

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 AS AMENDED

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

RESPONDENTS

SIXTH REPORT OF THE RECEIVER

MARCH 28, 2013

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INTRODUCTION

1. On October 1, 2007 the Court of Queen's Bench of Saskatchewan issued an Order (the "Receivership Order") placing CIC Pulp Ltd. operating as Meadow Lake Pulp Limited Partnership and Meadow Lake Pulp Ltd. (collectively, "MLPLP") into receivership. RSM Richter Inc. ("Richter") was appointed as Receiver and Manager (the "Receiver"). The Receiver last reported to this Honourable Court on May 12, 2011 (the "Fifth Report").
2. Capitalized terms not defined in this sixth report (this "Report") are as defined in all Reports and Orders previously issued in respect of these receivership proceedings.
3. Richter was previously appointed monitor (the "Monitor") of MLPLP pursuant to an Order of this Honourable Court made on December 28, 2005 (the "CCAA Order") granting MLPLP protection under the *Companies' Creditors Arrangement Act* ("CCAA"). The Monitor was discharged on October 29, 2007.
4. On December 2, 2011 Richter merged with Ernst & Young Inc. ("EY"). By Order of this Honourable Court dated December 8, 2011, EY was substituted in place of Richter as Receiver of MLPLP.
5. On January 11, 2007, the Court approved the sale of MLPLP's pulp mill (the "Mill") to Meadow Lake Mechanical Pulp Inc. ("MLMP"). The sale closed on January 23, 2007 in accordance with the purchase and sale agreement.
6. The Receiver holds certain amounts in its trust account which it proposes be distributed to the priority creditor. The amounts are described later in this Report.
7. Since the date of the Fifth Report, the Receiver has addressed the remainder of the environmental matters and the sale of certain lands to MLMP.

Purpose of this Report

8. The purpose of this Report is to:
 - a) Provide an update on the administration of the receivership since the Fifth Report; and
 - b) Respectfully recommend that this Honourable Court:
 - i) approve the final distribution of the remaining funds held by the Receiver to 101069101 Saskatchewan Ltd. ("101") subject to a holdback of \$500,000 pending finalization of the transfer of the Non-Acquired Lands to MLMP;
 - ii) approve the Receiver's Statement of Receipts and Disbursements;
 - iii) approve the Receiver's actions to date;
 - iv) authorize the Receiver to enter into the Non-Acquired Lands Agreement (as that term is defined subsequently in this Report);
 - v) approve the fees and disbursements of the Receiver and those of its legal counsel incurred over the course of the receivership (including their respective anticipated further fees and disbursements);

- vi) authorize the Receiver to destroy the physical records located at the Mill;
- vii) discharge the Receiver after completion of all matters in respect of certain Non-Acquired Lands including the execution and delivery by all parties of the Non-Acquired Lands Agreement, distribution of the remaining funds held by the Receiver and concluding all remaining administrative matters; and
- viii) provide such further and other relief that this Honourable Court considers just and warranted in the circumstances.

Terms of Reference

9. In developing this Report the Receiver has relied upon unaudited financial information, MLPLP's books and records, records provided by MLPLP's secured creditors and discussions with former management. The Receiver has not performed an audit or other verification of such information. An examination of MLPLP's financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Receiver in preparing this Report.

Currency

10. All currency references in this Report are in Canadian dollars.

HISTORICAL OVERVIEW

Operations

11. MLPLP's business was the operation of a pulp mill located near Meadow Lake, Saskatchewan. The Mill's marketing and administrative functions were provided under contract by Millar Western Forest Products Ltd. ("MWF"). The pulp produced by MLPLP was sold primarily in Europe, Asia and the United States.
12. MLPLP's day-to-day operations were financed by HSBC Bank Canada ("HSBC") by way of an operating facility which totalled approximately \$19 million as at the date of the CCAA Order. Investment Saskatchewan Inc. ("ISI") directly through loan agreements and through its subsidiary, 101, was owed approximately \$800 million by MLPLP as at the date of the CCAA Order. ISI changed its name to CIC Asset Management Inc. ("CIC") on July 1, 2009.
13. MLPLP had insufficient cash to continue its operations and consequently the CCAA Order was sought and granted.
14. MLPLP obtained Debtor-In-Possession Financing (the "DIP Facility") totalling \$15 million from CIC, approved by this Honourable Court on January 13, 2006, in order for the Mill to continue its operations.

