

EXHIBIT K

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re:
BARZEL INDUSTRIES, INC., et al.,
Debtors. Chapter 11
Case No. 09-13204(CSS)
(Jointly Administered)

-----X
October 28, 2009
10:18 p.m.
Kelley Drye & warren LLP
101 Park Avenue
New York, New York 10178

A U C T I O N

A T T E N D E E S :

- CARLIN ADRIANOPOLI, Committee
- MICHAEL SELWOOD, Committee
- SEAN D. MALLOY, Committee
- ANDREW DeNATALE, Stroock & Stroock & Lavan LLP
- ROBERT W. GUAZZO, Stroock & Stroock & Lavan LLP
- DANIEL P. GINSBERG,
Stroock & Stroock & Lavan LLP

- MICHAEL PEDRICK, Morgan, Lewis & Bockius LLP

- NEIL HERMAN, Morgan, Lewis & Bockius LLP

- ANGELA JONES, Morgan, Lewis & Bockius LLP

- BRYAN JONES, Metco

LARRY CANNON, Metco

CHARLES YINJST, Barzel Industries Inc.

DAVID DANNENBERG

THOMAS STEARNS

WAYNE DAY

KAREN G. NARWOLD, ESQ. Barzel Industries

CRAIG ROGERS

DANIEL NICOLAIEVSKY

DAVID FELDMAN, Gibson Dunn & Crutcher LLP

SAMUEL NEWMAN, Gibson Dunn & Crutcher LLP

STEVEN BUFFONE, Gibson Dunn & Crutcher LLP

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2 A T T E N D E E S(Continued):

3 EDWARD KURASZ, Tyco

4 JOSEPH BRAUN, Tyco

5 LEE AMRAM, Tyco

6 WES TOMASZEK, Tyco

7 ERIC LOPEZ SCHNABEL, Dorsey & Whitney LLP

8 GERALD GLINE

9 JOEL RATHBUN

10 KYLER WELLS

11 LOUIE BILOBRK, Samuel Manu-Tech Inc.

12 MARC WASSERMAN, Osoer, Hoskin & Harcourt LLP

13 MARC HENKELS

14 NORMAN PERNICK, Cole Schotz

15 PAUL MANN

16 PAUL van EYK, Canadian Monitor

17 ROBERT MALLARD

18 ROSEMARY NEWMAN

19 ROBIN B. SCHWILL,
Davies Ward Phillips & Vineberg LLP

20 R.A. (RON) BEDARD, Lakeside Steel Corporation

21 SCOTT JONES

22 SURAJ TOLANI

23 TED FARRIS

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A T T E N D E E S(Continued):
JASON ADAMS, Kelley Drye & Warren LLP
PATRICIA M. LEE, Kelley Drye & Warren LLP
DANIEL SULLIVAN, Houlihan Lokey
JEFFREY LEWIS, Houlihan Lokey
ANDREW TURNBULL, Houlihan Lokey
BYRON JAMES

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Auction
MR. FEDER: We're on the record.
This is the auction of Barzel Industries
Inc. and its affiliated Debtors and Debtors in
Possession, collectively referred to as the Debtors.
MR. BRYAN JONES: Could you stand in the
middle of the room so that both sides can be able to
hear, please.
MR. DeNATALE: Do you have a loudspeaker?
MR. BRYAN JONES: We've been here for 12
hours waiting for this, or 14. Can we hear it? We
can't hear anything.
(Pause.)
MR. FEDER: We are on the record.
This is the auction for the assets of
Barzel Industries Inc. and its affiliated Debtors and
Debtors in Possession, pursuant to the Order of the
United States Bankruptcy Court for the District of
Delaware entered on October 6th.
The Order approves proposed Sale
Procedures and buyer protections in connection with
the sale of the purchased assets, as defined in the
Sale Procedures that were approved and attached as an

24 exhibit to the Order.
25 My name is Benjamin Feder of Kelley Drye &

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1 Auction
2 Warren, special corporate counsel for the Debtors.
3 With me today, among others, are Norman Pernick of
4 Cole Schotz, Debtor's primary counsel pursuant to
5 327(a) of the Bankruptcy Code.

6 Pursuant to the Sale Procedures, there was
7 a bid deadline of Monday, October 26th for competing
8 offers to be made, which had to be qualified bids as
9 set forth and defined in the Sale Procedures.

10 The Stalking Horse bid was the bid
11 submitted by Chriscott USA Inc. and 4513614 Canada
12 Inc. in the amount of \$65 million, subject to various
13 adjustments as set forth in the Asset Purchase
14 Agreement.

15 Among other requirements, a qualified bid
16 or qualified bids had to exceed the value set forth
17 in the Stalking Horse Asset Purchase Agreement by no
18 less than \$3.2 million, representing the value of the
19 breakup fee and expense reimbursement provided for
20 under the Asset Purchase Agreement and an overbid
21 increment of \$500,000.

