

***THERE'S ONLY ONE GUARANTEE IN LIFE,
AND ITS NOT TAXES.....***



***The Tale of an Ailing Lumber Giant and
its Relationship with the City of Terrace***

Ron Poole, CAO

There's Only One Guarantee in Life.....

When New Skeena Forest Products Inc. was ordered into receivership by the Supreme Court of British Columbia on September 20, 2004, it represented the conclusion of a long and, at times, tortured effort to bring an aging, vertically integrated forest products company into the competitive world of the new millennium.

In November 2003, New Skeena had sought the protection of the Court under the *Companies' Creditors Arrangement Act* ("CCAA")¹ in order to fend off efforts by certain municipalities who were attempting to seize equipment as a result of non-payment of property taxes. This represented New Skeena's third lap around the CCAA track in seven years, albeit with different ownership each time. The appointment of Ernst & Young Inc. as Receiver ended those proceedings, and the sale of the company's assets commenced.

¹ Forest Stump: Issues in Selling New Skeena's Box of Chocolates; Larry Prentice, CA, Ernst & Young

There have been few more controversial businesses in British Columbia than the company ultimately known as New Skeena Forest Products. Formed more than half a century ago, Skeena at one time was a major company in one of BC's major industries, with a pulp mill in Prince Rupert (a port city of 15,000 located 900 kilometres north of Vancouver) and sawmills in the City of Terrace, District of New Hazelton and Town of Smithers.

At its peak, Skeena operations were said to be responsible for 10,000 direct and indirect jobs in BC's Northwest region. By the late 1990's, however, Skeena's operations had fallen on harder times. The quality of fibre supply, the age and efficiency of its operating locations and the modernization of its competitors had left it behind as a high cost pulp producer. In this day and age, existence is short lived.



In 1991, the NDP came into power. The philosophy that the then government embraced was to assist and revive private companies using public funds. The belief was that government involvement may help by improving the management of these entities and make them, once again, profitable. The Office of the Job Commissioner was a creation whose objective was to do just that.

It was in this context that in 1997 Skeena Cellulose Inc. (SCI) began its venture in and out of the courts through protection under CCAA. The government footed the refinancing bill to enable the company to emerge from Court protection in early 1998. Several hundred million dollars were invested in the hopes that the aging forest company would one day redeem itself as a vibrant and profitable organization (**Forest Stump: Larry Prentice**). It was at this point in SCI's saga that I was hired as the CAO for the City of Terrace.

Current History

Having moved from Chetwynd, the economic downturn in the northwest was a drastic change from the booming oil economy in the Peace. Managing a City with few dollars received from Heavy Industry was a concept I needed to adjust to rather quickly if I was

to survive my tenure. Few northern communities rely as much on their residential and commercial tax base as they do their heavy industry. Northern towns are predominately resource based as opposed to retail providers. Terrace, however, is the exception.

Although the NDP hired a new manager to change the operations and review finances, the out dated pulp mill in Prince Rupert was a victim of its own demise. The amount of capital required to update the mill was estimated between \$50 – 100 million. Adding to the already soaring month-to-month subsidy to operate made the decision to continue production difficult.

However, this decision would not be decided by the NDP as the Liberal government was soon elected into power in May 2001. Their election platform included a prohibition of government subsidies for private enterprise. And did the Liberals ever stand up to their promise! By September of 2001, SCI made its second visit to the Courts under CCAA protection.

Six long months of Court hearings, creditor positioning and legal bills finally culminated into a transaction being struck whereby the new entity, NWBC Timber and Pulp Ltd. (“NWBC”) acquired the shares of SCI from the Province and the bank for a sum of \$6 million plus assuming various other forest related obligations. The negotiations and decisions leading up to the agreement is another topic that will most likely be the subject of another paper some day.

What ultimately came out of this experience of public vs. private cultures is nothing short of a “once in a lifetime experience” and a lesson that is hopefully only taught and learned once.

Recovery of Taxes by the Legal Remedy of Distress

There was renewed but skeptical optimism that NWBC would be able to pull off what the Province under the NDP couldn't; make Skeena viable again. And for all the right reasons the communities in the northwest hoped and prayed that New Skeena under the guise of Dan Veniez would in fact resurrect itself into the former entity it was in its glory days.

