

## **TARPON INDUSTRIES: Canadian Unit Files for Bankruptcy Under BIA**

**Troubled Company Reporter** , Sep 21, 2007 ( Source: TCR)

Tarpon Industries Inc. disclosed that its Steelbank subsidiary in Canada has filed a Notice of Intention to make a Proposal pursuant to the Bankruptcy & Insolvency Act. A. Farber & Partners Inc. is the Proposal Trustee and has also been appointed as Interim Receiver by the Ontario superior Court of Justice for the purpose of conducting a sale or liquidation of its Steelbank subsidiary.

Steelbank, based in Mississauga, Ontario, produces mechanical and structural steel tubing. Steelbank has experienced declining sales and operating losses. For 2006 and the first 6 months of 2007, Steelbank had operating losses of approximately \$5,590,000 as contrasted with EWCO/Spacerak, Tarpon's other operations, which had approximately \$1,700,000 of operating profits for such period. Tarpon expects that a sale or liquidation of Steelbank can resolve a significant portion of Steelbank's debt and allow Tarpon to focus on its promising U.S. operations.

"The sale or liquidation of Steelbank is a difficult but necessary action for our company," James W. Bradshaw, CEO of Tarpon, said. "Sluggish Canadian sales and an unattractive exchange rate created growing losses in a challenging market environment and have been ongoing at Steelbank for some time. After much deliberation, we determined that we had to stem the losses and stop the funding of a subsidiary whose performance was not improving.

"This action will now allow us to focus our capital and human resources on continuing to implement our growth strategies at SpaceRak, Tarpon's engineered steel racking systems. Over the past year we have expanded our market penetration and greatly improved our manufacturing processes. We are pleased with the growth of national accounts like Target for whom we supplied rack products to 61 stores in July. With firmer financial foundation and focused company commitment, I believe our market share can increase, and we can take important steps in growing a thriving enterprise for our employees, our customers and our shareholders."

### About Tarpon Industries

Headquartered in Marysville, Michigan, Tarpon Industries Inc. (AMEX: TPO) -- <http://www.tarponind.com/> -- through its wholly owned subsidiaries within the United States and Canada, manufactures and sells structural and mechanical steel tubing and engineered steel storage rack systems.

### Going Concern Doubt

As reported in the Troubled Company Reporter on April 26, 2007, Rehman Robson expressed substantial doubt about Tarpon Industries Inc.'s ability to continue as a going concern after auditing the company's financial statements for the year ended Dec. 31, 2006. The auditor pointed to the company's sustained recurring net losses since its inception, negative working capital, and default

of its principle loan agreements due to its violation of specific financial and non-financial debt covenants.