

CASE STUDY: REPAP ENTERPRISES

Sanabe personnel developed a long term relationship with Repap Enterprises, a low cost producer of coated groundwood papers, that enabled them to overcome a significant liquidity squeeze, develop a long-term strategic plan, and finally, sell to a strategic competitor at an opportune time in the market.

Sanabe personnel, then at Donaldson, Lufkin and Jenrette, were initially retained in March 1999 to assist Repap Enterprises in refinancing its bank facilities. The Company was a very levered but low cost producer of coated groundwood papers based in New Brunswick, Canada.

Poor markets for coated papers at that time and adverse conditions in the bank markets left them with very few alternatives to refinance their secured bank facilities. Failure to refinance the debt would have compelled the Company to seek court protection. At the time we were retained, this risk was well understood by the market; the Company's subordinated debt was trading around 60% and the shares were trading around C\$0.03 per share.

Sanabe personnel developed a plan to refinance the bank debt in the public high-yield markets with the support of many of the holders of Repap's publicly traded debt.

We subsequently advised the Company on a number of strategic alternatives in the coated groundwood industry.

Before Repap could consummate any strategic moves, the Company received an unsolicited takeover proposal in August 2000 from a large Finnish competitor, UPM-Kymmene, at a price double Repap's then trading value. Given the climate at the time, Repap insisted that UPM convert its proposal into a firm offer on an extremely expedited basis. Ten days later the Company announced that it had accepted an acquisition proposal from UPM-Kymmene at C\$0.20 per share.

Apart from the clear value that our work brought to the Repap shareholders and bondholders, we remain pleased that we have continued to work with the former Repap management on various projects.