checks and other negotiable instruments, funds and other evidences of payment, (ii) inventory, (iii) documents, general intangibles, instruments,

investment property and letter of credit rights, and (iv) books and records related to the foregoing.

41. Two-thirds of the Notes are held by JPMorgan Chase Bank, N.A. ("**JPM**"), and one-third of the Notes are held by CIBC World Markets Corp. ("**CIBC**" and together with JPM, the "**Holder**s").

42. Of the gross proceeds from the issuance of the Notes, US\$125 million was loaned by Barzel Finco Inc. to the Applicant in accordance with the terms of the acquisition of Novamerican and in exchange for secured intercompany demand promissory notes from the Applicant totalling US\$125 million. The intercompany demand notes are secured by substantially all of the assets of the Applicant. On November 15, 2007, Barzel Finco Inc. assigned all of its rights under and related to the intercompany notes to a collateral trustee as collateral security for the benefit of the Holders.

The ABL Facility

43. On or about November 15, 2007, the Barzel Group obtained additional financing for the Novamerican acquisition and the Barzel Group's general operations pursuant to a credit agreement dated as of November 15, 2007 (as amended, the "**Credit Agreement**"), by and among Barzel Industries Inc., Barzel Finco Inc. and the Applicant (collectively, the "**ABL Borrowers**"), as borrowers, and JPM, CIBC and other lender parties thereto (collectively, the "**ABL Lenders**"), as lenders, and JPM, CIT Business Credit Canada Inc. and The CIT Group/Business Credit Inc., as agents.

44. Pursuant to the Credit Agreement, the ABL Lenders extended to the ABL Borrowers a five (5) year revolving credit facility of up to US\$175 million (the "**ABL Facility**") availability which is subject to a borrowing base.

45. The ABL Facility is guaranteed by each of the US Debtors that is not one of the ABL Borrowers and the Applicant's borrowings under the ABL Facility are guaranteed by 632422 N.B. Ltd.

46. The ABL Facility is secured by:

- (a) a first priority security interest in the US Debtors', the Applicant's and 632422 N.B. Ltd.'s (a) accounts receivable and related records, chattel paper, deposit accounts, cash, cheques and other negotiable instruments, funds and other evidences of payment; (b) inventory; (c) to the extent evidencing, governing, security or otherwise related to the items referred to in (a) and (b), documents of title, intangibles, instruments and investment property; (d) books and records related to the foregoing; (e) all collateral security and guarantees given by any person with respect to any of the foregoing; and (f) all proceeds, including insurance proceeds, of any and all of the foregoing; and
- (b) a second priority security interest in the US Debtors' (i) owned real property (subject to one exception), fixtures, equipment, instruments, investment property, intellectual property, contract rights, other general intangibles and other assets that do not constitute first-priority collateral,

(ii) 100% of the capital stock of each existing and future U.S. subsidiary of Barzel Industries Inc. that is directly owned by any of the US Debtors, and 66% of the capital stock of each existing and future foreign subsidiary of Barzel Industries Inc. that is directly owned by any of the US Debtors, (iii) intercompany receivables, including the receivables owed by the Applicant secured by the Applicant's assets as described in (i) above and 100% of the capital stock of each existing and future subsidiary of the Applicant except non-wholly owned subsidiaries (and certain special purpose subsidiaries) where pursuant to the organizational documents such subsidiary and any related joint venture or similar agreement such pledge is prohibited and (iv) proceeds of the foregoing.

47. The Applicant's and 632422 N.B. Ltd.'s assets only secure the Applicant's borrowings under the ABL Facility.

48. U.S. dollar borrowings under the ABL Facility bear interest at LIBOR or the U.S. prime rate plus an applicable margin, and Canadian dollar borrowings bear interest at the Canadian prime rate plus an applicable margin.

49. As of September 8, 2009, approximately US\$17.5 million was outstanding under the ABL Facility. Of this total amount, approximately US\$14 million was owing by the Applicant for its direct borrowings under the ABL Facility.

