



## **TREE ISLAND WIRE INCOME FUND**

TRADING SYMBOL: The Toronto Stock Exchange – TIL.UN

### **Tree Island Announces Third Quarter 2009 Results**

VANCOUVER, B.C., November 12, 2009 / Marketwire/ – Tree Island Wire Income Fund (the “Fund”) today released results for the third quarter and first nine months of 2009. The Fund’s results are based on the performance of Tree Island Industries Ltd. (“Tree Island” or “the company”)—one of North America’s largest producers of wire and fabricated wire products.

#### **Third Quarter 2009 Overview**

*For the three months ended September 30, 2009*

- The Fund reported third quarter revenue of \$38.5 million, an EBITDA loss adjusted for foreign exchange of \$4.1 million, and a net loss of \$1.6 million.
- Selling, general and administrative (“SG&A”) expenses improved to \$5.0 million in the third quarter, from \$6.5 million in Q3 2008.
- Inventories were reduced by \$6.3 million during the third quarter and by \$67.2 million during the first nine months of 2009.
- On July 2, 2009, the Fund closed the sale of surplus lands at its Richmond, BC facility for net proceeds of \$8.7 million. As a result of this sale, the Fund recorded positive distributable cash of \$0.154 per unit in the third quarter of 2009. Proceeds from the sale were used to reduce the Fund’s revolving credit balance.
- Since December 31, 2008, the Fund has reduced its revolving credit balance, net of cash, by \$49.7 million to \$14.3 million.
- The Fund announced its intention to raise up to \$19.75 million of new capital by way of a private placement of \$9.75 million and a rights offering to current unitholders of up to \$10 million.

“We continued to face challenges from a weakened North American economy in the third quarter and first nine months of 2009,” said Ted Leja, President and CEO of Tree Island Industries and a Trustee of the Fund. “Demand across several of our market sectors was down significantly from 2008 levels.”

While residential construction markets stabilized during the third quarter, the overall level of activity remained at historically low levels. According to the US Census Bureau, housing starts of just 33,500 in Tree Island’s key US Western Region represented a 50-year low for a third quarter period, and were down 31.5% from Q3 2008. Demand from the commercial construction and industrial/OEM markets also remained weak in both the US and Canada, reflecting the impact of continuing difficult economic conditions.

Tree Island’s total sales volumes declined by 48.1% in the third quarter and by 42.1% in the first nine months of 2009, compared to the same periods in 2008, reflecting the reduced demand in the industrial/OEM, commercial construction and residential markets. By contrast, agricultural, specialty and international trading sales volumes remained more stable. Total sales volumes were further impacted by restrictions on working capital that led to Tree Island focusing resources on more profitable product lines and away from higher-volume, lower-margin products.

Finished product prices were lower than a year ago, reflecting the significant drop in steel prices since the end of Q3 2008, but showed improvement compared to Q2 2009. The combination of lower sales volumes and selling prices resulted in a reduction in revenues in both the three and nine month periods. While bottom-line results were also weaker year-over-year, the Fund continued to achieve improvements on a sequential quarterly basis.

“We were successful in bringing our overhead costs and product inventories more closely into line with market conditions during the third quarter,” said Mr. Leja. “We reduced SG&A expenses by \$1.5 million year-over-year, and combined with increased pricing discipline, we were able to generate continued sequential quarterly improvement in our gross profit per ton and EBITDA results.”

The Fund was also successful in further reducing debt during the period, lowering its revolving line of credit, net of cash, by \$13.7 million during the third quarter, and by \$49.7 million since the start of 2009. On August 13, 2009, the Fund announced that it intends to raise up to \$19.75 million of new capital via debenture financing, with net proceeds to be used for working capital and general corporate purposes. The completion of the proposed financing is subject to various conditions, including, but not limited to, TSX approval of the Private Placement, the execution and delivery of an investors’ rights agreement, approval by the Fund’s senior lenders, the Fund’s senior lenders agreeing to certain amendments to the terms of the Fund’s senior credit agreement and the terms of an intercreditor agreement with respect to the Debentures, the Fund entering into standstill agreements with certain of its trade creditors and commencement of the Rights Offering. Assuming satisfaction or waiver of all conditions, the Fund expects to complete the proposed financing in the fourth quarter.