15. The Monitor with the assistance of MLPLP implemented numerous cost saving measures including downsizing the Mill's labour force, implementing a wage rollback, obtaining a reduction of fiber costs and negotiating more favourable supply arrangements with various suppliers.
16. Several parties expressed an interest in the Mill; however, that interest was varied. Few parties were interested in purchasing the Mill and continuing its operations in the pulp and paper industry. MLPLP pursued an opportunity which was previously referred to in several of the Monitor's Reports as the Unique Option. The Unique Option advanced significantly such that a plan of compromise and arrangement was being considered and a Court-sanctioned claims process was approved by this Honourable Court on September 13, 2006.
17. Unfortunately the Unique Option was withdrawn in November 2006 limiting MLPLP's opportunities to restructure its financial affairs. The claims process was suspended. The Mill's cash flows remained negative and as additional financing was not available, a sale of the Mill became the obvious course of action to attempt to preserve jobs and the Mill's ongoing contribution to the Saskatchewan economy.

Sale of Assets

18. Two indicative offers were received for the Mill. Upon review and careful consideration of each of the offers, MLPLP and CIC, together with the assistance of the Monitor, selected the offer of MLMP as it submitted the highest offer resulting in the greatest recovery for MLPLP's creditors.
19. On January 11, 2007 this Honourable Court approved the sale of the Mill to MLMP. MLMP did not purchase, inter alia, MLPLP's accounts receivable or finished goods inventory (the "Non-Purchased Assets") and certain of MLPLP's land (the "Non-Acquired Lands").
20. On January 19, 2007 this Honourable Court made an Order (the "Distribution Order") authorizing the distribution of proceeds realized from the sale of the Mill to certain secured parties. After the sale transaction closed, the Monitor made, pursuant to the Distribution Order, an initial distribution of cash to (i) HSBC, in respect of its operating loan, in the amount of \$23,280,000, (ii) to the Rural Municipality of Meadow Lake, in respect of property tax arrears, in the amount of \$2,638,000; and (iii) to CIC in the amount of \$2,082,000 (described in more detail in paragraph 24 below) to be applied against the DIP Facility previously supplied by CIC.
21. On January 23, 2007, the sale transaction closed. The proceeds realized on the sale totalled \$38.5 million, subject to certain closing adjustments. Twenty percent (20%) of the purchase price was paid to MLPLP by way of the issuance of Class "A" common shares in MLMP (which shares were held by 101 as nominee for MLPLP) and the issuance of a promissory note in the amount of \$2.7 million to 101 as nominee for MLPLP (the "Promissory Note"). The remaining eighty percent (80%) of the purchase price (\$30.8 million) was paid in cash.
22. There were closing adjustments that related mainly to unfunded future reforestation fees owed by MLPLP to Mistik Management Ltd. ("Mistik"), the company that harvested wood for the Mill. An audit of the reforestation fees owed to Mistik was conducted following the closing of the sale to quantify the actual amount owed. The closing adjustment totalled \$2,008,568 in favour of MLMP. Consistent with the Purchase and Sale Agreement (the "PSA"), this purchase price adjustment was paid 80% (\$1,606,854) by way of cash and 20% (\$401,714) by way of a reduction in the Promissory Note. The cash component of the adjustment was paid from funds held by the Monitor.

23. As a result of the closing adjustments, the proceeds realized from the sale were reduced from \$38.5 million to \$36,491,432 comprising cash of \$29,193,146, a Promissory Note of \$2,298,286 and common shares with a deemed value of \$5.0 million.
24. CIC directed and authorized the Monitor on CIC's behalf to forward \$1.8 million to MLMP as a loan from 101 to MLMP. Two additional advances were authorized by CIC to MLMP and were made; \$1.0 million on February 28, 2007 and \$200,000 on April 5, 2007 such that the advances directed and authorized by CIC totalled \$3.0 million. As a result of the loans, a net amount of \$2,082,000 was paid to CIC from the sales proceeds to be applied against the DIP Facility.

