

**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

**SUPPLEMENTAL REPORT TO THE SIXTH REPORT OF THE MONITOR
DATED JANUARY 12, 2010**

INTRODUCTION AND OVERVIEW

1. On September 15, 2009, Barzel Industries Canada Inc. ("**Barzel Canada**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Court dated September 15, 2009 (the "**Initial Order**"), Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Monitor of the Applicant (the "**Monitor**") in the CCAA proceeding. Deloitte filed a report (the "**Pre-Filing Report**") with this Court in its capacity as proposed Monitor in connection with the application.
2. On the same day, Barzel Canada's parent, Barzel Industries Inc. ("**BII**") and certain affiliated U.S. entities including Barzel Holdings Inc., Barzel Finco Inc. ("**Barzel Finco**"), Barzel Industries U.S. Inc., American Steel and Aluminum Corporation, Nova Tube and Steel Inc., Novamerican Tube Holdings, Inc. and Nova Tube Indiana, LLC (collectively, the "**U.S. Debtors**") filed voluntary petitions under chapter 11 of title 11 of the *United States Code*, 11 U.S.C. §101-1532 (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**").
3. The U.S. bankruptcy proceedings were recognized by this Court as a "foreign proceeding" under s. 18.6 of the CCAA in a companion order entered on September 15, 2009.

4. Collectively, Barzel Canada and the U.S. Debtors are known as the “Barzel Group”.
5. On September 14, 2009, the Barzel Group entered into an asset purchase agreement (as amended on September 30, 2009, the “APA”) with Chriscott USA Inc. and 4513614 Canada Inc. (collectively, “Metco”) for the sale of substantially all of the assets, property and undertaking of the Barzel Group. The sale of the assets of Barzel Canada to Metco (the “Sale Transaction”) closed on November 19, 2009.
6. On December 14, 2009, the Applicant brought a motion in front of this Honourable Court seeking, *inter alia*, an extension of the stay period to March 31, 2010 and approval of the activities of the Monitor and the fees and disbursements of the Monitor and the Monitor’s counsel to date. The Sixth Report of the Monitor (the “Sixth Report”) was filed in connection with the motion returnable December 14, 2009.
7. As a result of certain outstanding issues between the Barzel Group and Metco relating to Final Adjusted Net Working Capital, certain additional relief being sought in the Notice of Motion was adjourned, including relief relating to: (i) approval of a Reimbursement Agreement between the Applicant, the Monitor and the Holders (as defined in the Sixth Report); and (ii) disbursement of excess proceeds from the Sale Transaction as allocated to the Applicant (the “Canadian Proceeds”) and as held by the Monitor pursuant to the Order of this Honourable Court dated November 12, 2009.
8. The Applicant intends to appear before Mr. Justice Morawetz at 9:30 a.m. on January 14, 2010 seeking the relief in respect of which the December 14, 2009 motion was adjourned and, in particular, an Order: (i) approving the Reimbursement Agreement; and (ii) approving the distribution of the Canadian Proceeds in excess of the Reserve (as defined in the Sixth Report) to the ABL Lenders (as defined in the Sixth Report) and The Bank of New York Mellon (formerly, The Bank of New York), as trustee on behalf of the Holders (as defined in the Sixth Report) (“BNY”). A copy of the draft Order is attached as Exhibit “A” to this Supplemental Report (as defined below).

PURPOSE

9. The purpose of this Supplemental Report to the Sixth Report (the “**Supplemental Report**”) is to provide an update to the Court in respect of:
- the revised cash flow report (“**Revised Cash Flow Report**”), which is attached as Exhibit “B” to this Supplemental Report;
 - the final draft of the Reimbursement Agreement, which is attached as Exhibit “C” to this Supplemental Report; and
 - the settlement by the Barzel Group and Metco of issues relating to Final Adjusted Net Working Capital (as defined in the Sixth Report).