Trade Debt

50. As of July 25, 2009, the total outstanding trade debt of the Applicant was approximately CDN\$93 million.

Cash Management

51. In the ordinary course of business, the Barzel Group uses a centralized cash management system to collect funds from its operations and to pay operating and administrative expenses (the "**Centralized Cash Management System**"). The Centralized Cash Management System is similar to the centralized cash management systems used by other companies to collect, transfer, and disburse funds in a cost-effective and efficient manner. The Applicant's collection and disbursement accounts are part of the Centralized Cash Management System.

52. The Centralized Cash Management System is carefully managed through oversight procedures and controls implemented by the Barzel Group's treasury department. Through their control over the Centralized Cash Management System, the Barzel Group is able to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, and maintain control over the administration of various bank accounts required to effect the collection, disbursement, and movement of cash.

53. The Centralized Cash Management System primarily operates through United States bank accounts maintained at Bank of America, with one primary concentration operating account at Bank of America acting as the central operating

account. Revenues typically reach the operating account through daily transfers from separate corporate lockbox accounts maintained at Bank of America.

54. It is critical that the Applicant continue to remain part of the Centralized Cash Management System so that the Barzel Group remain able to manage cash and centrally coordinate transfers of funds in order to efficiently and effectively operate their business operations. Disrupting the Applicant's current cash management procedures would impair the Applicant's and the Barzel Group's ability to preserve and enhance their respective going concern value and to successfully complete a sale during these restructuring proceedings.

55. The Centralized Cash Management System provides significant benefits to the Applicant and the Barzel Group, including the ability to: (a) closely track, and thus control, all corporate funds through the provision of near-continuous status reports on the location and amount of all such funds, (b) ensure cash availability, and (c) reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate account balance and presentment information. Indeed, the Applicant believes that any disruption in the Centralized Cash Management System would likely cause delays in the collection and disbursement of funds, thus impeding the Applicant's ability to carry out their normal business operations to the detriment of the Applicant's employees, customers and suppliers.

56. The Centralized Cash Management System allows the Barzel Group to centrally manage all of its cash flow needs and includes the necessary accounting

controls to enable the Applicant, as well as its creditors and the Monitor, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable. The Applicant will continue to maintain detailed records reflecting all transfers of funds. Any changes to the Applicant's bank accounts or its treasury systems that report on account activity and generate wire transfers would be disruptive to the Applicant's business operations and could undermine the effectiveness of such systems.

57. Therefore, it is both essential and in the best interests of the Applicant that the Centralized Cash Management System be maintained. Furthermore, the Applicant's efforts to consummate a coordinated sale of its business operations with the rest of the Barzel Group (as discussed below) will be facilitated by preserving the "business as usual" atmosphere and avoiding the distractions that would be associated with disruptions in the Centralized Cash Management System.

Financial Statements

58. Attached hereto as Exhibits "B", "C" and "D" respectively are (a) the unaudited consolidated balance sheet and income statement (internal) of the Applicant for July 2009 year-to-date (i.e., November 30, 2008 to July 25, 2009), (b) the unaudited consolidated balance sheet and income statement of the Applicant for the year ended November 29, 2008, and (c) the audited Consolidated Financial Statements of Barzel Industries Inc. for the year ended November 29, 2008.

59. As depicted on the financial statements referred to above, as of July 25, 2009 the Applicant had total liabilities of approximately CDN\$238 million and total assets of approximately CDN\$133 million.

Reasons for the Applicant's Insolvency

60. The Barzel Group has suffered increasing operating losses during 2008 and 2009. The Barzel Group's losses are due, in large part, to the current global economic recession and credit crisis, and the resulting dramatic downturn in the automotive, transportation, manufacturing and construction industries in the United States and Canada which account for many of the Barzel Group's customers.

61. The Barzel Group's losses have been exacerbated by an unprecedented increase in customer inventories through mid-2008 due to a run-up in steel prices through that time which, upon the onset of the recession, led to an inventory overhang that depressed demand over and above that caused by the recession. In addition, the Barzel Group's losses have been exacerbated by the unprecedented reduction, subsequent to mid-2008, in the overall price of steel, which was exacerbated by a decrease in consumer confidence resulting from the global financial crisis and recessionary environment.

62. The reduced demand and lowered prices for the Barzel Group's goods and services resulted in a significant decrease in revenue. The Barzel Group's declining operating performance reduced liquidity and limited the Barzel Group's ability to borrow under the ABL Facility or obtain new financing to fund their operations.