Non-Purchased Assets

25. The Non-Purchased Assets totalled approximately \$45.4 million and comprised accounts receivable (\$19.2 million), finished goods inventory (\$24.8 million) and various other assets including deposits (\$1.4 million).
26. MLPLP, with the assistance of the Monitor and then subsequently the Receiver, realized on the Non-Purchased Assets. The proceeds received therefrom were used to pay the costs to realize on the Non-Purchased Assets, other on-going expenses of MLPLP including payment to MWF for administrative services, and approximately \$6.2 million in post filing trade indebtedness incurred in operating the Mill.
27. On May 24, 2007 this Honourable Court made an Order (the "Transfer of Funds Order") which provided that funds held by MLPLP or any additional funds received by MLPLP in the future from any source whatsoever (collectively, the "MLPLP Funds") were to be paid by MLPLP to the Monitor to be held in trust for the benefit of MLPLP and invested by the Monitor pursuant to agreements made among the Monitor, MLPLP and CIC with such amounts only to be distributed by the Monitor in accordance with further Orders of this Honourable Court.
28. Pursuant to the Receivership Order, the MLPLP Funds were, in effect, transferred to the Receiver under the same terms and conditions as existed in the Transfer of Funds Order. As at the date of receivership, CDN\$38,892,279 and US\$1,658,993 was "transferred" to the Receiver.
29. During the course of the receivership the Receiver followed up on outstanding accounts receivable and collected approximately \$959,447 in refunds of deposits put in place to procure ongoing supplies and services for the Mill, \$847,851.97 from MWF in April 2009 and \$1,399,850 in October 2010 relating to a class action lawsuit in which MLPLP was a participant. The funds were deposited into the Receiver's bank account.

Buy-out of 101

30. The PSA contemplated various agreements including a unanimous shareholder agreement (the "USA") among 101, MLMP and Elite Shine Investments Limited ("Elite"). Elite was the owner of 80% of the Class A common shares of MLMP.
31. The USA, among other things, contemplated a purchase price amount to be paid to MLPLP for its common shares of MLMP and the Promissory Note, calculated according to a formula set out in the USA, in respect of 101's ownership in MLMP (the "Take-Out Price"). An agreement was reached between 101 and Elite, whereby Elite agreed to purchase 101's interest in MLMP for a total Take-Out Price of \$9,322,829 for 101's Class A common shares (\$6,386,999) and the Promissory Note (\$2,935,830).

ENVIRONMENTAL ISSUES

Water Recovery Pond

32. The Mill used a water recovery pond (the "Recovery Pond") in connection with its pulp production process. The water held and circulated in the Recovery Pond had significant elevated salt content compared to fresh ground water in the Meadow Lake area. It was MLPLP's view that the Recovery Pond's liner was breached, and that it was leaking and perhaps contaminating MLPLP's property and nearby ground waters.
33. The PSA addressed this issue by providing for MLMP to take steps to repair the Recovery Pond. The Recovery Pond is an integral component of the Mill's production process. To repair the Pond would have required constructing a complicated bypass system so as not to interrupt production. Shutting down the Mill's operations for several months to effect repairs was determined to be more costly than constructing a bypass system.
34. The Receiver engaged SLR Consulting (Canada) Ltd. ("SLR") to conduct soil sampling around the Recovery Pond. Based on the soil samples obtained, SLR concluded that there was not significant leakage from the Recovery Pond, but there appeared to be contamination associated therewith.
35. MLMP estimated the cost to repair the Recovery Pond at \$2.0 million. SLR was engaged by the Receiver to review MLMP's cost estimate which SLR concluded was reasonable.
36. An agreement was reached (the "Release and Settlement Agreement") whereby MLPLP would pay MLMP the sum of \$2.0 million (from the funds held by the Receiver) in settlement of this matter. MLMP would be responsible for all future matters in respect of the Recovery Pond including remediation associated therewith. The Release and Settlement Agreement was approved by this Honourable Court on December 22, 2008.
37. The Saskatchewan Ministry of Environment ("SME") was regularly consulted in respect of the environmental issues relating to the Recovery Pond. The Receiver understands that MLMP continues to consult with SME in connection with the Recovery Pond and all remediation work that may be required.