22 The Debtors received four bids that, in
23 consultation with the official Committee of Unsecured
24 Creditors and the Canadian Monitor and the Debtor in
25 Possession Lenders, it is determined are qualified

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1 Auction
2 bids in accordance with the Sale Procedures.

3 Those bids were received from Tyco, an
4 affiliate of Tyco, Allied Tubing, Lakeside, Samuel
5 Manu-Tech, and North American Steel.

6 Debtors made the determination that they
7 were qualified bids and entitled to participate in
8 the auction.

9 Notwithstanding the Debtor's determination
10 that these bids were qualified bids, we identified a
11 number of concerns that we had with the bids and
12 needed to address prior to the commencement of the
13 auction.

14 Many of these concerns were similarly
15 articulated by the Stalking Horse bidder. And we
16 note that the Stalking Horse bidder reserves all
17 rights with respect to whether these bids were
18 qualified bids, and may raise any issues with respect
19 to those bids, and that its participation in the
20 auction does not constitute a waiver of any of those
21 rights.

22 Among the significant issues that were
23 identified among the four bids, which will be

24 referred to for purposes of this auction as the
25 Consortium bid, was the timing of closing, the

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1 Auction

2 identification of the assets that would be taken by
3 each of the respective bidders, vacation pay for
4 severed employees and COBRA coverage, cure cost cap,
5 the working capital adjustment numbers, certain
6 requested bid protections that were sought in certain
7 of the qualified bidder's Asset Purchase Agreements,
8 the designation of executory contracts and the timing
9 for such designation, requested releases, and the
10 question of whether the bids would be closing
11 simultaneously.

12 As the day proceeded, a number of
13 discussions took place between the Debtors, in
14 consultation with the Committee and with the Lenders,
15 with both the Stalking Horse bidder and the
16 Consortium bidders to work through those issues.

17 Among other issues that were addressed by
18 the Consortium bidders, they agreed that there would
19 be no overlap and that they would ensure that
20 there would be -- excuse me -- that they would ensure
21 that there was no overlap of the assets that each
22 would be taking pursuant to its respective Asset
23 Purchase Agreement.

24 There was a representation that the
25 employees of Stonycreek would continue to be

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1 Auction

2 employed, that 28 salaried employees would be
3 employed after the closing by Lakeside, 15 hourly
4 employees would be taken by Samuel Manu-Tech, that
5 accrued vacations would be paid, that cure costs in
6 the aggregate would be limited to \$30,000, that there
7 would be an assumption of contracts relating to
8 COBRA.

9 If I am misstating any of these
10 provisions, I apologize, given the number of back and
11 forths that we had, and I apologize if I did not
12 clearly capture some of these understandings. And
13 obviously there will be every opportunity to correct
14 any of these conditions and terms on the record.

15 That the working capital adjustment would
16 be consistent with the amount and calculation as set
17 forth in the Stalking Horse agreement. And that
18 would be comparable on an apples to apples basis.
19 That any termination fees would be eliminated. That
20 there would be, with respect to executory contracts,
21 there would be a designation deadline prior to the
22 sale hearing to be held on October 30th. That
23 representations and warranties would be the same as

24 set forth in the Metco and in the Stalking Horse
25 agreement. That there would be a simultaneous

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1 Auction

2 closing of all four Asset Purchase Agreements. That
3 there would be no condition to closing relating to
4 any competition or anti-competition or any trust
5 issues. And they represented that they would seek to
6 close on or prior to November 9th.

7 Okay. I understand it was later amended
8 to November 13th.

9 And their bid remained at 68.2 million.

10 During the day there were discussions
11 among the Creditor's Committee, as I indicated there
12 were discussions among the Creditor's Committee, the
13 Debtors, the Banks and Metco, and then further
14 discussions involving solely the Creditor's
15 Committee, the Banks and Metco, where agreement was
16 reached with respect to a general release that was
17 contained in the --

18 MR. FELDMAN: Excuse me, I have to object.

19 These are conversations where we had
20 private communications, they were not for a public
21 discussion.

22 We are not to put any things on the
23 record -- you were not a part of -- you weren't a
24 part of any of those conversations. Any of those
25 conversations you're getting second and thirdhand.

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1 Auction

2 And this is David Feldman from Gibson Dunn
3 & Crutcher, for Chriscott USA.

4 We don't put anything on the record with
5 regard to anything, any private conversations that
6 were had which were not formal and on the record and
7 have no binding effect unless and until we do that.

8 So your recitation of today's events were
9 fine, but keep us out of anything up until this
10 point. The only thing that we're bound to do is the
11 agreement that we signed.

12 If we are going to make any modifications
13 or there's a request to make modifications, this is
14 the forum to do it. We have not agreed to anything
15 on the record.

16 MR. FEDER: I acknowledge that what I am
17 saying is simply a recitation of events, and nothing
18 that I am stating is binding in any way upon Stalking
19 Horse bidder until such time as it will be stated on
20 the record.

