Groups make plan to save PALCO lands from development

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An alliance of private investors and conservation interests will pitch a plan in federal bankruptcy court they say will protect Pacific Lumber Co.'s forests and jobs and safeguard against the development of one of the county's largest tracts of timber production land.

PALCO and its affiliates filed for Chapter 11 bankruptcy in January last year and a court-imposed deadline of April 1 has been set for the PALCO and its creditors to choose among various plans for how the company will move forward out of bankruptcy.

The coalition announced Tuesday that it is joining forces with several capital investors to try to ensure that PALCO's redwood forests be permanently kept in sustainable timber management, while old-growth and environmentally significant habitats are preserved.

The Nature Conservancy, Save-the-Redwoods League and the Community Forestry Team — an alliance of Humboldt County-based forestry, conservation and environmental advocates — are working with investment and forestry partners Atlas Holdings, Bank of America, Conservation Forestry, LLC and the Redwood Forest Foundation Inc. on the venture.

"This is conservation on an epic scale," stated George Yandell, North Coast project director for the California chapter of The Nature Conservancy. "The only way to protect landscapes this big and this important is for conservation to work hand in hand with compatible economic activities."

Similar efforts have protected 150,000 acres of Mendocino County forest lands and 280,000 acres of forest lands spread across 11 southern states in recent years, according to the coalition's information.

Mark Lovelace, a member of the Community Forest Team, said the coalition's plan proposal would be submitted along with the other four reorganization plans anticipated to come from PALCO and its various creditors.

"We expect this one to be right in there with the others," Lovelace said.

Although he said the group was still working on finalizing the plan and getting the accurate financial information together, Lovelace said it would completed in time for the bankruptcy court's reorganization plan submission deadline on Jan. 31.

Specifically, the coalition is working with a group of creditors to develop a proposal to place PALCO's approximately 197,000 acres of

timber lands under a permanent conservation easement that ensures the forests are managed in an environmentally sustainable way while providing a continuous supply of timber to mills in the area.

The plan also proposes to set aside approximately 12,000 acres of old-growth forests as publicly protected wildlife areas, draw on the expertise of Atlas Holdings to maintain the operations of the Scotia sawmill and invest capital from Bank of America, Conservation Forestry and Redwood Forest Foundation Inc. to create a sustainable timber operation

Frank Bacik, vice president and general counsel for PALCO, he said he has only heard the proposed plan discussed in concept in court.

But Bacik said the group's proposal to put in place strong environmental protections is quite familiar to the timber company.

"It is a lot like our Habitat Conservation Plan," Bacik said.

Bacik said Scotia Pacific Co. and PALCO's lands are already covered by the most comprehensive conservation management regulations as part of the landmark Headwaters Deal that runs with the land that would be subject to any new potential landowners.

In related bankruptcy matter, attorneys for the timber note holders that hold more than $700 million of SCOPAC credit filed a motion Monday seeking the court to appoint a trustee to oversee the company in order to prevent what it claims is ongoing mismanagement.

Attorney Zack Clement argued that from the outset of the bankruptcy proceeding, SCOPAC and its officers repeatedly violated fundamental debtor duties, failed to preserve its corporate independence and

engaged in financial and business activities which have caused substantial harm to the SCOPAC estate and its creditors.

Clement argued that the liquidity problems caused by SCOPAC's management have resulted in the company projected to being nearly $7 million short bay end of March.

"Until independent management is installed, SCOPAC will continue to intentionally transfer value to PALCO thereby sustaining unnecessary and substantial losses, and its ability to successfully reorganize will be severely prejudiced," the motion stated.

Bacik denied the claims and said the note holders' attorneys are only rehashing months-old arguments that have already been rejected by the court.

Charles Hurwitz, PALCO parent company MAXXAM's chief, made an appearance during a court proceeding in Corpus Christi held Tuesday to discuss the timeline for how the court will hear the value of PALCO's lands and assets.

It its most recent reorganization plan, MAXXAM pledged to contribute tens of millions of dollars in cash and log purchase agreements to enable PALCO to regain firm financial footing.

Although he didn't speak, Bacik said Hurwitz' appearance demonstrates his support of a request of early valuation hearings that would speed and streamline the upcoming reorganization confirmation process.

"It also demonstrates confidence that there is tremendous value and equity in the business," Bacik said.

1 comment Back to top

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