Landfills

38. MLPLP's Landfills were located on the Non-Acquired Lands. A Phase I Environmental Site Assessment ("ESA") was obtained by MLPLP in January 2007 which indicated there were environmental issues associated with the Non-Acquired Lands. A Phase II ESA was undertaken which confirmed that there was some environmental contamination associated with the Landfills and a program was established to address the environmental contamination.
39. The Receiver was not in a position to distribute the funds it held to CIC or to 101 until such time as the program to address the environmental contamination was put in place. Sufficient funds were set aside to deal with the environmental contamination and SME agreed with the program and the funding.
40. The environmental contamination was assessed as low; however, a capping of the Landfills was recommended by SLR accompanied by a long-term monitoring program of the site. SLR was engaged to design the Landfill caps, to prepare the long-term monitoring program and to assist in the preparation of a tender package to solicit prospective contractors to cap the Landfills.

41. This Honourable Court approved the retention of Saskcon Repair Services Ltd. ("Saskcon") to undertake the necessary repairs and remediation of the Landfills by Order dated August 10, 2009. The Landfill capping was concluded in the summer of 2010 and SME was satisfied with the Landfill capping; however, there was some minor erosion at the Landfill capping site due to significant rainfall. Repairs were completed in the spring of 2011 to the satisfaction of the Receiver and SME.
42. In 2010 discussions with SME commenced in respect of a release to CIC and 101 of some of the funds held by the Receiver. Prior to SME agreeing that the Receiver could release some of the funds it held, SME requested that a preliminary decommissioning plan be prepared in respect of the Landfills.
43. SLR was retained by CIC to provide such a decommissioning plan which included the installation of additional groundwater monitoring wells with regular water monitoring to be undertaken up to January 2017. SLR also proposed a contingency plan should the groundwater monitoring results indicate that impacted groundwater remains at unacceptable contamination levels (the "Landfill Closure Plan").
44. Based on the Landfill Closure Plan, costs for the ongoing groundwater sampling program and the contingency plan, it was agreed between CIC and SME that \$4.9 million of the funds held by the Receiver would be distributed by the Receiver and held by CIC in a separate trust account with the beneficiary of the trust account being the Government of Saskatchewan as represented by SME.
45. As a result of the agreement between CIC and SME, SME agreed that the Receiver could make a partial distribution of funds it held to 101 and CIC. On March 23, 2011 this Honourable Court approved the distribution of \$30.1 million (\$25,585,824 to CIC and \$4,514,176 to 101) plus interest accruing from and after February 28, 2011.
46. On or about April 20, 2011, after maturity of the investment in which funds in the hands of the Receiver were held, the Receiver paid the aforementioned amounts plus interest up to the date of payment to CIC and 101.
47. CIC subsequently entered into a Trust Agreement with SME to address the Landfill Closure Plan. Among other matters, the Trust Agreement provides that the distribution of surplus funds, if any, will be paid to 101. On May 13, 2011 this Honourable Court approved the payment of \$4.9 million to CIC to be held by CIC and distributed in accordance with the Trust Agreement. The Receiver has paid \$35 million in total to CIC and 101 from the MLPLP Funds.
48. The Receiver held the balance of the non distributed MLPLP Funds as there remained some minor matters to conclude the administration of the receivership. It was anticipated these matters could be concluded prior to December 31, 2011 and then the Receiver would make an application to this Honourable Court to distribute the remaining funds and seek its discharge. One administrative matter has taken longer to conclude than anticipated.

OPTION AGREEMENT

49. The PSA contained an Option Agreement granting MLMP the option to purchase the Non-Acquired Lands for \$1.00 exercisable until January 23, 2017. The Landfills are located on the Non-Acquired Lands.