21 I am stating what our understanding of the
22 respective bids of the parties are coming into this
23 auction.

24 MR. FELDMAN: You can say what you'd like.
25 MR. FEDER: I just acknowledged that you

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1 Auction
2 are not bound by it until you state it on the record.
3 Is there anything --
4 MR. FELDMAN: I can stand up here and give
5 my observations.
6 The auction was supposed to start at 10:00
7 a.m. It's now 10:30 p.m., and nothing has happened
8 today.

9 You can stand up here and make
10 observations of what happened today, but frankly
11 they're of no evidentiary effect. From my
12 perspective, I think it is a complete waste of time.

13 If you want to put it, quote, on the
14 record and have us put our agreements on the record,
15 let's do that. Your recitation of today's wasted
16 time event is of no use to me. Do what you'd like.

17 MR. FEDER: My understanding of the
18 agreement reached, articulated to me by counsel for
19 the Creditor's Committee and counsel for the Lenders,
20 which I acknowledge is not binding on Stalking Horse
21 bidder until such time as they state it on the
22 record, was that with respect to the general release
23 set forth in the Asset Purchase Agreement there would
24 be a payment to the Unsecured Creditor's Committee in
25 the amount of \$500,000, thus raising the level of

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1 Auction
2 their bid up to --
3 MR. FELDMAN: David Feldman, Gibson Dunn.
4 Just to be clear again, Debtors were not part of the
5 conversation.
6 We had thought we had made it clear to the
7 parties involved the conversation was between us.
8 And whatever agreements and representations they made
9 to us as to their willingness to keep that in
10 confidence obviously they breached, and we reserve
11 all rights with respect thereto.

12 MR. FEDER: We communicated to the
13 Consortium bidders that the Debtors, following
14 consultation with the Committee and the Canadian
15 Monitor, and with the consent of the Debtor in
16 Possession Lenders, viewed the Metco bid -- I correct
17 that -- the offer not formally made on the record by
18 Metco with respect to the general release and the
19 manner in which it modified the Stalking Horse bid,
20 to be the highest and best bid. And that we were
21 prepared to go forward into the auction with Metco
22 being the highest and best bidder to start.

23 Consortium bidders subsequently came back

24 with an offer that significantly modified the
25 proposal that had been submitted as the qualified
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1 Auction

2 bids, wherein the assets would be purchased solely by
3 Lakeside and Tyco for the price of \$68.2 million,
4 excluding the Stonycreek facility assets. And that
5 the Stonycreek facility asset would remain an
6 excluded asset, with the understanding that that
7 could be sold to Samuel Manu-Tech in a separate
8 transaction for the purchase price set forth in the
9 Samuel Manu-Tech Asset Purchase Agreement of
10 \$9.75 million.

11 There are a number of conditions to the
12 proposal put forward by Lakeside and Tyco that we
13 want clarification on the record.

14 And I would ask Dan Ginsberg to come up at
15 this time and articulate those conditions.

16 Based upon the satisfaction of those
17 conditions, we are prepared to deem what I will
18 continue to call the Consortium bid as highest and
19 best for purposes of this auction.

20 MR. GINSBERG: Daniel Ginsberg from the
21 law firm of Stroock & Stroock & Lavan, counsel to the
22 Debt Lenders and the Prepetition Secured Lenders.

23 I think just one clarification on the
24 conditions on the Consortium is that North American
25 Steel as I understand it is still part of the deal,
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1 Auction

2 but their financing is being backed by Tyco and
3 Lakeside, so that they are still a part.

4 And one other clarification is that while
5 the property at, for the Samuel Manu-Tech, the
6 property that they wanted, that's going to be
7 excluded, and discussions will be had with Samuel
8 Manu-Tech on how to proceed with that, but signing
9 with them tonight is not at all tied with the overall
10 deal.

11 In addition, as part of it at 68.2, there
12 will be a representation in both agreements, or in
13 all three agreements, that there are no Canadian
14 competition issues at all, including no notification
15 that needs to be given. They will commit to close by
16 November 13th.

17 If either of those are breached by one or
18 both of the parties, the Debtors can walk from those
19 transactions and retain the deposit of the breaching
20 party. They can then, will have the rights with a
21 back-up bidder. The severance will be picked up for
22 the Stonycreek employees. That will be dealt with.

23 And I think that's all the conditions that

24 we're aware of.
25 (Pause.)

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2 MR. FEDER: I would ask at this time that
3 either counsel for Tyco or counsel for Lakeside come
4 to the podium and confirm whether the conditions
5 articulated by Dan Ginsberg are correct.

6 (Pause.)

7 MR. PEDRICK: Michael Pedrick, Morgan,
8 Lewis Bockius, on behalf of Tyco.

9 We have listened to the recitation of the
10 counteroffer that we had discussed with the Debtor in
11 connection with the acquisition of the assets of
12 Barzel.