TERMS OF REFERENCE

10. In preparing this Supplemental Report, the Monitor has relied upon unaudited financial information, Barzel Canada’s books and records, financial information prepared by Barzel Canada and its advisors, and discussions with management of Barzel Canada and management of the Barzel Group including Mr. Wayne Day, Chief Restructuring Officer of the Barzel Group. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in US dollars.
12. Capitalized terms not defined in this Supplemental Report are as defined in the Sixth Report of the Monitor.

REVISED CASH FLOW FORECAST

13. As described in greater detail in the Sixth Report, the Applicant recently extended its cash flow projections to cover the period through March 31, 2010. A copy of the Cash Flow Forecast was attached as Exhibit “H” to the Sixth Report.

14. As reported by Marc Wasserman, counsel to the Monitor, at the hearing in front of Mr. Justice Morawetz on December 14, 2009, there was a minor error in the cash flow forecast that was exhibited to the Sixth Report, as the amount projected to be available for distribution to the Secured Lenders did not reflect the Monitor's disbursement of approximately \$184,000 to the Applicant's counsel. The Monitor has prepared a revised cash flow forecast (the "**Revised Cash Flow Forecast**") to correct the record in respect of this oversight. In the Revised Cash Flow Forecast, the amount of the projected fund distributions to the Secured Lenders is reduced from \$4,379,000 to \$4,195,000 (a difference of \$184,000).
15. The Revised Cash Flow Forecast projects that Barzel Canada should have sufficient liquidity to settle expected obligations during the wind-down of its operations.

REIMBURSEMENT AGREEMENT

16. As described in greater detail in the Sixth Report, the Applicant and the Secured Lenders have agreed that it would be cumbersome and expensive to conduct a comprehensive claims process to resolve claims that may potentially be made under the Directors' Charge. However, in order to ensure the availability of up to CDN\$2.3 million to satisfy claims secured by the Directors' Charge, the Applicant, the Holders and the Monitor have agreed to enter into the Reimbursement Agreement.
17. At paragraph 15 of the Sixth Report, the Monitor noted that the parties were in the process of negotiating the Reimbursement Agreement. An earlier draft of the Reimbursement Agreement was attached as Exhibit "G" to the Sixth Report. The Monitor served the service list with a final draft of the Reimbursement Agreement on Friday, December 11, 2009.
18. The Reimbursement Agreement will be executed by the parties if it is approved by this Court. The Monitor will support a distribution of the Canadian Proceeds in excess of the Reserve subject to the approval by the Court of the Reimbursement Agreement and the execution thereof by the parties.

NEGOTIATIONS OVER FINAL ADJUSTED NET WORKING CAPITAL

19. Pursuant to the Amended and Restated APA, the Barzel Group and Metco agreed that a portion of the purchase price (the “**Purchase Price Reserve**”) would be held in escrow pending settlement on the Final Adjusted Net Working Capital (as defined in the Sixth Report). As described in greater detail in the Sixth Report, the parties agreed that they would use commercially reasonable efforts to agree on a final statement and an amount for Final Adjusted Net Working Capital by December 14, 2009.
20. The Monitor reported in the Sixth Report that the Monitor did not object in principle to a distribution of the portion of the Canadian Proceeds in excess of the Reserve to the ABL Lenders and BNY on the basis of advice from CRO for the Barzel Group Wayne Day that the Purchase Price Reserve would likely exceed Final Adjusted Net Working Capital. However, after the filing of the Sixth Report and in advance of the hearing of the motion on December 14, 2009, the Monitor was advised by the Applicant that Metco and the Barzel Group had determined that the Final Adjusted Net Working Capital would likely exceed the Purchase Price Reserve.
21. On December 23, 2009, the Barzel Group advised the Monitor that negotiations regarding an amount for Final Adjusted Net Working Capital had been finalized between the Barzel Group and Metco. The parties agreed that the Final Adjusted Net Working Capital amount was \$1.85 million, which was equal to the Purchase Price Reserve being held in escrow by the Barzel Group with no further adjustments. The Monitor understands that payment in the amount of \$1.85 million on account of the Final Adjusted Net Working Capital was made by the Barzel Group to Metco on December 30, 2009. Accordingly, the Monitor understands that Metco no longer has any claim against Barzel Canada to refund any of the Canadian Proceeds to Metco in respect of Final Adjusted Net Working Capital.

