

CANADA

PROVINCE OF SASKATCHEWAN

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF REGINA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c.C-36 (the "CCA")

AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT FOR THE
CREDITORS OF CIC PULP LTD. in its capacity as a general partner of MEADOW LAKE
PULP LIMITED PARTNERSHIP and MEADOW LAKE PULP LTD. in its own capacity
and as agent and nominee for Meadow Lake Pulp Limited Partnership

BETWEEN:

CIC PULP LTD., operating as MEADOW LAKE PULP LIMITED PARTNERSHIP
and MEADOW LAKE PULP LTD.

APPLICANTS

- and -

HSBC BANK CANADA, INVESTMENT SASKATCHEWAN INC.
101069101 SASKATCHEWAN LTD., GUSCO HANDEL G. HANDEL G. SCHARFELD
& CO., MILLAR WESTERN INVESTMENTS (SASKATCHEWAN) LTD., MILLAR
WESTERN HOLDINGS (MEADOW LAKE) LTD.
and MILLAR WESTERN INDUSTRIES LTD.

RESPONDENTS

BEFORE THE HONOURABLE)

MR JUSTICE D.P. BALL)

IN CHAMBERS)

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)
)

ON ~~TUESDAY~~, THE

16TH DAY OF DECEMBER,

2008

ORDER

UPON THE APPLICATION of counsel on behalf of CIC Pulp Ltd. a general partner of Meadow Lake Pulp Limited Partnership and Meadow Lake Pulp Ltd. (hereinafter collectively referred to as "MLPLP" or the "Debtor"), Investment Saskatchewan Inc. and 101069101 Saskatchewan Ltd. (together, "ISI"), and upon having read the Notice of Motion dated December 10, 2008, the Affidavit of Heather Forbes sworn on December 10, 2008, the report of RSM Richter Inc. (herein referred to as the "Receiver"), and the Draft Order, all filed, and upon hearing Conrad D. Hadubiak, counsel on behalf of MLPLP and ISI:

IT IS HEREBY ORDERED, ADJUDGED AND DECLARED THAT:

SERVICE AND NOTICE

1. All parties entitled to notice of the application giving rise to this Order have been given proper notice of this application and have been properly served with notice of this application.

APPROVAL OF RELEASE AND SETTLEMENT AGREEMENT

2. The Receiver is hereby authorized and directed, on behalf of MLPLP, to enter into a Release and Settlement Agreement substantially in the form attached as Schedule "A" to this Order;
3. The Receiver is hereby authorized and directed, in accordance with the terms and provisions of the Release and Settlement Agreement to pay to Meadow Lake Mechanical Pulp Inc., the sum of \$2,000,000 out of the funds it holds generated from the sale of or realization upon the assets of MLPLP.

ISSUED at Regina, Saskatchewan, this 27th day of December, 2008.



(Deputy) Local Registrar

TAKE NOTICE that every Order made without notice to the Respondent or a person affected by the Order except when such Order is consented to by the Respondent or a person affected by the Order, or is otherwise authorized by law, may be set aside or varied on application to the Court. You should consult your solicitor as to your rights.

This document was delivered by:

**MacPHERSON LESLIE & TYERMAN LLP
Barristers & Solicitors
1500 – 1874 Scarth Street
Regina, Saskatchewan S4P 4E9**

whose address for service is same as above.
Lawyer in charge of file: Conrad D. Hadubiak
Telephone Number: (306) 347-8447
Fax Number: (306) 352-5250

DRAFT
December 1, 2008

RELEASE AND SETTLEMENT AGREEMENT

This Release and Settlement Agreement (the "Agreement"), dated as of [◆, 2008], is made and entered into between 101069101 SASKATCHEWAN LTD. ("101"), MEADOW LAKE MECHANICAL PULP INC. ("MLMP"), MEADOW LAKE PULP LIMITED PARTNERSHIP, by its receiver and manager RSM RICHTER INC. (the "Partnership"), MEADOW LAKE PULP LTD., by its receiver and manager RSM RICHTER INC. ("MLP"), and ELITE SHINE INVESTMENTS LIMITED ("ELITE") (collectively, the "Parties").

WHEREAS, MLMP and King Paper Source International Trading (Shanghai) Co., Ltd. ("KPS") are parties to a pulp purchase agreement dated as of January 23, 2007 (the "Off-Take Agreement");

WHEREAS, MLMP and KPS wish to make certain amendments to the Off-Take Agreement as more particularly described in the first amending agreement dated January 31, 2007 and the second amending agreement dated February 5, 2008 (the "Amending Agreements");

WHEREAS, Pursuant to the unanimous shareholders agreement dated January 23, 2007 made between 101, Elite and MLMP, MLMP is not permitted to agree to or permit any amendment of the terms of the Off-Take Agreement without the prior written consent of 101;

WHEREAS, 101 has agreed to consent to the amendments contemplated by the Amending Agreements on a conditional basis, subject to the terms and conditions set out in a conditional delivery agreement dated as of July 21, 2008 (the "Conditional Delivery Agreement");

WHEREAS, one of the conditions set out in the Conditional Delivery Agreement is that 101 and MLMP agree on a final resolution satisfactory to both of them with regards to the remediation of the water recovery pond as required by the 101 Agreement dated January 23, 2007 made between 101, MLMP, Investment Saskatchewan Inc. ("ISI") and Meadow Lake Pulp Ltd. (the "101 Agreement");

WHEREAS, the Parties desire to terminate the 101 Agreement as well as the securities pledge and assignment agreement (the "Securities Pledge and Assignment Agreement") and the landfill lands use agreement (the "Landfill Lands Use Agreement") both entered into in connection with the 101 Agreement and both dated as of January 23, 2007 and release each other from all obligations, past and future, owing to one another thereunder;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions: All capitalized terms not otherwise defined herein have the means ascribed to them in the 101 Agreement.