13 We agree with that recitation, with a few
14 points of clarification.

15 The first is that in connection with
16 giving a representation as to the absence of an
17 obligation to file the notification filing with the
18 Canadian competition authorities, as this is based
19 upon information we would need to receive from the
20 Debtor, we would need to include from the agreement
21 as a representation from the Debtor a representation
22 that the aggregate book value of the assets in Canada
23 to be acquired do not exceed \$70 million, and the
24 aggregate revenue associated with or derived from
25 these Canadian assets to be acquired do not exceed

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1 Auction

2 \$70 million, based upon the most recently prepared
3 audited financial statement.

4 Separately, we would also need the
5 agreements to clarify that if the parties are unable
6 to close, as is a requirement that all of the
7 acquisitions close simultaneously, if any of the
8 Consortium bidders are prepared to close and are not
9 in breach of their representations and warranties,
10 and are prepared to close as of the mandatory closing
11 date of the 13th, and closing does not occur because
12 one or the other members of the Consortium is unable
13 to close, that only that party not prepared to close
14 would forfeit its good faith deposit, and any party
15 in the Consortium prepared to close as of the
16 required date, if the closing did not go forward,
17 would receive their good faith deposit in return.

18 Lastly, to clarify, the aggregate working
19 capital target as part of our bid, when aggregated
20 with each of the other members of the Consortium,
21 would total \$34.5 million.

22 MR. SCHNABEL: Eric Lopez Schnabel, Dorsey
23 & Whitney, on behalf of Lakeside Steel.

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We would acknowledge and incorporate the statements made by the Debtors, by the Lenders

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clarifying certain statements, by Tyco clarifying those three points, and would affirm all those statements and provisions as just set forth.

MR. FEDER: Off the record.
(Off the record.)

MR. FEDER: Okay. We're going back on the record.

Benjamin Feder of Kelly Drye, the Debtors. Based on the most recent audited financials, the Debtors cannot make the representation requested by the Consortium bidders that the revenue does not exceed \$70 million. We cannot make that representation.

Do you wish to modify the conditions and clarifications you made on the record a few minutes ago with respect to your bid?

MR. SCHNABEL: Yes, we need a minute.
(Off the record.)

MR. FEDER: Going back on the record. This is Benjamin Feder of Kelly.

Counsel for Tyco and/or Lakeside are about to make a statement in respect to the Debtor's statement that they could not make the requested representation.

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I had been asked before, before they speak, just to clarify a point from earlier. As I have done many times in the course of these proceedings, I forget to mention that the process is being undertaken not only pursuant to the Order of the United States Bankruptcy Court for the District of Delaware, but also as well for the Superior Court of Justice of Ontario Commercial List.

MR. SCHNABEL: Eric Lopez Schnabel of Dorsey & Whitney, on behalf of Lakeside Steel.

First, I'd like to reincorporate the statements with respect to the bid or bids which have been set forth on the record already and, pursuant to the Debtor's question, amend it solely as follows: which would be removing the requirement that the Debtor make a representation regarding the revenue or book value of the Canadian assets for the last audited financials.

So Lakeside's bid will remove that required representation, and then everything else will remain the same.

Therefore, or to summarize what that

24 means, our deposit of I believe U.S. 19.45 million --
25 strike that -- 1.945 million would be at risk if the

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1 Auction
2 representation relating to the Anti-Competition Act
3 were breached.

4 MR. PEDRICK: Michael Pedrick from Morgan,
5 Lewis & Bockius, representing Tyco.

6 Again, we also reflect on the
7 modifications, recited modifications that were made
8 on the record earlier, including the Debtor's
9 counsel's statement as to their inability to make the
10 representation we had requested.

11 Due to that inability to make a
12 representation as to the assets and revenue of the
13 Canadian assets being acquired, Tyco was unwilling to
14 add a representation to its agreement that there
15 would be no mandatory filing or notice filing in
16 Canada under the anti-competition rules.

17 Beyond that point, all of the
18 modifications to our agreement previously discussed
19 we continue to stand behind.

20 (Pause.)

21 MR. PEDRICK: Michael Pedrick. I would
22 also like to add that, to clarify the Tyco proposal
23 on acquisitions does not include any Canadian assets.
24 The assets that our proposal include today has only
25 been Morrisville as some explanation of our concern

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1 Auction
2 on addressing the Canadian issues.

3 MR. FEDER: Off the record.

4 (Off the record.)

5 MR. FEDER: On the record.

6 MR. FELDMAN: David Feldman from Gibson,
7 Dunn, on behalf of Chriscott USA Inc. and its
8 affiliates.

9 We have several objections we just want to
10 note for the record.

11 We reserve all rights, and these
12 objections are without limitation to all of our
13 rights, with respect to this process.

14 We note, and we object for the record
15 frankly to the auction in total, starting with the
16 notion that the predicate to participating in the
17 auction was the receipt of a qualified bid.

