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<http://www.tbnewswatch.com/news/185886/Seeking-protection>

## Seeking protection

By Leith Dunick, tbnewswatch.com

It's official. Terrace Bay Pulp Inc. is seeking protection under the Companies' Creditors Arrangement Act.

According to documents obtained by Thunder Bay Television, Ernst & Young has been appointed by the Ontario Superior court as the monitor in the proceedings, which were undertaken on Wednesday.

Ernst & Young sent a letter to the company's creditors on Thursday.

In his sworn statement, company president Wolfgang Gericke said a fatal Oct. 31 explosion at the mill, following on the heels of the plant's annual shutdown, led to a cash crisis the company was not able to overcome.

"The unexpected shutdown following the Oct. 31 accident created a major liquidity crisis at a time when pulp prices were declining. The combination of the declining market conditions, the liquidity issues caused by the unexpected shutdown and the upward impact on costs of production due to the loss of equipment damaged by the Oct. 31 accident resulted in a decision to idle the mill," Greincke said.

"As a result of the liquidity crisis, the company was not in a financial position to replenish raw materials necessary to resume operations."

He went on to say that in order to preserve cash in the interim, only necessary expenses have been paid.

"The company is running out of cash and is facing an immediate liquidity crisis. The company is in default to its primary secured lender, the province of Ontario as represented by the Minister of Northern Development and Mines, which has security over all of the company's real and personal property."

The mill, which employed about 375 people, will continue limited operations during the CCAA proceedings, including the sale of existing pulp inventory and collecting receivables. They will also continue repairs on damages from the blow-tank explosion, and ensure the plant's equipment isn't damaged during the winter months.



Terrace Bay mill is trying to find the silver lining in the news.

"I don't think it's all necessarily bad news," King said, reached by phone on Thursday afternoon by CKPR Radio.

"It's unfortunate that the company is unable to continue on and restart the mill. They've filed for CCAA protection indicating the onus this time seems to be on them finding a buyer, somebody more financially suited, I guess, to purchase the mill and continue to operate it."

King added he's confident there is a company out there in a position to do so, the key is finding them.

According to papers filed in Ontario Superior Court, Terrace Bay Pulp had earnings of \$123.8 million for the fiscal year ending April 30, 2011, with retained earnings of \$17.6 million. Its cash at the end of the year is listed at \$2.69 million.

Among its creditors are the province, to which the company still owes \$22 million of a \$25 million loan to help it restart in Sept. 2010, plus \$3.3 million in stumpage fees. The town of Terrace Bay is on the hook for \$571,000. Terrace Bay Pulp also owes about \$5.4 million to contractors working on its Green Transformation Program, which the company indicates it intends to attempt repay during the CCAA proceedings. It lists \$46.2 million in assets.

Other creditors may be out of luck, for now.

"The initial order prohibits Terrace Bay from making payments of amounts relating to the supply of goods or services prior to January 25, 2012, other than payments to certain parties as specified in the order," the CCAA application states.

"During the stay period, all parties are prohibited from commencing or continuing legal action against Terrace Bay and all rights and remedies of any party against or in respect of Terrace Bay or its assets are stayed and suspended except with the written consent of, inter alia, Terrace Bay and the monitor, or leave of the court."

The mill did resume limited production after the explosion to process the remaining raw materials, while seeking additional financing to keep operations up and running.

The application states Terrace Bay Pulp, part of the financially troubled Buchanan Group, is insolvent and is seeking CCAA protection as a means to stave off creditors while the owners seek a buyer for either the plant or its assets.

A Feb. 15 deadline has been set for any letters of intent to be filed, with an April 16 deadline to complete the transaction with any identified purchaser.

This is Terrace Bay Pulp's second time through the CCAA process. They previously sought protection on March 11, 2009, emerging on Sept. 15, 2010.

At the time it owed \$35.5 million to creditors. Upon emergence from CCCA protection, they secured \$30 million in financing.