But as technology and new ideas progress, it becomes virtually impossible to return to the past in order to secure the future. For two years to follow, NWBC struggled to acquire forest tenures, employment agreements and tax concessions in order to instill faith that the doors to employment would soon be open.



Not having received taxes for over 2 years from its largest taxpayer, the City had to cut its employee base and operations in order to survive the drought (see “CAO Involvement” section). While the rest of the Province was enjoying record employment, job creation and a building boom, the northwest by stark contrast was experiencing the exact opposite. For the first time in many years, housing starts were at a standstill. Jobs

were being eliminated, people were moving, housing values dropped and the prospect that this region would survive the downturn through this new company was lost. Hope all but faded. And the time it ended for Terrace was in September of 2003. That was the day that the City felt it needed to take matters into its own hands.

The Director of Finance and I met to discuss the prospects of how to deal with a company that was selling off its assets in order to meet basic operating costs yet would need this to start-up. This did not make ^{good} and sense. How would this company ever restart the operations with all its equipment gone? If this continued, there would be nothing left for the City to reclaim taxes on if the company filed for bankruptcy again. We had heard that the District of New Hazelton was considering taking a loader from the Carnaby Mill (one of the acquisitions of NWBC) in order to hold it as security for unpaid taxes. Could we do the same?

After many discussions, phone calls and a couple of legal opinions, a report was drafted and a meeting called with Council to discuss the City's options under *Section 252* of the *Community Charter*, which states;

(1) Despite any Act, with the approval of the council, a collector may, directly or by agent , levy the amount of taxes due, with costs, by distress of one or more of the following:

- (a) the output of the taxed property;
- (b) goods and chattels of the person liable to pay the taxes;**
- (c) any goods and chattels in British Columbia in the possession of the person liable to pay the taxes;
- (d) any goods and chattels found on the premises of the person liable to pay the taxes;
- (e) any goods and chattels found on the property of or in the possession of another occupant of the premises of the person liable to pay the taxes that would be subject to distress for arrears of rent due to a landlord.

Little did I know that this would be the first of many meetings that would consistently test my knowledge, authority, ability to think outside the box and test the thickness of my skin in order to remain calm, rational and sane. We were recommending to Council that the City seize all mobile yard and office equipment!

Council debated the move, but unanimously adopted the recommendation and threw their full support behind the efforts of contracting a bailiff to begin removing equipment from the property. We planned to move fast and had contacted the bailiff prior in order to proceed swiftly before the word got out. This part went smooth as loaders, trucks, graders, plows, fork lifts, skidders and office equipment were hauled off the site and moved to public works where 24 hour security was placed around it. By the time the company was able to contact the owner, the bulk of the equipment had been moved. What we had not prepared ourselves for was the publicity surrounding this headed by Mr. Veniez himself. The crux of his message was a spin on how this move by the City of Terrace had literally driven a stake into the heart of the company and any chance of revival had been eliminated by our actions. Although the company's chances of reopening were "slim to non-existent" under the NWBC banner, we had inadvertently become the scapegoat to the demise. This was not our plan.

However, what was in our favour was time. With more than two years of little or no progress on the site, the public was not swayed into believing that the action of the City was wrong and that it would be the cause of New Skeena not re-opening. We gained the support of the residents to the extent that future Council meetings revolved around the belief our actions and efforts were guided by community support.

The role I played, closely with the Director of Finance, was in directing the process of acquiring the equipment and representing the City in court. *Section 398* of the *Local Government Act* was the ^{action} ~~regulation~~ governing distress at the time and we had never played this card before. The challenge and risk involved was in predicting what the

Company planned to do. The Act gave us the authority not only to acquire the equipment, but also to sell it. We hoped that this would not be the case, but instead, would force the company into paying its outstanding tax bill and we would then return the equipment. Instead, the company again filed for bankruptcy. The City eventually found itself back in court with the judicial system overturning our claim on equipment, since all assets were now froze. This was the next step in our learning process with New Skeena.

Security of Municipal Taxes in Bankruptcy

“In most receiverships, property taxes are, so to speak, simply part of the landscape. The taxes form a charge against the real estate which ranks in priority to other creditors, and when the property is sold its tax arrears are paid to the date of closing and the surplus values is available to other creditors in the receivership proceedings.