### Third Quarter and Nine Month Results from Operations

(thousands of dollars except for tonnage and per unit figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>Income</b>				
<i>Sales Volumes – Tons</i>	31,565	60,876	115,026	198,572
Revenue	\$ 38,456	\$ 93,511	\$ 138,841	\$ 264,920
Cost of Goods Sold	(38,773)	(77,999)	(154,813)	(223,605)
Depreciation	(1,401)	(2,566)	(5,649)	(7,792)
Gross (Loss) Profit	(1,718)	12,946	(21,621)	33,523
<i>Gross (Loss) Profit per Ton</i>	\$(54)	\$213	\$(188)	\$169
Selling, General and Administrative Expenses	(4,986)	(6,495)	(17,435)	(18,924)
Operating (Loss) Profit	(6,704)	6,451	(39,056)	14,599
Foreign Exchange Gain	1,162	1,667	2,291	5,598
Financing Expenses	(1,661)	(1,718)	(5,384)	(4,300)
Gain (Loss) on Sale of Property, Plant & Equipment	5,399	16	5,462	(24)
Unrealized Gain on Derivatives	128	-	250	-
Amortization of Deferred Gain	128	121	407	355
Amortization of Intangible Assets	-	(292)	(660)	(855)
Impairment of Intangible Assets	-	-	(5,362)	-
Income Tax (Expense) Recovery	(77)	(901)	1,882	(490)
Net (Loss) Income	(1,625)	5,344	(40,170)	14,883
<b>EBITDA</b>				
Operating (Loss) Profit	(6,704)	6,451	(39,056)	14,599
Add back Depreciation	1,401	2,566	5,649	7,792
EBITDA <sup>(1)</sup>	(5,303)	9,017	(33,407)	22,391
Foreign Exchange (Loss) Gain	1,162	1,667	2,291	5,598
EBITDA Adjusted for Foreign Exchange	(4,141)	10,684	(31,116)	27,989
<b>Distributable Cash</b>				
Standardized Distributable Cash per Unit <sup>(1)</sup>	0.2505	(0.4087)	1.9138	0.4732
Adjusted Distributable Cash per Unit <sup>(1)</sup>	0.1539	0.3919	(1.1949)	1.0458
Distributable Cash Paid or Payable per Unit <sup>(1)</sup>	-	0.2500	-	0.7500
Standardized Distribution Payout % <sup>(2)</sup>	0%	0%	0%	159%
Adjusted Distribution Payout % <sup>(2)</sup>	0%	64%	0%	72%
	As at September 30		As at December 31	
	2009		2008	
<b>Balance Sheet</b>				
Total Assets	110,946		203,286	
Revolving Credit (Net of Cash)	14,293		64,008	

(1) See definition of EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash in the Non-GAAP Measures section of the MD&A.

(2) Distribution Payout % is calculated as distributions paid or payable per unit divided by distributable cash generated per unit.

## **Outlook**

The Fund's outlook remains extremely cautious with an elevated level of financing risk and expectations of continued market weakness.

On May 29, 2009, the Fund announced that as a result of challenging market conditions, it was out of compliance with its EBITDA covenants in terms of its GE credit facilities for the month of April 2009, and received written notice of default from its lenders on June 8, 2009. Although there can be no assurance that the Fund's lender will waive non-compliance with the covenant, discussions with the lender are underway to address this matter. As a result of these circumstances, there is considerable doubt upon the Fund's ability to continue as a going concern. Management and the board continue to review alternative financing options in an effort to secure sufficient working capital going forward. These initiatives include the proposed convertible debenture financing announced during the third quarter. The offering is intended to raise up to \$19.75 million of new capital.

On the market front, the Fund foresees mixed conditions in the coming quarters. Said Mr. Leja, "The US residential construction market is expected to begin a gradual recovery in 2010, but it will be building from an extremely low level. The commercial construction and industrial/OEM markets, meanwhile, remain weak and are expected to experience a more delayed recovery. Other markets such as agriculture and specialty alloys have been more stable through this recession and we expect this trend to continue through the balance of 2009 and into 2010."

"I want to emphasize that while we are starting to see some light on the horizon, we do not anticipate any rapid shift in market conditions. As we move into the fourth quarter, we are entering our seasonally slowest period of the year. We do not expect to see a positive demand trend emerging until late in the first quarter of 2010, when spring building activity resumes."

“In the interim, we will maintain our focus on improving profitability. This will include continued implementation of strategies appropriate to the current conditions, containing costs and sharpening our focus on Tree Island’s core competencies in high-quality products, respected brands and excellent customer service,” said Mr. Leja.