50. The Receiver contacted MLMP in the summer of 2011 and advised that the environmental matters in respect of the Non-Acquired Lands had been addressed, that the Receiver was attempting to wind up the administration of the receivership and inquired if MLMP was interested in exercising the Option Agreement.
51. It was the Receiver's understanding that MLMP needed to conduct some additional due diligence on the Non-Acquired Lands. Subsequent to concluding its due diligence MLMP provided the Receiver with the form of transfer authorization in respect of the Non-Acquired Lands in January 2012.
52. MLMP exercised the option, the Receiver executed the transfer authorization and MLMP registered such transfer authorization in respect of the Non-Acquired Lands at the Saskatchewan Land Titles Registry such that MLMP became the registered owner thereof.
53. In June 2012 MLMP's legal counsel contacted the Receiver's legal counsel advising it was MLMP's understanding that the Non-Acquired Lands were to have been subdivided, such that MLMP would acquire only a portion of the Non-Acquired Lands under the option. A subdivision of the Non-Acquired Lands was not addressed in the PSA.
54. In December 2009 there was email correspondence between the Receiver and MLMP which indicated that MLMP wanted to subdivide the Non-Acquired Lands. However, no further correspondence was received by the Receiver in respect of any subdivision of the Non-Acquired Lands. Consequently the Receiver did not understand that MLMP required that subdivision occur. As outlined in paragraph 52 above, MLMP acquired (and became the registered owner of) all of the Non-Acquired Lands.
55. MLMP has advised the Receiver that MLMP does not wish to acquire the portion of the Non-Acquired Lands where the Landfills are located. The Receiver has discussed this matter with CIC. CIC agrees that the portion of the Non-Acquired Lands where the Landfills are located can, upon subdivision and subject to other elements of the proposed transaction and to the acceptability to CIC of the formal agreement (the "Non-Acquired Lands Agreement"), be transferred to CIC from MLMP. The conditions to such transfer include that: i) there has been no additional environmental contamination or risk of environmental contamination since the date MLMP became registered owner of the Non-Acquired Lands; ii) appropriate fencing is installed on all four sides of the sub divided property (currently two sides are fenced with barbed wire fencing); and iii) MLMP grant an easement (to be registered against and run with the land) over other lands owned by MLMP to provide access to the Landfills and a link to the adjacent highway (which among other matters will meet all terms and conditions of the Landfill monitoring program outlined in paragraphs 43 and 44 above).
56. SLR will be engaged to assess whether there has been any additional environmental contamination or risk of environmental contamination since the date MLMP became registered owner of the Non-Acquired Lands.
57. The Non-Acquired Lands Agreement will provide that the Receiver and MLPLP will have no further obligations in respect of the Non-Acquired Lands once the Non-Acquired Lands Agreement is executed and delivered.

PROFESSIONAL FEES

Receiver's Fees and Disbursements

- 58. The Receiver has billed and been paid \$225,282.19 (net of GST) to May 31, 2012. The Receiver also paid \$67,875.91 from the funds it held in respect of professional fees incurred in MLPLP's CCAA proceedings. A summary of the invoices issued by the Receiver is set out in Appendix "A" to this Report.
- 59. The Receiver has incurred an additional amount of approximately \$13,500 (excluding GST) in fees and expenses that have not yet been billed. The Receiver is unable to estimate the quantum of additional fees and expenses it will incur in respect of finalizing all administrative matters and its discharge as the costs to facilitate the subdivision of the Non-Acquired Lands is unknown at this time. The accounts of the Receiver are calculated based on hours spent at rates established by each professional based on their respective qualifications and experience.

Legal Fees and Disbursements

- 60. The Receiver's legal counsel, McDougall Gauley LLP ("MG") has billed and been paid \$55, 730.35 (net of TAX) to February 27 2013. A summary of the invoices issued by MG is set out in Appendix "B".
- 61. MG has incurred an additional \$3,500 (excluding TAX) in fees and expenses that have not yet been billed. Additional legal fees and expenses will be incurred in connection with the subdivision of the Non-Acquired Lands and the transfer of the subdivided lands to CIC, finalizing all administrative matters and seeking the discharge of the Receiver. The accounts of legal counsel are calculated based on hours spent at rates established by each professional based on their respective qualifications and experience.