In the case of New Skeena, however, the fact that property taxes had been unpaid for so many years, on industrial properties facing a highly uncertain future, brought the usual certainty of recovering unpaid taxes squarely into question. The available appraisal information on these properties seemed to confirm that each of the municipalities would be suffering a shortfall in recovering unpaid property taxes.”

ii Forest Stump: Issues in Selling New Skeena’s Box of Chocolates; Larry Prentice, CA , Ernst & Young

The full amount of our unpaid taxes, as well as the other municipalities, did not rank in priority over other secured creditors due to the Skeena II CCAA Plan of Arrangements. Chief Justice Brenner ruled that although no payments had actually been paid under that plan all rights associated with property taxes arising prior to 2002 were extinguished. However, this still left Terrace with almost \$3 million outstanding.

Again, I felt my role as CAO was being challenged to develop arguments that would ensure most, if not all, taxes owed to the City were recuperated. Brainstorming in numerous meetings with my Director of Finance and the Administrators from Prince Rupert, Port Edward and New Hazelton, we began our legal fight to justify what was rightfully ours; our taxes!

As the saying goes, "There are two things guaranteed in life: Death and Taxes!" I did not think that I would personally experience the fallacy behind this old adage. Working with our legal counsel we began to assert our rights under the *Local Government Act* and *Community Charter*. The difficulty in doing this was in confronting Federal provisions under the *CCAA Act*. These rules usually had precedence over the Provincial Act^s and often times were confusing to understand. We spent many hours and legal counsel dollars trying to interpret where our rights were in this situation. Often in court, Chief Justice Brenner would remark that he knew of no other case in Canada that he could refer to for direction on some of these matters.

If things continued the way they were headed, the City of Terrace would only receive partial payment of its taxes owed as; (1) There were secured creditors ahead of us who were owed much more, and (2) The assets were nowhere near the value of outstanding debt owed. Our only chance was to try and move ahead of the creditors in order to be near the front of the line when the money was handed out. This prompted the Director of Finance and I to begin a review of the sections of the *Community Charter* that dealt with municipal taxing legislation, in particular, *Section 250*;

250(1) Taxes accrued and to accrue on land and its improvements, and a judgement under section 231 for the taxes, are a charge that

- (a) is a special charge on the land and improvements,
 - (b) has priority over any claim, lien, privilege or encumbrance of any person except the Crown, and
 - (c) does not require registration to preserve it.
- (2) If it is necessary or advisable to protect or enforce a charge under subsection (1) by a proceeding, this may be done by order of the court, on application and on notice the court considers appropriate.

Our argument was in relation to other secured creditors who felt they would receive all proceeds on the sale of the mill equipment at the Terrace Sawmill. We substantiated that not all the equipment could be categorized as such since some were improvements. The *Community Charter* provides that “improvements” means “improvements as defined in the *Assessment Act*”.

The definitions in the *Assessment Act* include the following:

s.1 “Improvements” means any building, fixture, structure or similar thing constructed or placed on or in land, or water over land, or on or in another improvement, but does not include any of the following things unless that thing is a building or is deemed to be included in this definition by subsection (2):

- (a) production machinery;
- (b) anything intended to be moved as a complete unit in its day to day use;
- (c) furniture and equipment that is not affixed for any purpose other than its own stability and that is easily moved by hand;

s.2 Without limiting the definition of “improvements” in subsection (1), the following things are deemed to be included in that definition unless excluded from it by a regulation under section 22(1)(a) or 74(2)(d):

- (a) anything that is an integral part of a building or structure and is intended to serve or enhance the building or structure, including elevators, escalators and systems or power distribution, heating, lighting, ventilation, air conditioning, communications, security and fire protection;
- (b) any building or structure that is capable of maintaining a controlled temperature or containing a special atmosphere, including dry kilns, steam chests, greenhouses and cooling towers;
- (c) any lighting fixtures, paving and fencing;

There were a further twelve examples of assets defined as “improvements”.

The Receiver, Larry Prentice of Ernst & Young, agreed with our view that some of the assets in the auction sale of the Terrace Sawmill could indeed be classified as “improvements”. This was one of the first breakthroughs that, as staff, we finally felt we *had* found something in the system that worked in our favour. *α*

In short, the Receiver ordered an Assessor to review the site. After his walk through and assessment of the mill, he deemed 15% of the assets to be improvements. This would prove to pay off later in the next section.