18 We note for the record that we do not
19 believe the original bid submitted was in fact a
20 qualified bid, for a variety of reasons, among others
21 include the fact that there was insufficient
22 information provided in connection with the initial
23 bid with regard to ability and wherewithal to close

24 with respect to at least two of the entities.
25 We also believe, as evidenced by the

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2 revision to the proposed deal structure here, that
3 based on deal risk of the original deal and among
4 other reasons, that the aggregate value of the
5 proposed initial bid was not a qualified bid, and as
6 such we believe that the Debtor did not pursuant to
7 the bid procedures approved by the Court, by order of
8 this Court, was not authorized to even commence the
9 auction.

10 We also note that the auction was called
11 for 10:00 a.m. this morning, but without request.
12 And I would note the bid procedures do not call for
13 adjournments or extensions of the auction.

14 Frankly, it's our belief that request for
15 extension of the auction time, that because that
16 provision was not built into the Order, the Debtor
17 should have gone back to the Court, but didn't.
18 Instead, we have been sitting here for 13 hours
19 before the Debtor has gone on the record with respect
20 to the auction.

21 We want to make it clear we object to that
22 process as well.

23 We reserve all rights with respect to the
24 revised bid that's been put on the record.

25 As I note, we believe that the auction in

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1 total is really without merit and is not authorized
2 under the existing bid procedures. But in the event
3 that the Court were to ultimately determine that the
4 auction were authorized, we object to the current
5 bid, and believe that it does not satisfy as a
6 qualified bid under the bid procedures.

7 That's all our objections for now, and we
8 reserve all rights.

9 MR. FEDER: Ben Feder, on behalf of the
10 Debtors.

11 And again as stated before, we acknowledge
12 that all rights of Metco are reserved and that their
13 participation in the auction or failure to
14 participate in either way will not constitute a
15 waiver of any of those rights.

16 Once again, off the record.

17 (Off the record.)

18 MR. FEDER: On the record.

19 Benjamin Feder, for the Debtors.

20 We requested clarification from Lakeside
21 with respect to the offer that has been put on the
22 table.
23

24 with respect to the deposit, you had
25 mentioned the number, and it was the number contained
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1 Auction
2 in the APA that was submitted.
3 We were of the understanding, we thought
4 from earlier discussions, that the deposit was being
5 increased to half of the cash portion of the bid.
6 Could you please clarify.
7 MR. SCHNABEL: One second.
8 MR. FEDER: Off the record.
9 (Off the record.)
10 MR. FEDER: Going back on the record.
11 MR. SCHNABEL: Eric Lopez Schnabel of
12 Dorsey & Whitney, on behalf of Lakeside Steel.
13 I'm going to incorporate by reference the
14 bids -- or the statements regarding the bid and the
15 amendments and clarifications that I previously made
16 on the record. And I am incorporating in these by
17 reference to my statement now, and with one change
18 which will clarify the question that the Debtors have
19 asked. And that change is that the dollar amount of
20 the deposit that will be at risk for failure to close
21 by November 13th for breach of the APA which will
22 include the rep regarding the anti-competition
23 requirement in Canada, the dollar amount we would put
24 at risk is \$2.0 million. And that's it.
25 MR. DeNATALE: Hold on one second. One

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1 Auction
2 second.
3 (Pause.)
4 MR. FEDER: Off the record.
5 (Off the record.)
6 MR. FEDER: Back on the record.
7 Benjamin Feder, for the Debtors.
8 Based upon the clarification just stated
9 on the record by counsel for Lakeside, the bid as
10 articulated by Lakeside and Tyco is deemed to be
11 higher and better than the Stalking Horse bid
12 submitted by Chriscott.
13 Metco will now have an opportunity to
14 respond.
15 (Pause.)
16 MR. FEDER: Metco has requested that we
17 clarify on the record the breakdown of the assets
18 being taken by the three bidders, North American
19 Steel, Tyco and Lakeside.
20 MR. FELDMAN: Well, let me clear that up.
21 Given that there are three bidders, in the
22 event that that bid needs to be clarified, we
23 understand there are three separate bids, but we

24 understand the purchase price of each of the bidders,
25 we understand what the aggregate amount is.

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1 Auction

2 We would like to understand the purchase
3 price of each of the bidders -- we understand what
4 assets they're purchasing. We would like to
5 understand what their purchase price is for each of
6 the bidders.

7 One other request is that we understand,
8 as has been articulated on the record, that Tyco is I
9 think the words were backstopping the North American
10 financing.

11 We'd like to as part of this purported
12 qualified bid understand what documents, if any,
13 reflect that commitment to fund the backstop.

14 MR. FEDER: Okay. Off the record. We'll
15 go back on the record in five minutes.

16 (Off the record.)