63. To offset these factors, the Barzel Group has taken numerous steps over the past eighteen (18) months to reduce expenses and improve operations. Among other things, the Barzel Group has closed or sold six (6) redundant distribution and processing facilities, reduced their workforce by approximately 350 people, lowered annual operating expenses by approximately US\$33 million and reduced inventory levels by approximately US\$110 million.

64. Despite these efforts, the Barzel Group was not able to make the interest payment due under the Notes on May 15, 2009.

65. Accordingly, on May 14, 2009, the Debtors and the Holders entered into a deferral agreement (as amended, the "**Deferral Agreement**") with respect to the Notes. Pursuant to the Deferral Agreement, the interest payment due on May 15, 2009 was deferred until August 14, 2009. On July 17, 2009, the Debtors and the Holders amended the Deferral Agreement and further deferred payment of outstanding interest until October 13, 2009.

66. Under the Deferral Agreement, the Debtors were required to pursue an expedited sale and marketing process for substantially all of their assets.

67. On June 1, 2009 and July 17, 2009, the ABL Facility was also amended to provide the Debtors with limited liquidity to enable them to pursue and consummate the sale process contemplated under the Deferral Agreement. The ABL Facility was also amended to take out any of the ABL Lenders that were not Holders, leaving JPM and CIBC as the remaining ABL Lenders.

Sale Process

68. As a consequence of the terms of the Deferral Agreement, on May 2, 2009 the Debtors retained Houlihan Lokey Howard & Zukin Capital, Inc. ("**Houlihan**") to assist them in identifying and pursuing a sale transaction. Upon its engagement, Houlihan prepared written materials, including a confidential information memorandum, to market the Barzel Group's business. During the ensuing weeks, Houlihan identified and contacted over 220 potential strategic and financial buyers/investors known to it. Of those parties, 72 executed confidentiality agreements, received the information memorandum and gained access to an electronic data room to conduct their due diligence. Thereafter, more than thirteen (13) potential buyers and investors received management presentations or conducted facility tours.

69. After this initial round of marketing and due diligence, the Barzel Group received twelve (12) offers to pursue a transaction involving substantially all of its assets, including nine (9) offers from financial buyers/investors and three (3) offers from strategic buyers/investors. After the deadline for submitting first-round offers expired, the Barzel Group also received proposals from two (2) additional strategic buyers/investors.

70. After reviewing these offers, Barzel Industries Inc.'s board of directors directed Houlihan and its management to initiate an in-depth diligence process and conduct a final round of bidding. Eight (8) offers were submitted during the final round of bidding, consisting of offers from five (5) financial and three (3) strategic buyers/investors.

71. Between the initial marketing period and first and final rounds of bidding, interested parties have had more than three and a half (3½) months to conduct extensive due diligence of the Barzel Group.

72. After carefully reviewing the final round offers, Barzel Industries Inc.'s board of directors directed Houlihan and its management to negotiate with and assist four (4) bidders to expeditiously secure a fully financed bid and definitively documented transaction that maximized the value reasonably obtainable under the circumstances and to continue to work with other bidders who might reasonably be expected to submit a bid in a sale process under section 363 of the Bankruptcy Code.

73. After allowing a reasonable time for securing bids that satisfied such criteria and reviewing the status of bids then available for acceptance, Barzel Industries Inc.'s board of directors selected Chriscott USA Inc. and 4513614 Canada Inc. ("**Metco**") to serve as a stalking horse purchaser of substantially all of the Barzel Group's assets.

74. Given the financial condition of the Barzel Group, Metco was not prepared to purchase any of the assets of the Barzel Group outside of formal insolvency proceedings.

Elements of the Restructuring

75. At the time of selecting Metco's offer as the best current offer for the sale of all of the assets of the Barzel Group, the Barzel Group's liquidity constraints were severe. The Barzel Group will need additional liquidity to continue operating during

formal insolvency proceedings if it is to conduct a sale of its assets via such proceedings as required by Metco.