EMPLOYEE CLAIMS

- 62. As noted previously in this Report, on January 31, 2006 MLPLP rationalized its labour force. 22 employee positions were eliminated across various departments to reduce the Mill's operating costs. Those 22 employees were provided with severance pay comprising two week's pay for each year of service. It was the Monitor's view, and the Receiver concurs with that view, that the quantum of severance provided was reasonable given the financial circumstances of the Mill and exceeded the severance amounts set out in *The Labour Standards Act* (Saskatchewan).
- 63. In conjunction with the Court-sanctioned claims process, those terminated employees were provided with proofs of claim. Three employees filed proofs of claim with the Monitor, the amount of such claims being generally based on severance of one month's pay for each year of service less the amounts they received on termination of employment. Each of these three former employees received approximately 30 week's severance pay upon termination. The three claims filed by the employees are as follows:

Employee 1	\$167,531.78
Employee 2	\$34,374.99
Employee 3	\$33,069.04

64. Based on the foregoing, the Receiver is of the view that the three former employees received appropriate and reasonable severance pay (or amounts on account of damages for being wrongfully dismissed from their employment) in all of the circumstances (including the fact the amounts paid were greater than pay in lieu of notice requirements under *The Labour Standards Act*). Moreover, any claim for severance above the amount that was payable under *The Labour Standards Act* is an unsecured claim. MLPLP's secured creditors are owed more than \$1 billion and some of those secured creditors will experience no recovery on their loans. As such, no amount will be available to the three employees even if it were determined that MLPLP was indebted to them on account of severance or damages for being wrongfully dismissed.

Distribution

65. The Receiver holds and has invested \$7,680,069 as at March 27, 2013 for the benefit of 101. The funds are held by the Receiver pursuant to the Investment of Funds Agreement and can only be distributed in accordance with an Order or Orders of this Honourable Court.
66. During the CCAA proceedings, the Monitor requested MG provide a legal opinion (the "Opinion") on the validity and enforceability of the respective security held by MLPLP's primary secured creditors: HSBC, CIC, 101, Crown Investments Corporation of Saskatchewan ("Crown Investments") and MWF. The debt and security of Crown Investments was assigned to CIC. The priority of the various security was set out in the Monitor's Thirteenth Report dated January 18, 2007.
67. HSBC and the Regional Municipality of Meadow Lake were previously paid in full subsequent to closing the sale of the Mill to MLMP in January 2007.
68. On March 23, 2011 and May 13, 2011 this Honourable Court approved distributions from the MLPLP Funds held by the Receiver of \$30.1 million plus accrued interest and \$4.9 million, respectively. On April 20, 2011 CIC was paid \$25,585,824 plus accrued interest for amounts owed to it pursuant to the DIP Facility (\$15 million in principal plus accrued interest since approximately January 13, 2006) and 101 was paid \$4,514,176 plus accrued interest. On May 30, 2011 \$4.9 million was paid to CIC in accordance with the Landfill Closure Plan and Trust Agreement.
69. 101 is owed in excess \$100 million as at September 30, 2012, comprising principal and accrued interest. The Receiver holds \$7,680,069 in its trust account. Consequently, the balance of priorities among the registered secured creditors is not relevant to the distribution of the proceeds given the significant shortfall to be experienced by 101 and no further steps in respect of the claims process described at paragraph 16 above is warranted.
70. Attached as Appendix "C" is a copy of the Receiver's Statement of Receipts and Disbursements (the "SRD") for the period October 1, 2007 to March 27, 2013. The SRD reflects amounts received and disbursed by the Receiver over the course of the receivership and the amount currently held by the Receiver. The Receiver proposes that a partial distribution of the funds held by the Receiver be made to 101 subject to a holdback of \$500,000 pending finalization of the Non-Acquired Lands Agreement. Upon concluding all matters in respect of the Non-Acquired Lands Agreement and any remaining receivership administration matters, and the payment of all costs in respect of such matters, the balance of funds held by the Receiver would be paid to 101.

OTHER

- 71. A substantial quantum of MLPLP's physical books and records are stored at the Mill by MLMP. The Receiver is advised that the books and records date as far back as 1994; however, the majority are for the years 1998 through to 2006. The books and records comprise, *inter alia*, cancelled cheques, invoices rendered and paid, wood purchases, purchase orders, reconciliations, financial statements, payroll overtime and vacation summaries.
- 72. As noted at paragraph 11 above, the Mill's administrative and marketing functions were provided by MWF. The electronic accounting system used for the Mill was owned by MWF. That system was used for purchasing, maintenance, inventory, the general ledger, payroll and the accounts receivable and accounts payable functions. The electronic books and records remained at MWF when the Mill was sold to MLMP, such that only the physical books and records are located at the Mill.
- 73. There are hundreds of boxes of physical books and records and the Receiver is advised that those records occupy approximately 3,000 square feet of space.
- 74. The Receiver is not aware of any of MLPLP's physical books and records being required for any future purpose and respectfully recommends that this Honourable Court make an Order allowing the records to be destroyed.