Partnering Agreement – Assisting Business?

By this time, there was no doubt that assets were to be sold in order to pay off outstanding creditors. It was clear that no one would come out financially whole if and when sales were completed. In addition, the City was also concerned about the permanent loss of jobs. Although the mill had been offered for sale for the past year or so, it would take nothing short of a miracle to save the company.

Maynards Auction House were awarded the contract to liquidate all assets including the sawmill in Terrace (**Appendix A, pg 20**). There were many potential buyers who came forward to “kick the tires” and evaluate whether the purchase of New Skeena was a good move. There was international interest as well as interest from some of the wealthiest individuals/companies in Canada. Ultimately, the fate and final purchaser would be found right here at home. *↑?*

A group of local Terrace businessmen, affectionately known as “TLC” or Terrace Lumber Company, came forward and offered the upset price to purchase the local sawmill. As part of the sale process, the property had been vested in the purchaser by the Court free and clear of all encumbrances, including the lien for property taxes outstanding to the City of Terrace of approximately \$3 million. This further substantiated that taxes were no longer a “guarantee in life” as the assets of the mill were not enough to pay out all the creditors. As the City laid claim to 15% (that being improvements), we

will receive approximately \$480, 000 on the sale. The emphasis is on “will” because the company is still currently owned by the receiver and will not come out of bankruptcy until all assets are sold. The sale of the pulp mill is still pending until the China Paper Company has completed its deal.

One of the requests TLC asked of the City was to provide funding to them in order to acquire the mill. I have limited experience with municipal business ventures and under the old *Municipal Act* or even the *Local Government Act*; it seemed very unlikely that the municipality could provide a loan. However, the *Community Charter* has given municipalities the ability to provide a form of assistance to business by way of a Partnering Agreement. Specifically, it states;

Partnering agreements

- 21. If a municipality enters into a partnering agreement for the provision of a service on behalf of a municipality, the council may**
- (a) provide assistance, other than tax exemptions, to a business in accordance with the agreement, and**
 - (b) provide assistance by way of a tax exemption in accordance with Division 7 (Permissive Exemptions) of Part 7 (Municipal Revenue).**

Seeking advice from our legal counsel once again, we were able to craft a partnering agreement under the service provision of economic development, in order to provide a loan to the company. With this loan, the company was able to purchase the assets, start the mill and provide jobs. All of which met the objectives of this section.

The Director of Finance and I had many meetings with legal counsel, the company and council in order to finalize an agreement that was acceptable to both parties. This took the better part of 3 months and most, if not all, of our work time. This was a priority for

the City and we treated it as such. The Terrace Standard article (*Appendix A, pg. 18-19*) notes that over 1,000 people came out to the “Welcoming Party” when this deal finally concluded. This highlights the importance of this mill to the community.

CAO Involvement

The City of Terrace went through a huge learning curve, both at the Council and staff level, when dealing with a bankrupt company. From my point of view, it tested my knowledge of the various legislative Acts and challenged my ability to think outside the box. Other issues I dealt with, related to this matter, include;

- ❖ **Publicity** – Over the past 4 years, it was important that the public be kept aware of the situation facing our community. As staff we worked to keep the public and various groups (Chamber, Economic Development, Tourism) apprised of the City’s situation. This was literally a full-time task as we needed to ensure that our information was up-to-date and correct, just in case Mayor and Council needed to go public.

As well, we worked with the media to make sure that some of the more controversial issues were being reported properly. For example, the Partnering Agreement could very well have been “spun” as assistance to business and been viewed negatively by the public. Instead, we worked to keep as much open dialogue as possible in order to report it as a positive move for the community.

Budget Restraint - Staffing has been reduced by 10 positions over the past 5 years. Capital and operating budgets were drastically cut during this period. In order to keep up with increased costs and the non-payment of taxes, the accumulative affect is much greater than the outstanding amount of taxes owed by New Skeena/SCI. For the past 5 years I have had to work closely with my Senior Managers to ensure that we are doing all we can with as little as we have. However, it has resulted in reduced or eliminated services throughout the City.