76. The ABL Lenders have agreed to extend limited debtor-in-possession financing to the Debtors to support the the Barzel Group's operations during the sale process. The ABL Lenders have, however, made clear that they will not finance the Barzel Group beyond December 11, 2009. The ABL Lenders also informed the Barzel Group that their willingness to provide such financing was predicated, in part, on the Applicant bringing an independent application for protection under the CCAA rather than being filed as a debtor in the Chapter 11 Proceedings.

77. Late in the evening on September 14, 2009, the Barzel Group and Metco have executed an asset purchase agreement (the "**APA**") pursuant to which Metco will agree to purchase substantially all of the Debtors' assets for US\$65 million, subject to certain adjustments and the assumption of certain liabilities.

78. The APA does not include the purchase of the Applicant's interest in the Delta Tube joint venture. However, the Applicant is prepared to sell its interest in the Delta Tube joint venture to Metco upon appropriate sale documentation being agreed to subject to approval by the Canadian Court (defined below). Metco has agreed to a purchase price of no less than CND\$3 million for the Applicant's interest in the Delta Tube joint venture should such transaction be so effected and approved. Such a sale will be the subject of a future motion before the Canadian Court.

79. As the value of Barzel Group's assets appears to be significantly less than what is owed to the Holders and ABL Lenders, and the Applicant will not be able to consummate a sale of its assets without additional liquidity being afforded to it and the Barzel Group, the only alternative to an imminent bankruptcy of the Applicant is to seek protection under the CCAA so as to avail itself of the additional financing being offered by the ABL Lenders and attempt to complete the implementation a sale of its assets as contemplated in the APA.

The Monitor

80. Deloitte & Touche Inc. ("**Deloitte**") has agreed to act as Monitor in connection with this CCAA Application if so appointed by the Court. Deloitte's consent in this regard is attached as Exhibit "E".

81. As an officer of the court, the Monitor will assist the Applicant with the implementation of sales process as contemplated in the APA, will prepare and submit progress reports to the Court, and will facilitate communication between the Applicant and its creditors and other stakeholders. The Monitor's role will include monitoring the assets of the Applicant and the conduct of its businesses, advising the Applicant in connection with the preparation of the Applicant's cash flow statements and other financial affairs in connection with the DIP financing described below, and advising the Applicant, the Court, and the Holders and ABL Lenders (collectively, the "**Secured Lenders**") on the business affairs of the Applicant during the course of these proceedings under the CCAA.

DIP Financing

82. The Applicant does not have sufficient sources of working capital, including cash collateral, to operate its business while it attempt to preserve its going concern value during the implementation of a sale process. Indeed, the Applicant's ability to obtain sufficient working capital to operate through such a sale process and closing is critical to preserving the Applicant's going concern value and maximizing the realizable value of the Applicant's assets.

83. Consequently, JPM and CIBC (in this capacity, the "**DIP Lenders**") have agreed to make working capital financing available to the Applicant and the US Debtors on a super-priority basis during these proceedings pursuant to a senior secured, super-priority debtor-in-possession revolving credit agreement among Barzel Industries Inc., Barzel Finco Inc. and the Applicant and JPM, as administrative agent (the "**DIP Credit Agreement**"). A copy of the proposed DIP Credit Agreement is attached hereto as Exhibit "F". The DIP Credit Agreement provides for a revolving credit facility in an aggregate principal amount not to exceed US\$30 million (the "**DIP Facility**"). Either Barzel Finco Inc. or the Applicant can borrow under the DIP Facility up to the aggregate maximum amount permitted thereunder. It is contemplated that the Applicant will guarantee all obligations owing under the DIP Facility.

84. However, the DIP Credit Agreement provides that until the Final Order Entry Date and the expiration of the Canadian Appeal Period (as each term is defined in the DIP Credit Agreement) (the "**Interim Period**"), the total amount available under the DIP Facility is limited to the lesser of (1) US\$17.5 million and (2) the sum of (a) US\$7

million, plus (b) an amount equal to the aggregate Interim Reimbursed Amounts (as defined in the DIP Credit Agreement) applied to repay the Prepetition Credit Agreement Obligations (as defined in the DIP Credit Agreement) pursuant to Section 5.18 of the DIP Credit Agreement, and (c) the amount of any loan deemed requested pursuant to Section 2.03(b) of the Credit Agreement.