17 MR. SCHNABEL: Okay. We're back on the
18 record.

19 It's Eric Lopez Schnabel of Dorsey &
20 Whitney, on behalf of Lakeside Steel.

21 First, the Debtors have already qualified
22 and deemed as the highest and best offer the
23 Consortium offer. And so we feel at this point
24 there's really no requirement to respond to any
25 further issues from another bidder. However, to be

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1 Auction

2 cooperative we're going to state the following:

3 That the purchase price allocation between
4 the three bidders is as follows: The Tyco bid is
5 44.1 million. The Lakeside bid is 19.2 million. And
6 the North American bid is 4.9 million.

7 MR. FELDMAN: Again, David Feldman,
8 Gibson, Dunn, for Chriscott.

9 Just one, again we reserve our rights with
10 regard to this proposed bid. We do note that in
11 order to be a qualified bid it's required that there
12 be set forth the ability for each of the bidders to
13 close.

14 We've heard no response to our question
15 with regard to North American's, the guarantee or
16 backstop by Tyco with respect to the North American
17 financing, and we object to that component of the
18 bid, among other reasons, as it's not being a
19 qualified bid.

20 With that objection and reservation of all
21 rights, we would ask for a brief adjournment for us
22 to consider our next move.

23 MR. FEDER: Off the record.

(Off the record.)

MR. FEDER: Back on the record.

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MR. FELDMAN: For the record, David Feldman from Gibson, Dunn & Crutcher, on behalf of Chriscott USA Inc. and 4513614 Canada Inc.

The Chriscott and 4513614 Canada Inc. submit the following bid: This bid is for the same assets as set forth in our Asset Purchase Agreement dated as of September 14, 2009.

The total purchase price for those assets is \$74.5 million.

In addition, these purchasers have agreed as part of this bid will provide a \$500,000 recovery to the Unsecured Creditors in consideration for a full and global estate release being binding on the Debtors and the Committee, with respect to any and all avoidance or other causes of action which could be brought against Chriscott and its affiliates with respect to any prior transactions or for any other reason.

And in addition, as part of this global transaction unless, if not otherwise clarified in our Asset Purchase Agreement, would also require the same release from the Lenders.

A few other conditions to note. That this bid, as a condition to this bid, and if the Debtors

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and other parties in interest are to accept the bid, this bid may not be used as a backup bid for any subsequent bid, nor can any other prior bid that we have submitted be used as a backup bid. Our bid, you know, we will have indeed have withdrawn our bid if the parties seek to accept on any other terms but the ones we have just articulated.

Just give me one moment to confer with my client to make sure I haven't forgotten anything.

(Pause.)

MR. FELDMAN: Two other clarifications.

One, our Asset Purchase Agreement, all other provisions of our Asset Purchase Agreement will remain intact, including all entitlements to any break fees upon the acceptance of any subsequent bid.

And in addition, we've agreed to amend our agreed closing date to November 13th.

I think with that, that is our bid, we are obviously available for any questions or clarifications that either the Debtor or any of the parties in interest may have.

(Pause.)

23

24 MR. DeNATALE: David, I guess just two
25 clarifications that we would like to make.
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2 Andrew DeNatale, Stroock. Two clarifications.
3 One, I'm assuming that the, not being used
4 as a backup bid, that relates to any discussions we
5 have had today, the initial bid that the Court
6 ordered pursuant to the Court procedures is still
7 there, the backup bid I'm assuming, correct?
8 MR. FELDMAN: AS a -- no, that's not
9 correct.

10 In the event that you accept this bid, the
11 condition to this -- to our submission and your
12 acceptance of this bid, is that we are not willing to
13 agree to be a backup bid for this bid or any prior
14 bids.

15 MR. DeNATALE: I'm not quite certain if we
16 could do that without a Court Order.

17 I think we're going to need five minutes.

18 MR. FEDER: Off the record.

19 (Off the record.)

20 MR. FELDMAN: Okay. This is David Feldman
21 again from Gibson, Dunn, on behalf of Chriscott.

22 We've been asked by the Debtors in
23 connection with the bid we have just articulated on
24 the record to modify our proposal to eliminate the
25 condition that our bid not, our current bid not, and

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1 Auction

2 our prior bid not serve as backup bids.

3 Before responding to that question, we
4 would ask for a clarification on the record from the
5 current bid that the Consortium has put forward that
6 the Debtors apparently have agreed to accept as a
7 topping bid, we would ask them to confirm, the
8 Consortium, to confirm on the record that their bid
9 in fact serves as a backup bid in its current state,
10 in the event that it were to be topped and the
11 topping bid were to be accepted by the Company.

12 MR. DeNATALE: We designated it already.

13 (Pause.)

14 MR. FEDER: Ben Feder, for the Debtors.

15 Obviously, I'll give the counsel for the
16 Consortium members a chance to respond or not respond
17 as they see fit.

18 Obviously, from the Debtor's standpoint we
19 believe the bid procedures to be clear, and the bid
20 that was made by the Consortium to be binding, in the
21 event we were to accept an alternative topping bid,
22 and that bid would serve as the next highest bidder
23 as set forth in the bid procedures, and that we would

24 proceed with that bid in the event we were unable to
25 close the bid selected as highest and best, the bid

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2 that was selected as the successful bid under the
3 terms of the Sale Procedures.