CONCLUSIONS AND RECOMMENDATION

22. The Monitor currently holds approximately \$5.375 million, which is the amount of the Canadian Proceeds remaining after post-closing payment of certain approved professional fees of the Applicant’s counsel, the Monitor’s counsel and the Monitor. To date, the

Monitor is not aware of any claims that have been made in respect of the Directors' Charge. Upon approval of the Reimbursement Agreement by this Honourable Court and execution by the respective parties of same, the Monitor recommends a disbursement to the ABL Lenders and BNY of the Canadian Proceeds of \$5.375 million less the Reserve of CDN\$1.75 million.

All of which is respectfully submitted this 12th day of January, 2010.

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

Per:

A handwritten signature in black ink, appearing to be 'P. van Eyk', written in a cursive style.

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

EXHIBIT A

ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST

THE HONOURABLE MR.) THURSDAY, THE 14TH DAY
)
JUSTICE MORAWETZ) OF JANUARY, 2010

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

ORDER
(Partial Distribution)

THIS MOTION, made by the Applicant for approving the terms of a reimbursement agreement between the Applicant, the Monitor (as defined below), and JPMorgan Chase Bank, N.A. and CIBC World Markets Corp., and authorizing Deloitte & Touche Inc. in its capacity as the monitor appointed by this Court in these proceedings (the "**Monitor**") to disburse certain funds in its possession while maintaining a fixed reserve for other items, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Sixth Report of the Monitor dated December 8, 2009 [and the supplemental report to the Sixth Report dated January ■, 2010 (collectively, the "**Report**") and on hearing the submissions of counsel for the Applicant, the Monitor, and JPMorgan Chase Bank, N.A. and CIBC World Markets Corp., no one appearing for any other person on the service list, although properly served as appears from the Affidavits of Service filed:

1. THIS COURT ORDERS that the terms of a reimbursement agreement between the Applicant, the Monitor, and JPMorgan Chase Bank, N.A. and CIBC World Markets Corp.

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(collectively, the "**Noteholders**") in substantially the same form as that attached to the Report (the "**Reimbursement Agreement**") be and are hereby approved the Applicant and the Monitor be and are hereby authorized and directed to enter into the Reimbursement Agreement.

2. THIS COURT ORDERS that the Monitor be and is hereby authorized and directed to continue to hold the amount of \$1.75 million (the "**Reserve**") in accordance with the terms of the Order of this Court made in these proceedings on November 12, 2009 (the "**Expansion of Monitor's Powers Order**").

3. THIS COURT ORDERS that the amount of the Administration Charge (as defined in the Initial Order) be and is hereby limited to a maximum of \$750,000 until further Order of this Court.

4. THIS COURT ORDERS that the Monitor be and is hereby authorized and directed to make a disbursement as soon as practicable after the date of this Order to: (a) JPMorgan Chase Bank, N.A. and CIBC Inc. (collectively, the "**ABL Lenders**"), jointly, of an amount equal to the total amount of any and all remaining obligations owing by the Applicant to the ABL Lenders (the "**Residual ABL Amount**"); and (b) The Bank of New York Mellon (as indenture trustee relating to certain secured notes issued by Barzel Finco Inc. in favour of the Noteholders in respect of which certain secured inter-company promissory notes issued by the Applicant in favour of Barzel Finco Inc. were assigned to the Noteholders) of all funds currently being held by the Monitor pursuant to the Expansion of Monitor's Powers Order but for the Residual ABL Amount and the amount of the Reserve (collectively, the "**Disbursement**").

5. THIS COURT ORDERS AND DECLARES that nothing in this Order shall constitute or be deemed to constitute the Monitor as a receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Applicant within the meaning of any relevant legislation and that any distribution ultimately made to any creditor of the Applicant by the Monitor will be deemed to have been made by the Applicant itself.

6. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in

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carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

7. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

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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. 09-8363-00CL

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

Proceeding Commenced at Toronto

**ORDER
(Partial Distribution)**

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EXHIBIT B

Barzel Industries Canada, Inc.
Cash Flow Forecast

(Unaudited)
(In \$'000 CDN) (Note 1)

	ACT	FCST	FCST	FCST	FCST	Total
	November 2009	December 2009	January 2010	February 2010	March 2010	
Monitor - Funds Held in Trust						
Beginning Cash on Hand		5,945	1,600	1,450	1,450	-
Receipts:						
Allocation of Barzel Canada Sales Proceeds	6,129	-	-	-	-	6,129
Total Receipts	6,129	-	-	-	-	6,129
Disbursements:						
Monitor and Counsel Fees						
Deloitte - Monitor		(50)	(50)	-	-	(100)
Osler - Monitor Counsel		(50)	(50)	-	-	(100)
Davies - Barzel Canada Counsel		(50)	(50)	-	-	(284)
		(150)	(150)	-	-	(484)
Other Obligations						
Potential D&O Type Obligations (Note 2)		-	-	-	-	-
		-	-	-	-	-
Fund Distributions						
Distribution to Secured Lenders (Note 3)		(4,195)	-	-	-	(4,195)
Distribution to Trustee in Bankruptcy (Note 4)		-	-	-	(500)	(500)
		(4,195)	-	-	(500)	(4,695)
Total Disbursements	(6,129)	(4,345)	(150)	-	(500)	(5,179)
Net Cash Flow	6,129	(4,345)	(150)	-	(500)	950
Ending Cash on Hand	5,945	1,600	1,450	1,450	950	950
Barzel Canada - Cash on Hand						
Beginning Cash on Hand	503	230	120	10	(0)	503
Receipts:						
Allocation of Barzel Canada Sales Proceeds	390	-	-	-	-	390
Tax Refunds	-	-	-	-	-	-
Total Receipts	390	-	-	-	-	390
Disbursements:						
Payroll and Benefit Liabilities						
Employee Obligations	(399)	-	-	-	-	(399)
Retention Incentive Plan	(139)	-	-	-	-	(139)
Other Employee Benefits	(90)	-	-	-	-	(90)
Wind-down Costs	(35)	-	-	-	-	(35)
		-	-	-	-	(663)
Income and Sales Taxes						
Sales Tax Remittances		(100)	(100)	-	-	(200)
Contracted Tax Consultant		(10)	(10)	(10)	-	(30)
		(110)	(110)	(10)	-	(230)
Other Obligations						
Potential Other Obligations		-	-	-	-	-
		-	-	-	-	-
Total Disbursements	(663)	(110)	(110)	(10)	-	(893)
Net Cash Flow	(270)	(110)	(110)	(10)	-	(503)
Ending Cash on Hand (Note 5)	503	120	10	(0)	(0)	(0)

Note 1: USD funds have been converted to CDN dollars using an exchange rate of 1.05.

Note 2: Of the \$6.1 million allocation of Barzel Canada sales proceeds transferred to the Monitor, \$500k is held as a reserve for Directors' Charge obligations. Barzel Canada does not anticipate Directors' Charge obligations will be incurred by the Monitor, however the reserve is available if required. Furthermore, funds can be made available to the Monitor to settle Directors' Charge obligations through a Reimbursement Agreement.

Note 3: The initial distribution to Secured Lenders will be the allocation of Barzel Canada sales proceeds less (i) payment of outstanding fees of the Applicant's counsel, and (ii) the \$1.75 million reserve to satisfy any priority payables including the Directors' Charge, Administration Charge, and amounts required for administration of the estate. A subsequent distribution to Secured Lenders will be disbursed if funds are available after all priority payables have been satisfied.

Note 4: Depending on the proposed date of bankruptcy, the transfer of funds required to administer the bankrupt estate may be disbursed prior to March 2010.

Note 5: The majority of funds in the possession of Barzel Canada are forecasted to settle Director's Charge type obligations and liabilities to wind down the entity. In the circumstance where funds remain after settling such obligations, funds will be distributed for the benefit of the secured creditors.

