

# Restructuring endorsed

## Creditors' vote in favour of gypsum firm's proposal

By BRUCE ERSKINE  
Business Reporter

Federal Gypsum Co.'s creditors have voted to approve the embattled Cape Breton wallboard company's restructuring plan.

"We go to a ratification hearing next Tuesday (Jan. 29)," Paul Goodman of bankruptcy trustees **Goodman Rosen Inc.** said Tuesday after a creditors' vote in Halifax. The hearing will be held in Nova Scotia Supreme Court.

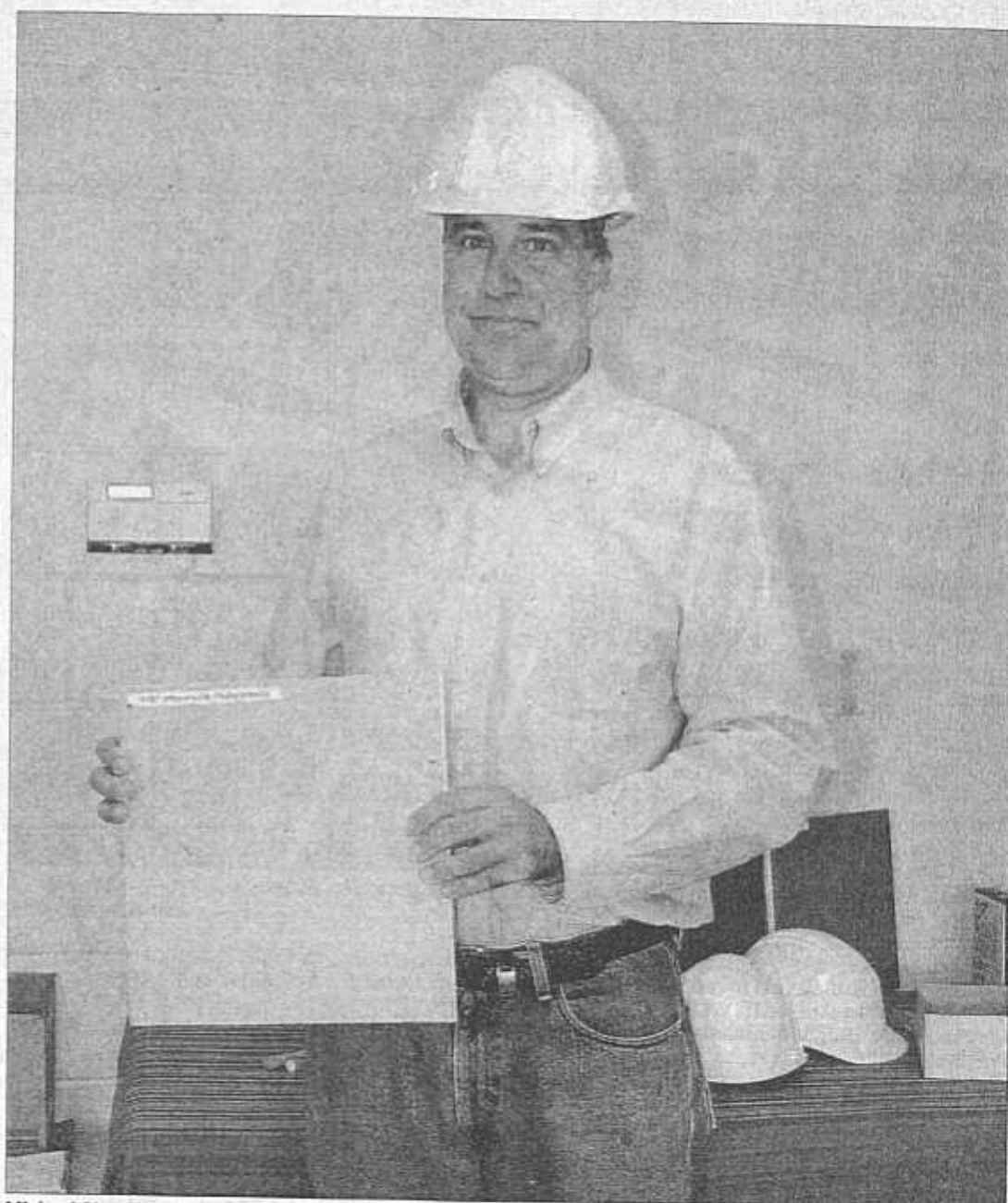
Federal Gypsum, which began wallboard production in 2006 after taking over the former **U.S. Gypsum** plant in Point Tupper in 2004, has received about \$16 million in loans from provincial and federal agency programs. In total, the company owes about \$32 million to more than 90 creditors.

Last fall, the Nova Scotia Supreme Court granted the firm's application for an extension of a stay on creditor proceedings to Jan. 29. The court also approved an additional \$450,000 in debtor-in-possession financing, giving Federal Gypsum a total of \$925,000 in debtor-in-possession financing to keep operating while it restructured.

The firm, which has been hurt by a slowdown in the U.S. housing market and low prices, laid off 20 workers in April and is operating at 20 per cent capacity with about 30 employees.

The restructuring plan calls for full repayment of secured creditors and 25 cents on the dollar for unsecured creditors, said company lawyer Maurice Chiasson, who added that the firm's owners, the father-son team of Mike Simpson and Michael Simpson, were pleased by Tuesday's vote result.

"It's a strong endorsement of the plan," Mr. Chiasson said in an interview after the creditors' vote. "We got 100 per cent on all classes but one."



Michael Simpson, vice-president of Federal Gypsum Co., holds up a sample of wallboard. The Point Tupper operation has received about \$16 million in loans from provincial and federal agency programs. In total, the company owes about \$32 million to more than 90 creditors.

(LAURA FRASER / Cape Breton Bureau)

Mr. Chiasson said the company plans to pursue its strategy of focusing on the Canadian market for its wallboard products.

"The U.S. market is a mess and will likely be for a considerable period of time," he said.

Mr. Chiasson said Federal Gypsum is "up to the challenge" of paying off its debts, although he acknowledged that the business can't predict market fluctuations.

"They plan to carry on and grow if things work out," he

said, adding that the firm could conceivably meet its original target of 80 employees. "It will be dictated by the market."

Federal Gypsum owes about \$1 million in loans and equipment leases to the **Royal Bank**, which opposed the extension of the stay and the increase in debtor-in-possession financing, saying the company had failed to demonstrate that it could deliver on its plan.

The bank's lawyer, Thomas Boyne, confirmed the creditors' vote on Tuesday but wouldn't

comment further on the matter.

Sarah Levy of Nova Scotia Business Inc., the province's business development agency, also confirmed the creditors' vote but declined further comment on the Federal Gypsum matter pending the Jan. 29 ratification hearing.

Lawyers for Enterprise Cape Breton Corp. and the Cape Breton Growth Fund, which are both owed money by Federal Gypsum, could not be reached for comment on Tuesday.

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