CONCLUSION AND RECOMMENDATION

- 75. The Receiver has completed the majority of its administration of the receivership.
- 76. The Receiver believes that upon facilitating the subdivision of the Non-Acquired Lands and the transfer of a portion of the lands to CIC, distributing the remaining funds, completing the final GST returns, providing a final report to the Official Receiver and closing the Receiver's trust account, there is no further purpose for the receivership, and is therefore of the view that it should be discharged from its mandate. To avoid the costs and use of Court time that would arise if a further Court application were required, the Receiver respectfully recommends that this Honourable Court Order the discharge of the Receiver such discharge to be effective upon the Receiver filing a certificate with this Honourable Court confirming that the foregoing matters have been completed.
- 77. The Receiver, therefore, respectfully recommends that this Honourable Court grant the relief described in paragraph 8 b) above.

All of which is respectfully submitted this 28 day of March, 2013.

ERNST & YOUNG INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER
OF CIC PULP LTD. OPERATING AS
MEADOW LAKE PULP LIMITED PARTNERSHIP
AND MEADOW LAKE PULP LTD.
AND NOT IN ITS PERSONAL CAPACITY



Robert J. Taylor, CA•CIRP
Senior Vice-President

**Meadow Lake Pulp Limited Partnership - In Receivership
 Summary of Receiver's Invoices
 As at March 28, 2013**

Firm	Date	Fees	Expenses	Subtotal	GST	Total invoice
* RSM Richter Inc.	January 9, 2008	65,595.50	2,280.41	67,875.91	3,390.07	71,265.98
RSM Richter Inc.	January 9, 2008	39,601.00	103.18	39,704.18	1,985.20	41,689.38
RSM Richter Inc.	September 29, 2008	64,099.50	185.07	64,284.57	3,214.23	67,498.80
RSM Richter Inc.	March 2, 2009	33,597.50	1,491.64	35,089.14	1,754.45	36,843.59
RSM Richter Inc.	September 8, 2009	17,580.50	15.57	17,596.07	879.80	18,475.87
RSM Richter Inc.	April 29, 2010	24,217.50	192.82	24,410.32	1,220.52	25,630.84
RSM Richter Inc.	July 26, 2010	2,108.00	1.14	2,109.14	105.46	2,214.60
RSM Richter Inc.	February 9, 2011	10,080.00	11.92	10,091.92	504.60	10,596.52
RSM Richter Inc.	June 16, 2011	17,691.25	48.81	17,740.06	887.00	18,627.06
Ernst & Young Inc.	April 9, 2012	11,140.00	109.29	11,249.29	562.46	11,811.75
Ernst & Young Inc.	June 19, 2012	3,007.50	0.00	3,007.50	150.38	3,157.88
		288,718.25	4,439.85	293,158.10	14,654.17	307,812.27

- * This invoice was for professional fees incurred in Meadow Lake Pulp Limited Partnership's *Companies' Creditors Arrangement Act* proceeding.

**Meadow Lake Pulp Limited Partnership - In Receivership
 Summary of Receiver's Legal Counsel Invoices
 As at March 28, 2013**

Firm	Date	Fees	Expenses	Subtotal	TAX	Total invoice
* McDougall Gauley LLP	September 25, 2007	7,860.00	66.92	7,926.92	868.62	8,795.54
McDougall Gauley LLP	October 30, 2007	11,545.00	617.31	12,162.31	1,306.99	13,469.30
McDougall Gauley LLP	January 28, 2008	795.00	39.95	834.95	81.50	916.45
McDougall Gauley LLP	June 30, 2008	928.00	76.14	1,004.14	96.61	1,100.75
McDougall Gauley LLP	December 18, 2008	3,437.00	63.17	3,500.17	346.86	3,847.03
McDougall Gauley LLP	February 24, 2009	1,326.00	43.47	1,369.47	134.77	1,504.24
McDougall Gauley LLP	April 23, 2009	646.00	7.24	653.24	64.96	718.20
McDougall Gauley LLP	June 29, 2009	2,162.00	22.39	2,184.39	217.32	2,401.71
McDougall Gauley LLP	August 28, 2009	3,054.50	227.68	3,282.18	315.34	3,597.52
McDougall Gauley LLP	March 30, 2011	6,288.00	514.77	6,802.77	653.04	7,455.81
McDougall Gauley LLP	May 30, 2011	2,418.00	114.90	2,532.90	246.05	2,778.95
McDougall Gauley LLP	December 16, 2011	2,200.00	67.23	2,267.23	221.86	2,489.09
McDougall Gauley LLP	July 31, 2012	1,338.00	20.08	1,358.08	134.80	1,492.88
McDougall Gauley LLP	January 16, 2013	7,514.00	25.80	7,539.80	752.69	8,292.49
McDougall Gauley LLP	February 27, 2013	2,282.50	29.30	2,311.80	229.73	2,541.53
		53,794.00	1,936.35	55,730.35	5,671.14	61,401.49