EXHIBIT C

REIMBURSEMENT AGREEMENT

THIS AGREEMENT made as of this 14th day of January, 2010.

AMONG:

BARZEL INDUSTRIES CANADA INC.

(the “**Company**”)

AND

DELOITTE & TOUCHE INC. in its capacity as Monitor of the Company, and not in its personal capacity

(the “**Monitor**”)

AND

JPMORGAN CHASE BANK, N.A. and CIBC WORLD MARKETS CORP.

(collectively, the “**Holder**s”)

RECITALS

A. On or about November 15, 2007, Barzel Finco Inc., the direct U.S. parent of the Company (“**Barzel Finco**”) issued \$315 million of 11.5% senior secured notes due in 2015 (the “**Notes**”) pursuant to an indenture dated November 15, 2007. 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**”);

B. Of the gross proceeds from the issuance of the Notes, \$125 million was loaned by Barzel Finco to the Company as evidenced by two intercompany demand promissory notes from the Company totalling \$125 million (collectively, the “**Intercompany Promissory Notes**”). The obligations of the Company under the Intercompany Promissory Notes are secured by all present and after-acquired property of the Company pursuant to a Canadian collateral agreement dated November 15, 2007, and a charge/mortgage of land dated November 16, 2007, (collectively, the “**Intercompany Notes Collateral Documents**”). The Intercompany Notes and the Intercompany Notes Collateral Documents were in turn pledged (and a security interest granted therein) by Barzel Finco to secure the obligations under the Notes;

C. JPM and CIBC Inc. (collectively, the “**ABL Lenders**”, together with the Holders, the “**Secured Lenders**”), the Company and Barzel Finco are parties to a credit agreement dated as of November 15, 2007, as amended (the “**ABL Credit Agreement**”) pursuant to which the ABL Lenders extended to the Company and Barzel Finco a five (5) year secured revolving credit

facility of up to \$175 million (the “**ABL Facility**”). The ABL Facility is guaranteed by certain U.S. affiliates of the Company. The Company’s borrowings under the ABL Facility are guaranteed by 632422 N.B. Ltd. (“**632422**”) pursuant to a guarantee and collateral agreement dated as of November 15, 2007 (the “**Canadian Guarantee and Collateral Agreement**”). The Company granted a security interest in its assets to secure its obligations under the ABL Credit Agreement;

D. On September 15, 2009, the Company commenced proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an Order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and Deloitte & Touche Inc. was appointed Monitor of the Company in the CCAA Proceedings;

E. Pursuant to an Order of the Court made on November 12, 2009, the Monitor was authorized to hold the proceeds of the sale of substantially all of the assets of the Company and its U.S. affiliates that were allocated to the Canadian operations (the “**Canadian Proceeds**”);

F. The Company will be seeking an Order of the Court (the “**Distribution Order**”) authorizing and directing the Monitor to pay ● to the trustee for the Notes (the “**Trustee**”) for the benefit of the Holders, being a portion of the amounts owing by the Company under the Intercompany Promissory Notes (the “**Distribution**”).

G. While the Monitor will hold back \$500,000 of the Canadian Proceeds (the “**Reserve**”) as a reasonable estimate of possible Claims, the ultimate quantum of all Claims, if any, cannot be known for certain;

H. In consideration for receiving the benefit of the Distribution, the Holders have agreed to reimburse the Company and any successor to the Company including a trustee in bankruptcy, receiver, receiver and manager or an interim receiver appointed in respect of the Company (collectively, the “**Requesting Party**”) in accordance with the terms of this Agreement.

IN CONSIDERATION of the premises, the covenants set forth herein and other valuable consideration (the receipt and sufficiency of which each of them acknowledges), the parties agree as follows:

ARTICLE 1 – INTERPRETATION

1.1 The Recitals set forth herein are true and correct.

1.2 In this Agreement (including the Recitals hereto), unless the contrary is stated or the context or subject matter otherwise dictates:

“**Applicable Percentage**” means ●% with respect to JPM and ● % with respect to CIBC.