Specific examples include the freezing of 2 officer positions at the RCMP, not replacing my Deputy Fire Chief when he left and not replacing one of my 8 Career Fire Fighters when the last person retired. Both of these services have been severely strained. Additionally, our ability to maintain our parks, roads and sidewalks has been reduced to basic repair only. For the last couple of years we have eliminated all new road projects.

The reduction in capital has resulted in the build-up of an “infrastructure debt”. The majority of this is in roads; however, buildings have also been affected. Little, if any, has been put into the upkeep of these facilities. Originally, the City had an expectation of spending a minimum of \$1.3 million per year in order to keep up with road reconstruction at a “reasonable” level. This budget was eliminated and road maintenance has not been sustained at the required level. The roads and streets in town are in bad need of repair and replacement.

Because of the high level of unemployment level due to the shutdown of the sawmill and woods division, the ability to tax the residents was severely hampered and resulted in no tax increases from 2002 to 2005. The opportunity to apply for grants requiring matching City funds was been all but eliminated except for high priority projects.

These are some of the greater impacts on the City of Terrace due to the reductions and non-payment of taxes by New Skeena/SCI. It is imperative that the City as well as other Northwest municipalities be given relief in order to address our future needs and reclaim the shortfalls of the past years. It will take years of catch up before we realize what the rest of the Province has been experiencing over the past 7 years.

In summary, my experience throughout this process has given me insight into a whole other side of municipal responsibility. Once considered taboo, the role of working with and “assisting” a business to operate, has shed new light on the municipalities responsibility to ensure a future for its community. My training, experience and continual evaluation of each issue was challenged to such an extent, that often times I questioned myself whether or not I was really doing the right thing. If you asked me was it all worth it? My answer would be, absolutely. It is one of those moments in your career when you feel you did everything in your power to do the right thing for your community.