85. The effect of the foregoing provisions is that during the Interim Period, any and all amounts of Cash Collateral (as defined in the DIP Credit Agreement) shall be deemed to be used to pay down the Prepetition Credit Agreement Obligations and an advance in equal amount shall be deemed to have been effected under the DIP Credit Agreement. The deemed pay down and advance shall be effected by book entries only. In addition, on the Filing Date (as defined in the DIP Credit Agreement) Barzel Finco Inc. will be deemed to have requested a loan to effect a pay down of the Prepetition Credit Agreement Obligations in an amount equal to the aggregate amount of funds on deposit in any account of the Barzel Group (other than payroll accounts) in excess of US\$2 million.

86. Aside from the deemed pay down of Prepetition Credit Agreement Obligations as advances under the DIP Facility for the Interim Period, borrowings under the DIP Facility may only otherwise be used for working capital and other general corporate needs in the ordinary course of business, restructuring expenses, adequate protection payments as may be required in the Chapter 11 Proceedings, and repayment of any outstanding Prepetition Credit Agreement Obligations.

87. The DIP Facility will mature on the earliest of (i) December 11, 2009, (ii) the date of consummation of any sale of all or substantially all of the US Debtors' assets pursuant to section 363 of the Bankruptcy Code coordinated with the sale of substantially all of the Applicant's assets under the proposed CCAA proceedings, and (iii) thirty (30) days after the Filing Date (as defined in the Credit Agreement) if the US Court or the Canadian Court fails to approve the DIP Credit Agreement on a final basis.

88. The ability to obtain advances under the DIP Facility is subject to, among other things, compliance with certain milestones for a sale of substantially all of the US Debtors' and Applicant's assets pursuant to section 363 of the Bankruptcy Code and the CCAA (the "**363 Sale**") including (i) a motion to approve the sale (including bid and auction procedures) being filed by no later than two (2) business days after the Filing Date, (ii) an order approving the bid procedure motion having been entered no later than eighteen (18) days after the Filing Date, (iii) bids for the 363 sale being due by no later than thirty-five (35) days after the Filing Date, (iv) if applicable, an auction occurring by no later than forty (40) days following the Filing Date, (v) the hearing to confirm the 363 Sale having been concluded and the order confirming the 363 Sale having been entered no later than forty-five (45) days after the Filing Date, and (vi) the 363 Sale having been consummated by no later than sixty (60) days following the Filing Date.

89. The Applicant does not have sufficient sources of working capital to operate its business while it attempts to implement the 363 Sale process without the financing being offered by the DIP Lenders. Due to their financial condition, the

Applicant and US Debtors were not able to procure sufficient financing from an alternative lender on more favourable terms than those that govern the DIP Facility.

90. The Applicant's and US Debtors' ability to continue operating is critical to preserving the Applicant's going concern value and ensuring that the value of the realizable value of the Applicant's assets is maximized. The Applicant, its employees and other stakeholders will suffer irreparable harm if the DIP Facility is not approved and if the Applicant does not obtain the working capital it needs to consummate a sale of its business as a going concern.

91. Subject to the approval of the Canadian Court (defined below), and corresponding approval by the US Court (defined below), the Applicant proposes to enter into the DIP Credit Agreement and all related and collateral documentation required by the DIP Credit Agreement.

D&O Charge

92. Given the Applicant's current financial circumstances, the directors and officers of the Applicant are not prepared to remain in such offices without knowing that they will be fully protected from any liability which may arise during their continuance as such directors and officers. Accordingly, the Applicant requests a charge over the Applicant's assets in favour of the Applicant's directors and officers against obligations and liabilities that they may incur as a director or officer during the restructuring period. The directors may be personally liable for wages and related amounts, including, without limitation, provincial retail sales taxes, vacation pay, *Income Tax Act* employee

withholdings, *Canada Pension Plan* employee and employer remittances, *Employment Insurance Act* employee and employer remittances, *Excise Tax Act* GST collected and pension plan contributions. The directors' continued service to the Applicant will be dependent upon a D&O charge to ensure that any strict liability amounts (e.g., wage and vacation arrears), other possible statutory liability amounts and any defence costs associated therewith are provided for. The Applicant estimates rolling exposure to such liabilities at approximately CDN\$2.3 million. The Secured Lenders have consented to the granting of this priority charge in the amount of CDN\$2.3 million.