### **Tree Island Profile**

Headquartered in Richmond, British Columbia, Tree Island Industries produces wire products for a diverse range of construction, agricultural, manufacturing and industrial applications. Its products include bright wire, stainless steel wire and galvanized wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products, engineered structural mesh, fencing and other fabricated wire products. The company markets these products under the Tree Island and TI Imports brand names. Tree Island also owns and operates a Hong Kong-based trading company that provides internationally sourced products to Tree Island and its customers worldwide.

### **Non-GAAP Measures**

References in this news release to "EBITDA" are to operating profit plus depreciation. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Management believes that EBITDA is an important supplemental measure in evaluating the Fund’s performance.

You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Tree Island’s method of calculating EBITDA may differ from methods used by other issuers and, accordingly, Tree Island’s EBITDA may not be comparable to similar measures presented by other issuers.

“Distributable cash” is also not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as this Fund, use distributable cash as an indicator of financial performance and ability to fund distributions. We define distributable cash as net cash from operating activities less all capital expenditures, plus the change in non-cash operating assets and liabilities, plus non-maintenance capital expenditures, plus the 2006 pre-tax proceeds on the sale of a property option, plus the 2009 the pre-tax proceeds on the sale of surplus land (the tax provision for these proceeds on sale is included in the net cash provided from operating activities). Changes in non-cash operating assets and liabilities and non-maintenance capital expenditures are added back in the calculation of distributable cash because they are funded through the Fund’s committed credit facilities. Tree Island’s distributable cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in units.

The Fund defines maintenance capital expenditures as cash outlays required to maintain our plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

### **Forward-Looking Statements**

This press release includes forward-looking information with respect to the Fund and the company, including their business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the risks and uncertainties discussed under the heading “Risk Factors” in the Fund’s annual information form and management discussion and analysis for the year ended December 31, 2008.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Such risks and uncertainties include, but are not limited to: general economic conditions and markets and, in particular, the potential impact of the current economic downturn, risks associated with operations such as competition, dependence on the construction industry, market conditions for the company's products, supplies of and costs for its raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in working capital position, the impact on liquidity if the Fund were to go offside of covenants in its debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices, operations in a foreign country, and other risks and uncertainties set forth in the Fund's publicly filed materials.

This press release has been reviewed by the Fund's Board of Trustees and its Audit Committee, and contains information that is current as of the date of this press release, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

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**Tree Island Wire Income Fund**  
**INTERIM CONSOLIDATED BALANCE SHEETS**

(In thousands of dollars)(unaudited)

	<b>As at September 30 2009</b>	<b>As at December 31 2008</b>
<b>Assets</b>		
<i>Current</i>		
Cash	\$ 2,197	\$ 1,201
Accounts receivable	15,597	25,094
Income and other taxes receivable	4,394	5,018
Inventories	39,318	106,563
Prepaid expenses	3,796	4,010
Future income taxes	-	116
	<u>65,302</u>	<u>142,002</u>
<i>Property, plant and equipment</i>	44,719	54,980
<i>Intangible assets</i>	-	6,304
<i>Other non-current assets</i>	925	-
	<u>\$ 110,946</u>	<u>\$ 203,286</u>
<b>Liabilities</b>		
<i>Current</i>		
Revolving credit	\$ 16,490	\$ 65,209
Accounts payable and accrued liabilities	63,552	66,783
Income taxes payable	776	963
Interest payable	2,471	495
	<u>83,289</u>	<u>133,450</u>
<i>Deferred gain on sale of option</i>	3,543	4,471
<i>Other non-current liabilities</i>	221	207
<i>Future income taxes</i>	1,681	4,140
	<u>88,734</u>	<u>142,268</u>
	-	-
<b>Unitholders' Equity</b>	<u>22,212</u>	<u>61,018</u>
	<u>\$ 110,946</u>	<u>\$ 203,286</u>

