MADISON'S TIMBER PREVIEW
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In the same week two major North American companies have made movements out of restructuring. On Thursday General Motors was the darling of the mainstream news after its Initial Public Offering brought share prices up to $34.01, or 4500 per cent, from June 25, 2009 when trading was stopped. At that time GM shares were worth 75 cents.

In contrast, AbitibiBowater is struggling to exit from bankruptcy protection, which is supposed to take place by the end of 2010. Company statements indicated an expectation of this happening in by early November. However, as of Thursday, court proceedings were adjourned until next week with no decision given.

Several North American forest companies remain in or have recently emerged from bankruptcy protection or restructuring, including: Ainsworth Lumber, Smurfitt-Stone Container Corp, Tembec Industries Inc, and Grant Forest Products. Court proceedings for these companies have gone more or less smoothly depending on various factors, but it is AbitibiBowater that seems to be having the most trouble satisfying bondholders.

On November 4 Ainsworth declared net income in 3Q 2010 of $10.1 million compared to net income of $22.3 million in 3Q 2009, despite an increase in gross profit of $6 million. This reduction is primarily due to a $30 million decrease in the unrealized foreign exchange gain on long-term debt.

On November 1 Smurfit-Stone's 3Q earnings fell 4.4 per cent excluding preferred-dividend impacts as the packaging company reported higher revenue and margins on price hikes, but was hurt by income-tax impacts. The company's adjusted net income was US$76 million up from adjusted net income of US$2 million in the 2Q 2010, and an adjusted net loss of US$23 million in 3Q 2009. The adjustments in 3Q 2010 were primarily the exclusion of costs related to reorganization and restructuring while the major adjustment in 2Q 2010 was the exclusion of US$1.42 billion of income, including tax benefits, related to Smurfitt-Stone's emergence from bankruptcy.

Unlike Ainsworth, which has secured collective agreements at all three of its plants, Smurfitt-Stone remains embroiled in a labour dispute. On November 8, UNIK Local 34 union initiated a work stoppage at the La Tuque, QC, mill without notice. The company announced Thursday that approximately 53 per cent of voting union members had rejected the latest contract offer tendered on November 10, 2010.

With this vote to reject the latest employer offer, it is unclear how long the work stoppage will continue. At the time of writing late Thursday French media reported that La Tuque employees had just voted to accept the last employer offer on strong advice from UNIK to accept the concessions.

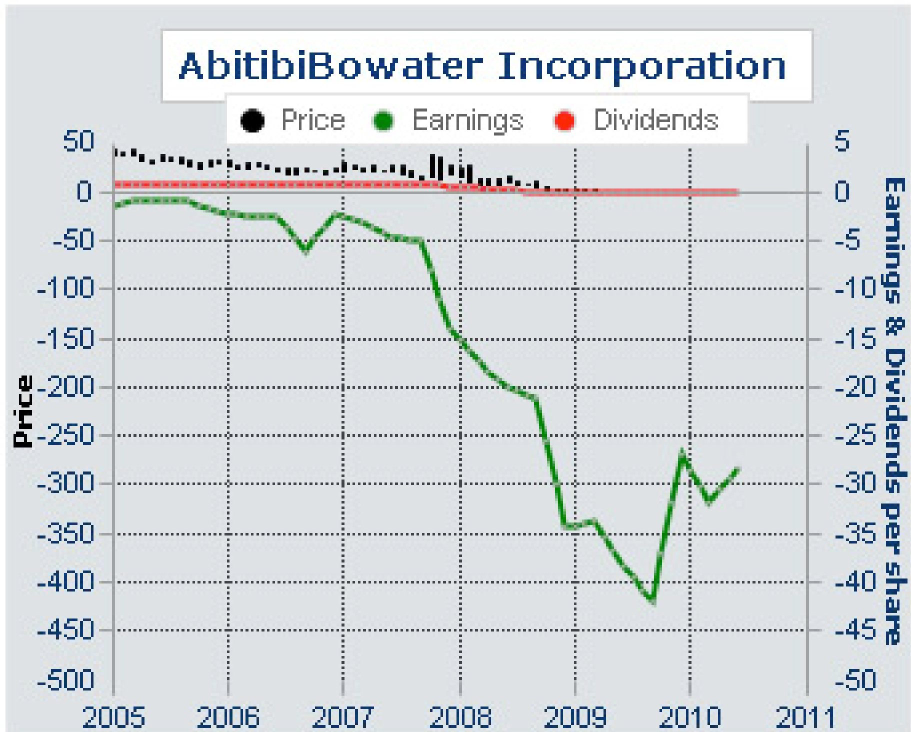
In other company news, Smurfit-Stone agreed November 5 to accept US$12.2 million in claims to settle its Portland, OR, harbour environmental obligations, a small chunk of the US$1 billion tab the federal government now projects for harbour cleanup.

Vertically integrated forest company Tembec Inc. Wednesday posted a 3Q profit of $2 million compared with a net loss of $17 million for the same time last year. Revenue fell 2 per cent to $444 million in the quarter. Lumber shipments were equal to 52 per cent of capacity, compared with 56 per cent in 3Q 2009, while pulp shipments were equal to 82 per cent of capacity, down from 96 per cent last year.

For its full financial year, Tembec earned $52 million, or 52 cents per share, compared to a net loss of $214 million in 2009. Earnings were well above the 27 cents forecast by analysts. Sales increased $100 million to $1.9 billion.

The sale of four Grant operations to Georgia-Pacific closed in October. The fate of any remaining plants is unknown as they are curtailed indefinitely.

AbitibiBowater's own restructuring continues to unfold. The company's net loss nearly doubled to US$829 million in 3Q 2010 due to soaring restructuring costs, compared with a loss of US$511 million a year earlier. AbitibiBowater faced $731 million in restructuring costs during the quarter, compared with $301 million a year ago.



SOURCE: FinWiz.com

A majority of AbitibiBowater's creditors approved the restructuring plan in September, but Bowater Canada Finance Corp, a special purpose subsidiary with no operating assets, failed to win approval and may be excluded from the restructuring.

Despite restructuring proceedings being adjourned mid-afternoon Thursday, AbitibiBowater has chosen to announce that objections have been resolved, according to Bloomberg.

AbitibiBowater reached an agreement with noteholders of its Bowater Canada Finance Corp. unit, Kelley Cornish, an attorney for AbitibiBowater, told a US Bankruptcy Court judge Thursday in a hearing conducted by phone in Wilmington, DE, paving the way for the company to exit bankruptcy by shedding about US$7.2 billion in debt.

“We have been successful in resolving confirmation objections,” except for issues regarding a US$387 million claim made by Fairfax Financial Holdings Ltd," Cornish said. Those noteholders argue that the claim stems from a fraudulent transfer and shouldn’t be allowed.

Meanwhile in Canada, AbitibiBowater responded, also Thursday, to statements made at the Federal Parliamentary Standing Committee on Industry regarding the company's current and intended treatment of registered pension plans as it completes its restructuring efforts. AbitibiBowater deemed those statements "incorrect", according to PR Newswire.

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