“**Business Day**” means any day of the week except a Saturday, Sunday or statutory or civic holiday observed in Toronto, Ontario or New York, New York.

“**Canadian Proceeds**” has the meaning set out in the Recitals.

“**CCAA**” has the meaning set out in the Recitals.

“**CCAA Proceedings**” has the meaning set out in the Recitals.

“**CIBC**” has the meaning set out in the Recitals.

“**Claim**” or “**Claims**” means any and all claims, costs, charges and expenses made against any of the present or former directors and officers of the Company, by reason of their respective capacities as directors and/or officers of the Company for which the Company has indemnified the directors and officers pursuant to and subject to paragraphs 21, 22 and 23 of the Initial Order.

“**Court**” has the meaning set out in the Recitals.

“**Directors’ Charge**” means the charge in favour of directors and officers of the Company granted pursuant to paragraph 22 of the Initial Order in the amount not to exceed \$2.3 million.

“**Distribution**” has the meaning set out in the Recitals.

“**Distribution Order**” has the meaning set out in the Recitals.

“**Initial Order**” has the meaning set out in the Recitals.

“**JPM**” has the meaning set out in the Recitals.

“**Maximum Amount**” has the meaning set out in Section 2.6 hereof.

“**Receiver or Trustee**” has the meaning set out in Section 3.2 hereof.

“**Reimbursement Amount**” has the meaning set out in Section 2.3 hereof.

“**Requesting Party**” has the meaning set out in the Recitals.

“**Reserve**” has the meaning set out in the Recitals.

“**Term**” means the term of this Agreement commencing on the date hereof and ending on the day that is the earlier of: (A) the later of (i) two (2) years from the date hereof, or (ii) if any Claims are made before the expiration of two (2) years from the date hereof, the date on which the final determination of all Claims has been made and, if any such Claims are determined to be valid, all Reimbursement Amounts in respect of any such Claims have been paid; and (B) the day on which the aggregate amount of all Reimbursement Amounts paid hereunder equal the Maximum Amount.

ARTICLE 2 – PAYMENT, RECEIPT AND REIMBURSEMENT

2.1 The Monitor shall make the Distribution to the Trustee, for the benefit of the Holders, following the making of the Distribution Order.

2.2 Upon receipt of the Distribution, the Holders shall furnish the Monitor with such proofs of receipt as the Monitor may reasonably require.

2.3 Subject to Section 2.6 hereof, during the Term of this Agreement, the Holders shall forthwith, upon receipt of a written request from the Requesting Party, reimburse and pay to the Requesting Party the amount of the Distribution or portion thereof requested by the Requesting Party in such written request (collectively, the “**Reimbursement Amount**”), in the following circumstances:

- (a) if a Claim is or Claims are made and such Claim or Claims have been accepted by the Requesting Party and the Monitor, in consultation with Holders, to be a valid Claim or Claims or determined to be a valid Claim or Claims by an order of the Court in accordance with Section 2.4 hereof, but only to the extent that such Claim is or Claims are secured by the Directors’ Charge and such Claim is or Claims are in excess of the amount of the Reserve then in existence and the directors and officers do not have full coverage under any D&O insurance policy in respect of such Claim or Claims; and
- (b) the written request shall contain (i) a statement of the Reimbursement Amount together with the appropriate calculations and supporting documentation to the extent available, (ii) the description of the nature of the Claim, and (iii) a statement that there are insufficient funds in the Reserve to satisfy the Claim or Claims.

The obligation of each Holder to pay any Reimbursement Amount under this Agreement shall be rateable according to its Applicable Percentage. The obligation of each Holder to pay any Reimbursement Amount or any other amount under this Agreement is a separate obligation of each Holder, and that obligation of each Holder is not the joint obligation of any other Holder.