4 (Pause.)

5 MR. PEDRICK: Literally, 30 seconds.

6 MR. FEDER: Off the record.

7 (Off the record.)

8 MR. PEDRICK: Michael Pedrick from Morgan,
9 Lewis & Bockius, representing Tyco.

10 We've previously presented our bids and
11 reserve our rights. We have nothing further to add.

12 MR. SCHNABEL: Eric Lopez Schnabel, Dorsey
13 Whitney, on behalf of Lakeside's deal.

14 We've presented our bid, it is what it is,
15 we have nothing to add.

16 MR. DeNATALE: Andrew DeNatale from
17 Stroock.

18 I have to tell you, I'm a little bit
19 outraged by the comments by the previous speakers.
20 The bidding procedures are quite clear. And if
21 you're going to hondel and weasel about that, I'm
22 very upset. I really question the integrity of the
23 process.

24 You're bound, you didn't say anything,
25 you're bound.

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2 MR. SCHNABEL: Yeah, is that on the
3 record?

4 MR. DeNATALE: Put it on the record.

5 (Pause.)

6 MR. NEWMAN: Off the record.

7 (Off the record.)

8 MR. FEDER: We're going back on the
9 record.

10 Benjamin Feder for the Debtors.

11 I'd like to clarify -- I'm sorry?

12 MR. DeNATALE: I think they're in the room
13 over there if you want to get them to come out.

14 (Pause.)

15 MR. FEDER: Off the record.

16 (Off the record.)

17 MR. FEDER: All right. Back on the
18 record.

19 Benjamin Feder, for the Debtors.

20 As matters stand right now, a bid has been
21 made by Metco for the same assets as are set forth in
22 their Stalking Horse APA for a total purchase price
23 of 74.5 million, and certain other conditions which

24 they -- and they can clarify. But the one condition
25 in particular, that the bid cannot be used as a

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1 backup bid. The debt we are on the record stating is
2 not acceptable.

3
4 So, as matters stand now, the existing bid
5 put on the record by the Consortium is the -- I'm
6 sorry. As matters stand now, we are asking before we
7 accept the bid of the Consortium as the highest and
8 best, and before we allow Metco to make an additional
9 bid, we are requesting a clarification from both
10 sides with respect to the auction rules, Article IX
11 of the Sale Procedures, which say that "The Sellers,
12 in consultation with the Committee and with the
13 consent of the DIP Lenders, and in consultation" --
14 and I would add, even though it's not here -- in
15 consultation with the Canadian Monitor -- "may
16 determine in their reasonable business judgment which
17 qualified bid is a successful bid and the next bid,
18 i.e. the next best bid. And we object at any time
19 before entry of the Sale Order of any bid other than
20 the APA that in the Seller's reasonable judgment is
21 inadequate, insufficient, not in conformity with the
22 requirements of the Bankruptcy Code, the Sale
23 Procedures, or the terms and conditions of the sale,
24 or are contrary to the best interests of the Sellers
25 and their estates."

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1 Article IX goes on to say "The Sellers,
2 after consultation with the Committee, the DIP
3 Lenders and the Monitor, shall present to the
4 Bankruptcy Court and the Canadian Court for approval
5 the successful bid. If the successful bidder does
6 not close the sale within 24 days of entry of the
7 Sale Order and the Canadian approval of Investing
8 Order, then the Sellers shall be authorized, but not
9 required, with the consent of the DIP Lenders to
10 close with the party that submitted the next best bid
11 without further Court Order."

12
13 And I'm asking counsel for each of Tyco,
14 Lakeside and Metco to state simply on the record a
15 yes or a no whether they accept those provisions and
16 accept that any bids made, that have been made at
17 this auction, or that will be made at this auction
18 going forward, are subject to these terms and
19 conditions.

20 MR. SCHNABEL: Eric Lopez Schnabel,
21 Dorsey & Whitney, on behalf of Lakeside Steel.
22 We're prepared to make the following
23 statement: Our bid, as stated on the record here

24 tonight, not picked as the highest and best, is the
25 backup bid.

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2 MR. PEDRICK: Michael Pedrick, on behalf
3 of Tyco.

4 Similarly, our bid, as stated on the
5 record previously in this auction tonight, if not
6 selected as the highest bid, would stand as the
7 backup bid.

8 (Pause.)

9 MR. FEDER: For the record, the question
10 is being asked by counsel for Metco to counsel for
11 Tyco and Lakeside whether anybody speaks on behalf of
12 North American Steel with respect to their portion of
13 the Consortium bid.

14 (Pause.)