**Tree Island Wire Income Fund**

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

*(In thousands of dollars, except units and per-unit amounts)(unaudited)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Sales	\$ 38,456	\$ 93,511	\$ 138,841	\$ 264,920
Cost of goods sold and inventory writedowns	38,773	77,999	154,813	223,605
Depreciation	1,401	2,566	5,649	7,792
Gross (loss) profit	(1,718)	12,946	(21,621)	33,523
Selling, general and administrative expenses	4,986	6,495	17,435	18,924
Operating (loss) income	(6,704)	6,451	(39,056)	14,599
Foreign exchange gain	1,162	1,667	2,291	5,598
Gain (loss) on sale of property, plant and equipment	5,399	16	5,462	(24)
Impairment of intangible assets	-	-	(5,362)	-
Amortization of intangible assets	-	(292)	(660)	(855)
Amortization of deferred gain	128	121	407	355
Unrealized gain on derivatives	128	-	250	-
Financing expenses	(1,661)	(1,718)	(5,384)	(4,300)
(Loss) income before income taxes	(1,548)	6,245	(42,052)	15,373
Income tax recovery (expense)	(77)	(901)	1,882	(490)
<b>Net (loss) income for the period</b>	<b>\$ (1,625)</b>	<b>\$ 5,344</b>	<b>\$ (40,170)</b>	<b>\$ 14,883</b>
<b>Net (loss) income per unit</b>				
Basic	\$ (0.07)	\$ 0.24	\$ (1.83)	\$ 0.68
Diluted	\$ (0.07)	\$ 0.24	\$ (1.83)	\$ 0.67
<b>Weighted-average number of units</b>				
Basic	22,053,614	21,960,447	22,008,940	21,951,547
Diluted	22,053,614	22,114,098	22,008,940	22,069,590

**Tree Island Wire Income Fund**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands of dollars)(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>Cash flows from operating activities</b>				
Net (loss) income for the period	\$ (1,625)	\$ 5,344	\$ (40,170)	\$ 14,883
Items not involving cash				
Depreciation	1,401	2,566	5,649	7,792
Unrealized gain on derivatives	(128)	-	(250)	-
(Gain) loss on disposal of property, plant and equipment	(5,399)	(16)	(5,462)	24
Amortization of deferred financing	425	89	955	262
Impairment of intangible assets	-	-	5,362	-
Amortization of intangible assets	-	292	660	855
Deferred financing fees written off	-	-	268	-
Amortization of deferred gain	(128)	(121)	(407)	(355)
Future income taxes	212	447	(1,768)	(299)
Unit-based compensation	-	146	286	372
	(5,242)	8,747	(34,877)	23,534
Change in non-cash operating assets and liabilities				
Accounts receivable	7,023	222	9,497	(21,143)
Inventories, net of inventory writedowns (Note 5)	6,257	(15,844)	67,245	(40,313)
Accounts payable and accrued liabilities	(3,844)	(3,854)	(2,981)	46,389
Income and other taxes	(135)	2,357	(114)	2,549
Other	1,485	(411)	3,496	13
	10,786	(17,530)	77,143	(12,505)
<b>Net cash provided by (used in) operating activities</b>	<b>5,544</b>	<b>(8,783)</b>	<b>42,266</b>	<b>11,029</b>
<b>Cash flows from investing activities</b>				
Proceeds on disposal of long-lived assets	8,656	16	8,871	39
Purchase of property, plant and equipment	(20)	(193)	(145)	(639)
<b>Net cash provided by (used in) investing activities</b>	<b>8,636</b>	<b>(177)</b>	<b>8,726</b>	<b>(600)</b>
<b>Cash flows from financing activities</b>				
Repayment of long-term debt	-	(23)	-	(66)
Deferred financing costs	-	-	(664)	-
Advance on (repayment of) revolving credit	(16,216)	12,279	(49,278)	1,256
Distributions to unitholders	-	(10,980)	-	(16,467)
<b>Net cash provided by (used in) financing activities</b>	<b>(16,216)</b>	<b>1,276</b>	<b>(49,942)</b>	<b>(15,277)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(33)</b>	<b>199</b>	<b>(54)</b>	<b>346</b>
<b>(Decrease) increase in cash</b>	<b>(2,069)</b>	<b>(7,485)</b>	<b>996</b>	<b>(4,502)</b>
<b>Cash, beginning of period</b>	<b>4,266</b>	<b>3,525</b>	<b>1,201</b>	<b>6,032</b>
<b>Cash, end of period</b>	<b>\$ 2,197</b>	<b>\$ (3,960)</b>	<b>\$ 2,197</b>	<b>\$ 1,530</b>
<b>Supplemental cash flow information:</b>				
Interest paid	\$ 833	\$ 1,629	\$ 2,168	\$ 4,178
Income taxes paid	\$ -	\$ (2,222)	\$ 6	\$ (2,078)