2.4 The parties agree that:

- (a) The Monitor and the Requesting Party, in consultation with the Holders, shall, acting reasonably, determine whether the Claim or Claims are valid. Any reasonable defence costs (including fees and expenses of legal counsel and other professionals) that may be incurred in connection with defending such Claim or Claims shall be the obligation of the Holders, provided that the amount of such obligation, together with any amounts paid by the Holders pursuant to this Agreement shall not exceed the Maximum Amount. To the extent that (i) a resolution cannot be reached between the Monitor, the Requesting Party and the Holders in respect of the validity of the Claim or Claims or (ii) the Holders fail to pay any defence costs (including fees and expenses of legal counsel and other professionals) in connection with defending such valid Claim or Claims, the Monitor or the Requesting Party shall apply to Court, on notice to counsel to the Holders, for advice and direction to have these matters resolved, including the application of the Distribution and the Reserve to such Claim or Claims.
- (b) Subject to paragraph 2.4(a), the Reserve shall be applied in payment of any Claim or Claims prior to the issuance of a written request to the Holders.

2.5 To the extent that the Reimbursement Amount is paid by the Holders pursuant to the terms of this Agreement, the Holders, the Trustee and Barzel Finco will enjoy the same rights and remedies as if such Reimbursement Amount had never formed part of the Distribution, and no claim of the Holders, the Trustee or Barzel Finco shall be released, diminished or otherwise prejudiced by its receipt of the Reimbursement Amount as part of the Distribution.

2.6 The extent of liability of the Holders at any time to pay any Reimbursement Amounts hereunder shall not exceed the amount of \$1.8 million in the aggregate, provided, however that in the event that the Monitor distributes the Reserve, or any part thereof, to or for the benefit of the Holders, the liability of the Holders to pay any Reimbursement Amounts hereunder shall be increased by the amount of the Reserve, or any part thereof so distributed (the amount of \$1.8 million plus any amount of the Reserve so distributed being defined herein as the “**Maximum Amount**”).

2.7 Other than the written request specified in Sections 2.3 and 2.4 hereof, the Requesting Party shall not be obliged to make any demand upon or commence any proceeding or action or otherwise seek any recourse or remedy against the Holders before being entitled to receive the Reimbursement Amount.

2.8 The liability of the Holders to pay the Reimbursement Amount hereunder shall be continuing and irrevocable and a fresh cause of action shall be deemed to arise in respect of each request for the Reimbursement Amount made in accordance with the terms of this Agreement.

2.9 The liability of the Holders hereunder shall terminate upon, and no further liability of the Holders hereunder shall exist following the expiration of the Term.

2.10 Neither the entering into nor the observance or performance of the terms of this Agreement shall be or be deemed to constitute a waiver, release, discharge or abandonment by the Secured Lenders, the Trustee or Barzel Finco of any claim, demand or cause of action held by them against the Company or the Canadian Proceeds or any security, hypothec or priority in respect thereof.

ARTICLE 3 – AUTHORITY, RECEIVERSHIP AND BANKRUPTCY

3.1 The Secured Lenders acknowledge that the Monitor is acting solely in its capacity as Monitor of the Company in the CCAA Proceedings and shall have no personal liability in connection with entering into or performing its obligations pursuant to the terms of this Agreement.

3.2 In the event that subsequent to the date of this Agreement, Deloitte & Touche Inc. is appointed as an interim receiver, receiver, receiver and manager or trustee in bankruptcy (collectively, the “**Receiver or Trustee**”) with respect to the Company or all or any part of its assets, property and undertaking, all references herein to the Monitor shall be deemed to include Deloitte & Touche Inc. in its capacity as the Receiver or Trustee, as applicable, all references herein to the CCAA Proceedings shall be deemed to include the applicable receivership or bankruptcy proceedings, and all references herein to the CCAA shall be deemed to include the *Bankruptcy and Insolvency Act* (Canada) and/or the *Courts of Justice Act* (Ontario) as the context requires.