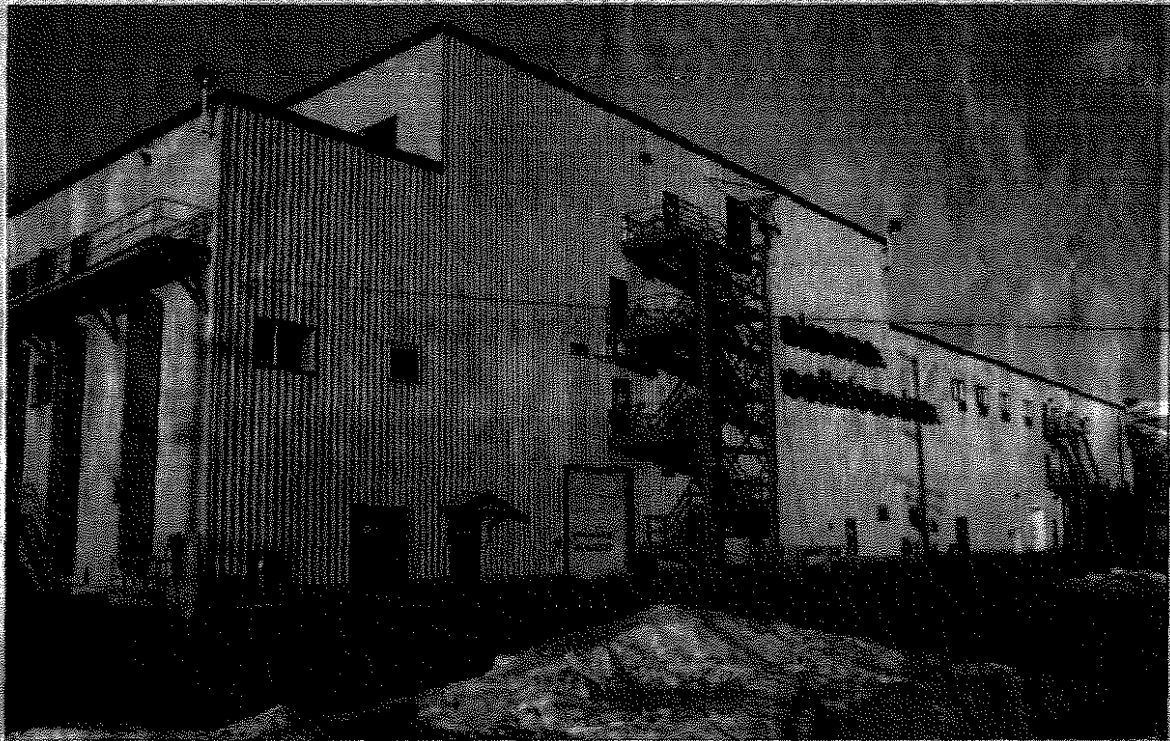


APPENDIX A

For Terrace, the mill town left with no mill, the future brightens 08/30/2005

BUSINESS

THE VANCOUVER SUN, TUESDAY, AUGUST 30, 2005



The former Shuswap Cellulose mill in Terrace was on the verge of being dismantled when about 60 local investors revived it as Terrace Lumber Co. It opened Monday and resumed operations.

*For Terrace, the mill town left
with no mill, the future brightens*

Vancouver Sun - Don Cayo B.C. Economy

Last year, the bankrupt operation's receivers sold it to a local partnership. That was just the beginning. It's tough being a mill town when you don't have a mill. Just ask folks in Terrace, the self-styled Forestry Capital of B.C.

For nearly five years, its big, modern sawmill has sat idle - not because anything's wrong with it or its products, but because its owners, who also owned the money-losing Skeena pulp mill in Prince Rupert, were broke.

In 2002, two years after it closed when a \$400-million gush of government funds became New Skeena under new owners George Petty and the city's, for the mill's re-opening waxed and waned for a couple more years.

But workers and their families had already begun to drift away to find work. Shops and other businesses hunkered down with smaller staffs and leaner earnings. The mood was often bleak.

Finally last February an overdue jolt of optimism was injected into the community. The mill's receivers, who'd considered dismantling the mill and selling off its pieces, instead sold the whole operation to Terrace Lumber Co. a partnership of about 60 local investors, whom had to pool their resources to buy one of the new company's 24 shares

This week their faith-and their investment-begins to pay off. The mill reopened on Monday with a single shift - about 70 workers, or half the workforce from its heyday.

John Ryan, a local contractor and investor who is chairman of TLC, points out, however, that the re-opening means a lot more than 70 jobs.

New Skeena's former timber licenses were not a part of the deal when the TLC investors bought the mill. So, as the only major sawmill in the province without its own forest tenure, its wood supply is coming from a number of North Coast contractors who are licensed to cut under the province's small business forest access provisions, and from nearby first nations.

Combined, these contractors are employing at least two times, and probably three times, more loggers than mill workers, Ryan said.

TLC has teamed up with IFP-Canada Corp., the subsidiary of the American owned International Forest Products (not Interfor), which will market the wood globally.

Initially, the first shipments, expected next month, will be sold in Canada and the U.S., but the long-term plan is to focus on the Pacific Rim, Europe and the Middle East. The state-of-the-art container port being built in Prince Rupert is a key part of the marketing strategy, as it costs only about a fifth as much to get the lumber to Rupert as to Vancouver.

But even without the modern port close at hand, the sawmill was never the money loser that dragged the Skeena companies down. It's a modern mill, built in the 1950s but rebuilt in the late '80s, and "a sweet mill" in the words of IFP vice-president Peter Keyes.

Keyes also says that not only the mill's product - high-quality lumber from hemlock and balsam fir - but also its personnel are fondly remembered by customers that he has been re-establishing contact with in Japan.

"They're asking after some of the people by name" he said.

And Ryan says a great many of the familiar names are, or will be, back. He said 67 former workers, spread far and wide since finding other jobs, were contacted before the start-up and only two turned down offers to come back.

Of course, the modest recovery of the sawmill won't, by itself, be enough to completely turn around the economy of a city of 25,000. But other good things are also starting to happen. Much of the optimism is tied to economic bright spots elsewhere in the northwest. Terrace expects to, and already is, profiting from its role as the northwestern shopping and distribution centre.

Chamber of Commerce president Bert Husband says the spending power from the Nisga'a of the Nass Valley just north of here in the wake of their self-government agreement of 2000, as well as from other first nations in the region, was key to carrying Terrace retailers through the tough years earlier this decade.

He expects that spending to continue, bolstered by workers from new mines proposed for the region and from the several big projects in store for both Prince Rupert and Kitimat.