2. Payment: The Partnership shall pay no later than the close of business, Central Standard Time, on ♦, 2008 (the “Stipulated Payment Time”), to MLMP, the amount of \$2,000,000 CDN (the “Payment”). MLMP agrees to use the Payment for the sole and express purposes of the fulfillment of its obligations pursuant to section 6 below.

3. Condition Precedent: This Release and Settlement Agreement is subject to the condition precedent that the Partnership obtain an Order of the Saskatchewan Court of Queen’s Bench authorizing the Payment. If for any reason, the Partnership has not obtained the Order described in the preceding sentence or MLMP has not received the Payment within 5 days of the Stipulated Payment Time, the Parties agree that the condition precedent shall not have been satisfied and this Agreement shall be null and void and of no force or effect.

4. Release: Upon the fulfillment of Article 2 and Article 3 of this Release and Settlement Agreement by the relevant Party, the Parties agree that the 101 Agreement, the Securities Pledge and Assignment Agreement and the Landfill Lands Use Agreement shall be terminated and the Parties shall unconditionally release, acquit, and discharge each other, as well as their respective successors, assigns, shareholders, direct or indirect parents, subsidiaries and affiliates, and each of their respective officers, directors, employees, representatives, subcontractors, agents, insurers and attorneys from and against any and all claims, suits, causes of action (whether in law or equity), rights, obligations, indemnities, undertakings, debts, agreements, liabilities, or damages whatsoever that either of the Parties, their respective successors, assigns, shareholders, direct or indirect parents, subsidiaries and affiliates, their respective officers, directors, employees, representatives, subcontractors, agents and attorneys once had, now have or could assert in the future against each other or any other party in connection with the 101 Agreement or a breach thereof.

5. Return of Security: Upon the fulfillment of Article 2 and Article 3 of this Release and Settlement Agreement by the relevant Party, Elite shall return to 101 the Pledged Notes and the certificate representing the Pledged Shares delivered to Elite pursuant to the 101 Agreement and the Securities Pledge and Assignment Agreement.

6. Use of Payment: MLMP agrees to use the Payment solely for the purposes of remediating the MLPLP Pond Environmental Contamination and, to that end, agrees as follows:

- (a) MLMP shall as soon as reasonably practicable following its receipt of the payment commence with the development of a plan for the remediation of the MLPLP Pond Environmental Contamination;
- (b) MLMP shall consult with 101 in the development of its remediation plan and shall keep 101 apprised as to the finalization and implementation of such plan;
- (c) MLMP shall exercise its best commercial efforts to complete the remediation of the MLPLP Pond Environmental Contamination within two years of the date of this Agreement.

7. **All Claims Are Barred**: Except for such actions as may be necessary or appropriate to enforce the terms of this Agreement, the Parties irrevocably covenant to refrain from making any claim or demand, or causing to be commenced, any suit, action or proceeding of any kind or character whatsoever against each other arising out of, resulting from or in any way related to the 101 Agreement, the Securities Pledge and Assignment Agreement or the Landfill Lands Use Agreement.

8. **Entire Agreement**: This Agreement constitutes the complete understanding between and among the Parties. No modification of this Agreement shall be binding, unless evidenced in writing and signed by an authorized representative of each of the Parties.

9. **Enurement**: This Agreement shall be binding on and inure to the benefit of each of the Parties, their successors, representatives, agents, officers, directors, employees and assigns.

10. **Proper Authority**: The persons executing this Agreement on behalf of the Parties each represent and warrant that they have full and complete authority to do so, and to make and give the promises, releases, and covenants set forth in this Agreement. The Parties each represent and warrant that the claims released by each of them pursuant to this Agreement have not been assigned.

11. **Governing Law**: The terms of this Agreement shall be governed, construed and enforced in accordance with the internal laws of the Province of Saskatchewan, without regard to Saskatchewan conflict of laws provisions.

12. **Counterparts and Facsimile Execution**: This Agreement may be executed in identical counterparts and by fax signature, and each such counterpart shall be deemed an original but such counterparts shall nevertheless together constitute one and the same instrument.

(The next page is the signature page)

IN WITNESS HEREOF, the undersigned certify their assent to the terms of this Agreement.

101069101 SASKATCHEWAN LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

MEADOW LAKE PULP LIMITED PARTNERSHIP, by its receiver and manager RSM RICHTER INC.

By: _____
Name:
Title:

ELITE SHINE INVESTMENTS LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

MEADOW LAKE MECHANICAL PULP INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

MEADOW LAKE PULP LTD., by its receiver and manager RSM RICHTER INC.

By: _____
Name:
Title:

(Signature page to Release and Settlement Agreement)