15 MR. DeNATALE: Ben, could we get this show
16 on the road?

17 MR. FEDER: What?

18 MR. DeNATALE: I think we should get the
19 show on the road.

20 MR. FEDER: Yes.

21 Let the record show that counsel for Tyco
22 and Lakeside are declining to answer or speak on
23 behalf of North American Steel with respect to that
24 particular question.

25 (Pause.)

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1 Auction

2 MR. FELDMAN: David Feldman again, for
3 Chriscott.

4 I want to note once again for the record
5 our objection, continuing objection on North
6 American's deal, one, to the insufficiency on the
7 record as to their ability to close or any
8 demonstration of evidence that the purported
9 commitment on the part of Tyco backs up their
10 financing has been absent.

11 I also note for the record at this point
12 in the auction when their bid is being put forward as
13 a continuing bid for subsequent bids, that no one is
14 present or is standing up on the part of North
15 American Steel to indicate that their bid still
16 stands, notwithstanding the fact that other bids have
17 come and topped that bid.

18 With all of those objections and rights
19 preserved, I will amend and restate our prior, our
20 bid, without going through all the details, we will
21 make one modification to that bid, and that is we
22 will strike those two conditions and we will instead
23 agree that we are, that our bid is subject to the Bid

24 Procedures and, in particular, Article IX.
25 MR. DeNATALE: Two minutes. Two minutes.

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2 MR. FEDER: Off the record.

3 (Off the record.)

4 MR. FEDER: Going back on the record.

5 Benjamin Feder, for the Debtors.

6 To clarify with respect to the Metco
7 bid -- and Metco can correct me if I misstate -- we
8 are viewing this bid as cash \$74.5 million. In
9 addition, there is the \$500,000 settlement with the
10 Creditor's Committee in exchange for the release as
11 previously stated. And I believe counsel for the
12 Committee may want to say something with respect to
13 the scope of the release. But otherwise we ascribe
14 that value, 75 million. And then for purposes of
15 comparing it to the existing Consortium bid of 78.2,
16 we have to ascribe value -- 68.2, plus value that is
17 ascribed that bid by virtue of the excluded asset.
18 We ascribe, we have to take into account the value of
19 the breakup fee and expense reimbursement of
20 2.7 million.

21 whether we add that, whether that's done
22 as an add-on to the Metco bid or factoring that into
23 the value, the total value received by the estate
24 from the Consortium bid, in either way we see that
25 there is a slight differential of approximately

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2 \$500,000 in favor of the Consortium bid.

3 Notwithstanding, based upon the
4 consultation with the Committee and the Monitor and
5 based upon direction of the Banks, we accept the
6 Metco bid right now, and that stands as the highest
7 and best offer.

8 (Pause.)

9 MR. FEDER: A clarification. The
10 difference between the bids is \$166,000.

11 Metco stands as the highest and best offer
12 right now.

13 Okay. In favor of the Consortium, right,
14 Jason?

15 MR. ADAMS: Yes.

16 MR. FEDER: Yes.

17 MR. ADAMS: In terms of dollar value,
18 correct.

19 MR. FEDER: We'll hand -- we will provide
20 that clarification to the Consortium?

21 MR. MALLOY: This is Sean Malloy, for the
22 Committee.

23 Mr. Feder mentioned something about

24 clarifying a release issue.
25 I just want to say our only concern about

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1
2 the scope of the release, which is intended to be
3 broad, is that it doesn't apply going forward for any
4 breaches related to this transaction.

5 MR. FELDMAN: David Feldman, confirmed on
6 behalf of Chriscott.

7 (Pause.)

8 MR. FEDER: Off the record.

9 (Off the record.)

10 MR. FEDER: Okay. We're back on the
11 record.

12 Benjamin Feder, for the Debtors.

13 We are asking Tyco and Lakeside if they
14 wish to make a bid in response to the Metco bid. And
15 as I understand it, they are declining.

16 And so we are hereby declaring Metco's bid
17 at 74.5 plus the Committee release, and as otherwise
18 stated on the record, to be the successful bid at
19 this auction. Thank you.

20 And the Consortium bid is hereby
21 designated the next highest bid for purposes set
22 forth in the bid procedures.

23 Thank you. This auction is concluded.
24 We're off the record.

25 (Time noted: 2:19 a.m.)

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2 C E R T I F I C A T E
3

4 STATE OF NEW YORK)
: ss.:

5 COUNTY OF NEW YORK)

6 I, COLETTE CANTONI, a Registered
7 Professional Reporter and Notary Public of the State
8 of New York, do hereby certify:

9 That the within is a true and accurate
10 transcript of the auction taken on the 28th day of
11 October 2009.

12 I further certify that I am not related
13 to any of the parties to this action by blood or
14 marriage and that I am in no way interested in the
15 outcome of this matter.

16 IN WITNESS WHEREOF, I have hereunto set
17 my hand this 29th day of October 2009.

18
19
20

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25

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: 09-8363-00CL

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

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