Kitimat has three possibilities: a \$500-million proposal to import and re-gasify liquid natural gas and ship it south; a \$60-\$70-million proposal to quarry sand, rock and gravel for export to California' and a terminal and tank farm at the terminus of a proposed \$2.5-billion oil pipeline from Fort McMurray, Alta. (Enbridge, the pipeline company, is also considering taking the line to Prince Rupert.)

Of even greater interest is Prince Rupert's container port, with the myriad spinoff possibilities. (More on that in tomorrow's column.) Certainly, in this region where a two hour drive to go shopping isn't considered remarkable, it would bring new customers to retailers here. More importantly, it would set the stage for a host of new industries that could capitalize on access to Asia-bound container ships.

"I spend my days trying to get industrial development people interested in what we have," says Dave Menzies, the city's economic development officer. "It's not that hard."

A key, says Campbell Stewart, a businessman who sits on the city's board, is that unlike Prince Rupert, which is built on a rocky island, Terrace has a lot of flat, easy-to-develop land.

"With the port, this really becomes attractive. We've been a one-horse town for too long, and people are excited now" at the chance to diversify." And excited – as Ryan would point out and many others would concur – to have that trusty old horse back in harness as well.

\$1.00 PLUS 7% GST
GST TO APPLY TO GST
outside of the Terrace area

STANDARD

Challenges face new mill owners

By JEFF NAGEL

MAJOR challenges await the Terrace Lumber Company once the firm completes its purchase of the former Skeena Cellulose sawmill here.

Chief among them are finding timber to cut and a home for the pulp chips that will be produced as a byproduct.

"The most difficult parts of this are the fibre supply and the disposal of chips and bag feed," Terrace Lumber spokesman John Ryan said. "Those are the components that are very difficult."

Even if all goes well, he predicted it will be months before the sawmill is up and running.

"It won't be less than three months," Ryan said. "But it should be less than six."

The first step is completing the deal, which must be approved by B.C. Supreme Court Justice Donald Bennett at a yet-to-be-determined court date.

The planned completion date is March 31.

Then work shifts to the search for employees, logs and customers.

Although the sawmill is no longer connected to its own wood supply, much timber should be available on the open market.

Newly created timber holders include aboriginal groups like the Kitsoan/Kitanum band and others, which have been granted forest licenses by Victoria with wood taken away from major licensees.

Ron Bartlett, president of Kalam Ventures Ltd., expects the Kitsoan/Kitanum band-owned company will become one of several wood suppliers to the Terrace Lumber sawmill.

"We've been approached as a supplier of fibre," Bartlett said, adding he welcomes the community initiative to buy the mill.

"There's a lot of momentum," he said. "They've

got really great people in the negotiating side."

Bartlett said timber owners, including local aboriginal bands, will all applaud the local purchase of the mill because it means increased local competition for logs.

The Terrace Lumber mill will consume 300,000 cubic metres of sawlogs per year on just a one-shift basis.

"It's going to take about 70 loads of logs every day," Bartlett said.

Because around half of the logs cut in the region are only pulp quality, that means more than 200,000 cubic metres will have to be logged every year to achieve the minimum number of sawlogs to feed the mill. Double the number would be required to run a preferred two-shift operation, Ryan noted.

Bartlett said the Kitsoan/Kitanum band will be able to provide about 100,000 cubic metres of what's

needed from its new licence, which was read by the province under its 20 per cent timber block.

