

CASE STUDY: BADGER PAPER MILLS

Sanabe worked with Badger Paper Mills to create a turnaround plan to allow continued operation of its Peshtigo paper mill.

Badger Paper Mills ("Badger") retained Sanabe in June 2005 to pursue strategic alternatives including a sale of the Company.

Prior to retaining Sanabe, Badger had announced the indefinite closure of the Peshtigo mill's fourdrinier paper machine, which produced value-added uncoated free-sheet grades.

- The fourdrinier machine represented roughly 75% of the mill's capacity and 67% of its 2004 shipments
- The fixed cost reductions implemented by management in conjunction with the machine closure were not adequate to improve profitability in the face of the substantial loss of volume

Badger continued to operate the 18,000 annual ton MG/Yankee paper machine, which produced more profitable grades.

Sanabe worked with management to identify substantial additional labor savings, through manning reductions, work-rule changes and wage/benefit cuts.

By analyzing the Company's historical contribution margins by product, Sanabe also identified a number of attractive grades manufactured on the fourdrinier machine where the Company had a realistic opportunity to re-enter the market.

- Based on our analysis, Sanabe proposed swinging a single paper machine crew between the mill's two machines, a step made possible by the proposed changes in the hourly labor terms

The proposed turnaround plan attracted significant buyer interest in the mill.

Ultimately, liquidity constraints and worsening market conditions prevented immediate implementation of the plan.

The Company was acquired by an affiliate of James Azzar, the owner of paper converter Bomarko, Inc., in a court supervised process. The new owner has restarted the MG/Yankee machine under labor arrangements similar to those proposed by Sanabe and management.