* This invoice was for professional fees incurred in Meadow Lake Pulp Limited Partnership's *Companies' Creditors Arrangement Act* proceeding.

Meadow Lake Pulp Ltd. Partnership - In Receivership
Statement of Receipts and Disbursements
October 1, 2007 to March 27, 2013
(Unaudited)

	<u>Notes</u>	<u>CDN\$ Account</u>	<u>US\$ Account</u>
Receipts			
Cash Transferred from Monitor		38,892,279	1,658,993
Transfer from MLPLP USD Trust Account	1	3,451,877	-
Refunds	2	2,359,297	-
Interest		2,342,339	24,595
Accounts Receivable	3	890,792	2,084,444
GST Refund		2,405,409	-
Total Receipts		<u>50,341,993</u>	<u>3,768,033</u>
Disbursements			
Transfer to MLPLP CDN Trust Account		-	3,377,538
Settlement with MLMP - Water Recovery Pond	4	2,000,000	-
Purchase Price Adjustment - Sale to MLMP	5	1,606,854	-
Landfill Capping Costs	6	1,254,950	-
CIC - Millar Western Settlement Funds	3	847,852	-
Consulting Fees	7	411,776	-
Receiver's Fees		293,158	-
Legal Fees - Receiver's counsel		57,173	-
Legal Fees - CIC's counsel		170,064	-
Operating Expenses		207,082	256,609
Vendor Commissions		-	132,280
GST Paid		125,167	-
Audit Fees		86,359	-
Insurance		11,340	-
Property Taxes		3,831	-
Bank Charges		1,670	1,606
Telephone Expense		837	-
Payment to secured creditor - CIC		26,124,754	-
Payment to secured creditor - 101069101 Saskatchewan Ltd.		4,559,058	-
Payment to secured creditor - CIC re Landfill Closure Plan		4,900,000	-
Total Disbursements		<u>42,661,924</u>	<u>3,768,033</u>
Cash on hand, March 27, 2013		<u>7,680,069</u>	

Meadow Lake Pulp Limited Partnership - In Receivership
Notes to Statement of Receipts and Disbursements
October 1, 2007 to March 27, 2013
(Unaudited)

1. The US\$ account was closed by the Receiver subsequent to concluding all US\$ transactions.
2. Represents refunds comprising a recovery in respect of a class action lawsuit related to the pricing of hydrogen peroxide purchased by Meadow Lake Pulp Limited Partnership ("MLPLP") (\$1,399,849.79) and refunds of deposits placed by the Monitor to procure ongoing supplies and services for the pulp mill (\$959,447.15).
3. Includes \$847,851.97 paid by Millar Western Forest Products Ltd. ("MWF") in April 2009 and subsequently paid to CIC Asset Management Inc. ("CIC") in respect of certain amounts owed in connection with a settlement between MWF and CIC.
4. Settlement amount paid to Meadow Lake Mechanical Pulp ("MLMP") the purchaser of the pulp mill, to address the repairs in respect of the water recovery pond.
5. Closing adjustments in respect of the sale to MLMP. Comprised mainly of unfunded future reforestation fees owed by MLPLP to the company that harvested wood for MLPLP.
6. Costs to complete capping of the landfills.
7. Paid to SLR Consulting (Canada) Ltd. for engineering services, environmental reports, landfill capping and ground water monitoring.