ARTICLE 4 – NOTICE

4.1 All payments and communications which may be or are required to be given by a party hereto shall (in the absence of any specific agreement to the contrary) be in writing and shall be delivered, faxed, e-mailed or sent by prepaid registered mail to the other parties at their following respective addresses, facsimile numbers or e-mail addresses:

In the case of the Monitor to:

Deloitte & Touche Inc.
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1

Attention: Mr. Paul Van Eyk
Fax Number: 416-601-6648
E-mail: pvaneyk@deloitte.ca

with a copy to:

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Attention: Marc S. Wasserman
Fax Number: 416-862-6666
E-mail: mwasserman@osler.com

In the case of Holders to:

●

Attention: ●
Fax Number: 416-
E-mail: ●

In the case of the Company to:

Barzel Industries Canada Inc.
C/o Day Seckler LLP
160 – 300 Westage Business Park Center Drive
Fishkill, NY 12524

Attention: G. Wayne Day, Chief Restructuring Officer

with a copy to:

Davies Ward Phillips & Vineberg LLP

44th Floor, 1 First Canadian Place
Toronto, Ontario M5X 1B

Attention: Robin B. Schwill
Fax Number: 416-863-0871
E-mail: rschwill@dwpv.com

And if any payment or communication is sent by prepaid registered mail, it shall, subject to the following sentence, be conclusively deemed to have been received on the third Business Day following the mailing of it and, if delivered, telecopied or e-mailed, it shall be conclusively deemed to have been received at the time of delivery or transmission. Notwithstanding the foregoing provisions with respect to mailing, in the event that it may be reasonably anticipated that, due to any strike, lock-out or similar event involving an interruption in postal service, any payment or communication shall not be received by the addressee by no later than the third business day following the mailing of it, then the mailing of any payment or communication as mentioned shall not be an effective means of sending it but rather any payment or communication must then be sent by an alternative means of transportation which it may reasonably be anticipated shall cause the payment or communication to be received reasonably expeditiously by the addressee. Each party may from time to time change its address by notice to the others in accordance with this section.

ARTICLE 5 – GENERAL PROVISIONS

5.1 Each of the parties to this Agreement covenants with the others that it shall at all times and from time to time execute such documents, various consents and other instruments and do all such acts and shall cause its nominee or nominees to so act, as may be necessary or desirable to give full effect to the provisions and the intention of this Agreement.

5.2 No amendment hereto shall be binding upon the parties unless it is in writing and is executed by all of the parties hereto.

5.3 This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

5.4 The failure of any party to this Agreement to enforce at any time any of the provisions of this Agreement or any of its rights in respect thereto, or to insist upon strict adherence to any term of this Agreement, shall not be considered to be a waiver of such provision, right or term or in any way affect the validity of this Agreement or deprive the applicable party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

5.5 Each party acknowledges that this Agreement constitutes the entire agreement among the parties hereto regarding the subject matter herein and that there are no rights, representations, conditions, warranties or collateral agreements, expressed or implied, statutory or otherwise, with respect to this Agreement other than those contained herein.

- 5.6 Time shall be of the essence of this Agreement and each and all of its provisions.
- 5.7 If any action is required to be taken hereunder on or by a specified date which is not a Business Day, then such action shall be valid if taken on the next Business Day.
- 5.8 The division of this Agreement into Articles, Sections and Subsections is for convenience of reference only and is not to affect its construction or interpretation. Words herein in the singular include the plural and vice-versa and words in one gender include all genders.
- 5.9 This Agreement will be binding upon and enure to the benefit of the respective successors and assigns of the parties (including any successors by reason of amalgamation). However, no assignment of this Agreement by any party will have force or effect unless made with the prior written consent of the others.
- 5.10 This Agreement may be executed by the parties in counterparts and may be executed and delivered by facsimile or e-mail and all such counterparts shall together constitute one and the same agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date above first written.

**DELOITTE & TOUCHE INC. in its
capacity as Monitor of Barzel Industries
Canada Inc. and not its personal capacity**

By: _____
Name: Paul Van Eyk
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.

By: _____
Name:
Title:

CIBC WORLD MARKETS CORP.

By: _____
Name:
Title:

BARZEL INDUSTRIES CANADA INC.

By: _____
Name:
Title:

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

**SUPPLEMENTAL REPORT TO THE SIXTH
REPORT OF THE MONITOR**

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Lawyers for the Monitor, Deloitte & Touche Inc.