93. Deloitte has assisted the Applicant in arriving at this figure. As to current insurance covering the Applicant's directors, Barzel Industries Inc. is the policy holder of a directors, officers and private company liability insurance policy written by Chubb Specialty Insurance and XL Specialty Insurance Company. The limit of liability is US\$7.5 million in the aggregate, including defence costs. The current policy covers the period from November 15, 2008 to November 15, 2009 and covers all subsidiaries of Barzel Industries Inc. The policy covers claims made against the Applicant's directors or officers in connection with the Applicant's failure to pay wages or to make the required statutory deductions, withholdings, or remittances pertaining to salary and wages.

13 Week Cash Flows

94. A spreadsheet depicting the Applicant's 13 week cash flows is attached hereto as Exhibit "G" and confirms that the Applicant should have sufficient liquidity

available to continue operating while under the protection contemplated pursuant to the CCAA.

Cross-Border Protocol

95. As discussed above, the US Debtors will be commencing the Chapter 11 Proceedings concurrently with the Applicant's application for protection under the CCAA. In addition, the restructuring being contemplated involves approving a stalking horse asset purchase agreement and related bid procedures in connection with effecting an *en bloc* and simultaneously coordinated sale of the US Debtors' assets in the U.S. and the Applicant's assets in Canada. Accordingly, the Chapter 11 Proceedings will need to be closely coordinated with the Applicant's proposed proceedings under the CCAA. In this regard, the Applicant anticipates that any hearing within the Applicant's CCAA proceedings to approve the APA, bid procedures and related matters will be conducted as joint hearings before Ontario Superior Court of Justice – Commercial List (the "**Canadian Court**") and the United States Bankruptcy Court for the District of Delaware overseeing the Chapter 11 Proceedings (the "**US Court**").

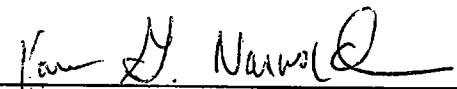
96. Accordingly, a cross-border insolvency protocol should be put in place in order that there may be an understood and accepted protocol for communication and cooperation between the Canadian Court and the US Court in the parallel administration of the Applicant's CCAA proceedings and the US Debtor's Chapter 11 Proceedings.

97. The US Debtors and Applicant will be proposing that the same cross-border insolvency protocol be adopted and approved by the US Court and the Canadian Court. A copy of this proposed cross-border insolvency protocol is attached as Exhibit "H".

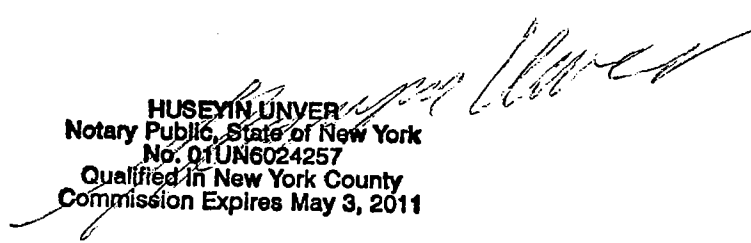
Conclusion

98. Barzel Finco Inc., pursuant to a unanimous shareholder declaration, has resolved that it is in the best interest of the Applicant to file for protection under the CCAA under the current circumstances. Barzel Finco Inc. has determined, based on the advice of its financial advisors, that absent CCAA protection and the accommodations of its Secured Lenders, the only recourse for the Applicant would be to declare bankruptcy, a result that would be detrimental to the interests of the all of Applicant's creditors, as well as its customers, employees, and suppliers.

SWORN/ATTESTED BEFORE ME)
at the City of New York, in the)
State of New York , USA, this)
15th day of September, 2009)
_____)



Karen Narwold


HUSEYIN UNVER
Notary Public, State of New York
No. 01UN6024257
Qualified in New York County
Commission Expires May 3, 2011

**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.**

Court File No:

**ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIS**

Proceeding commenced at Toronto

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