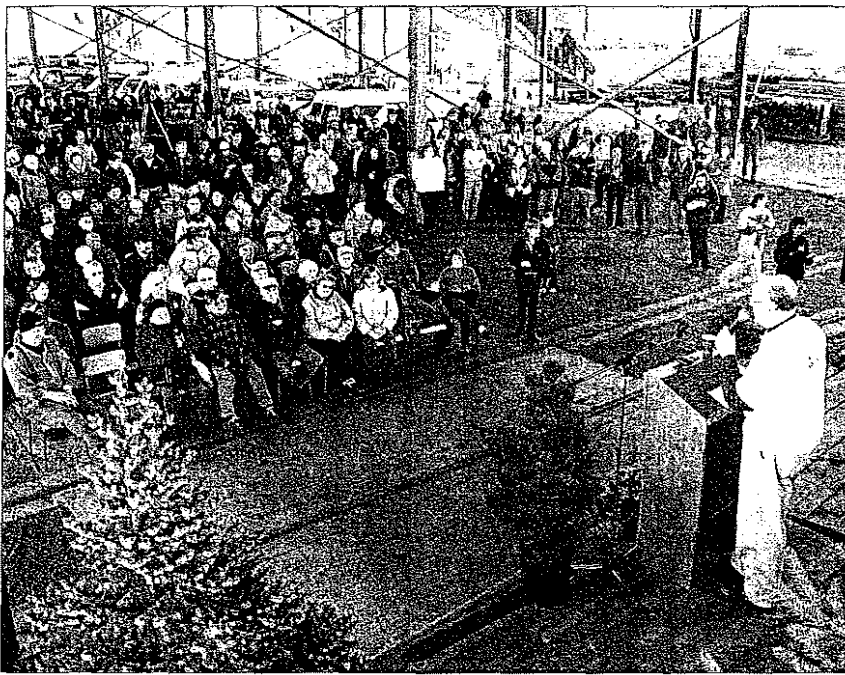
Another 430,000 cubic metres is available from Free Farm Licence #1, which is being purchased by Crest Timberland Resources, a company set up by Kalam Ventures.

Local officials there congratulated the owners in Terrace and pledged to work with them.

"Lax Kw'aleas stepped up to the plate to save the forest operations, and now the group Terrace has done the same — like us — for the four communities and the people in the north," Crest Timberland Resources CEO Wayne Orr said.

He said the band wants to hire Terrace employees to get logging underway quickly to support Terrace mill.

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MAYOR JACK Talstra addresses the crowd Feb. 23 at the welcoming party for the new Terrace Lumber Company. More than 1,000 people showed up at the former Skeena Cellulose/New Skeena Forest Products site to hear speeches and applaud the mill's purchase by local investors and by the city.

Mine road plan starts

THE PROVINCIAL government is putting a plan to build a road to a mine and to potential users in a mineral-rich northeast of here.

Within weeks the provincial ministry will submit a plan to the cabinet for the new Omicron Resource which would lead to a road to a mine near Klondike on Hwy 3. Skeena Liberal M.A. Harris said.

"Part of this plan is how they're going to build it and how to pay for it," Harris said.

Some of the road already been constructed but will be improved. An road would need to be built to the Kennecott open-pit mine which is owned by Northgate Resources.

While that project is a limited life, the province wants to develop Kennecott North project which would be on the road for at least 20 years through the Stewart via Hwy 17.

In some cases, the province would like to see the road to Mackenzie placed on railcars. It would be a smaller in Canada. Shipping is one of the main reasons the road would be cheaper.

Harris said this is more than a forest in anticipation of a road built by heavy types of haulage and other traffic.

"I want to build a road first," he said. "I want to build a road that handles a spectrum of traffic."

Aside from the

Mill deal closed at last minute

By SARAJA A. ZIMMERMAN
TERRACE businessmen John Ryan and Mo Takhar (over) planned to buy a sawmill.

But when negotiations between the receiver filed to dispose of the closed New Skeena Forest Products mill and one group broke down, threatening to put the operation under the auctioneer's gavel in satisfy creditors, that's exactly what they did.

"It's fair to say Mo's been the driving

of the buying handover of the mill to the Maynard's auction house.

"This thing was coming to a crunching halt," Ryan recalled.

The Ryan group and one other interested party were the only parties given standing by the B.C. Supreme Court to bid on the mill because it was handed over to Maynard's on Feb. 19. The local group had to wait to ensure those groups did not make any purchase

closing date of March 31, but it's believed to be in the \$1 million range.

Ryan put up a \$200,000 deposit on the spot. Without a cheque in hand, he impressed.

"I did it on a piece of paper — a receipt, regular piece of paper," Ryan said. It was witnessed by his lawyers and the lawyer representing Maynard's.

Although the makeup of the Ryan-Takhar

They've agreed to contribute a small portion of their hourly wages to eventually repay the city more than \$175,000.

Talstra said other parties are interested in contributing but have yet to iron out the details.

The sale of the mill is subject to a deal being reached between the city and the Terrace Lumber Company over paying \$2.654 million in back taxes which are tied to the

JEFF NAGEL PHOTO

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