

Q.B.G. No. 2131 of 2005.

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 "CCAA")

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

)

ON MONDAY, THE

)

MR JUSTICE D.P. BALL

)

1<sup>ST</sup> DAY OF OCTOBER,

)

IN CHAMBERS

)

2007

**ORDER**

**UPON THE APPLICATION** of counsel on behalf of Investment Saskatchewan Inc. and 101069101 Saskatchewan Ltd. (together, "ISI"), and upon having read the Notice of Motion dated September 25, 2007, the Affidavit of Heather Forbes sworn on September 25, 2007, the consent to appointment of RSM Richter Inc. (herein referred to as the "Monitor" or the "Receiver"), the Seventeenth Report of the Monitor and the Draft Order, all filed, and upon hearing Conrad D. Hadubiak, counsel on behalf of CIC Pulp Ltd., a general partner of Meadow Lake Pulp Limited Partnership and Meadow Lake Pulp Ltd. (together, "MLPLP" or the "Debtor") and ISI, Michael W. Milani, Q.C., counsel on behalf of RSM Richter Inc., in its capacity as monitor (the "Monitor") and Ray Rutman, counsel on behalf of Millar Western Investments (Saskatchewan) Ltd., Millar Western Holdings (Meadow Lake) Ltd., Millar Western Industries Ltd. and Millar Western Forest Products Ltd.:

**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.
2. Words and phrases contained in this Order which begin with capital letters and which are not expressly defined herein shall have the respective meanings ascribed thereto in the Initial Order.
3. The stay of proceedings provided for in the Initial Order and extended pursuant to the Order granted by Mr. Justice D. P. Ball on October 1, 2007 Order is hereby lifted only to the extent necessary to appoint the Receiver pursuant to paragraphs 4 to 5 and 22 of this Order.

**APPOINTMENT OF RECEIVER OF MLPLP**

### APPOINTMENT

4. Pursuant to s. 65(1) of *The Queen's Bench Act, 1998*, S.S. 1998, c. Q-1.01. (the "**QB Act**") and s. 64(8) of *The Personal Property Security Act, 1993*, S.S. 1993, c. P-6.2 (the "**PPSA**"), RSM Richter Inc. is hereby appointed receiver and manager (the "Receiver"), without security, of all of the Debtor's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**").

### RECEIVER'S POWERS

5. The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property, and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:
- (a) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
  - (b) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
  - (c) to manage, operate and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part other business, or cease to perform any contracts of the Debtor;
  - (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;
  - (e) to purchase or lease supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
  - (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

- (g) to settle, extend or compromise any indebtedness owing to or by the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding, and provided further that nothing in this Order shall authorize the Receiver to defend or settle the action in which this Order is made unless otherwise directed by this Court.
- (k) to market any or all the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate.
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, including, without limiting the generality of the forgoing, to take all steps necessary to conclude the sale of assets of MLPLP pursuant to the Purchase and Sale Agreement:
  - (i) without the approval of this Court in respect of any transaction not exceeding \$10,000, provided that the aggregate consideration for all such transactions does not exceed \$50,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,and in each such case notice under ss. 59(10) of the *PPSA* shall not be required.
- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to assign the Debtor into bankruptcy;
- (s) to exercise any rights which the Debtor may have; and
- (t) to take any steps reasonably incidental to the exercise of these powers;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

6. (i) The Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property (excluding Property subject to liens the validity of which is dependent on maintaining possession) to the Receiver upon the Receiver's request.
7. All Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of

the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 7 or in paragraph 8 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or documents prepared in contemplation of litigation or due to statutory provisions prohibiting such disclosure.

8. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

9. No proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

**NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

10. No Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, however, that nothing in this Order shall prevent any Person from commencing a proceeding regarding a claim that might otherwise become barred by statute or an existing agreement, if such proceeding is not commenced before the expiration of the stay provided by this paragraph 10.

**NO EXERCISE OF RIGHTS OF REMEDIES**

11. All rights and remedies (including, without limitation, set-off rights) against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

**NO INTERFERENCE WITH THE RECEIVER**

12. No Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court. Nothing in this Order shall prohibit any party to an "eligible financial contract" (as defined in section 11.1(1) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36) with the Debtor from terminating such contract or exercising any rights of set-off, in accordance with its terms.

### CONTINUATION OF SERVICES

13. All Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### RECEIVER TO HOLD FUNDS

14. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more accounts to be opened or maintained by the Receiver which may be the same account or accounts that the Receiver maintained in its capacity as Monitor of the Debtor (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver and invested by the Receiver pursuant to an agreement or agreements made or to be made between the Receiver and ISI and to be paid in accordance with the terms of this Order or any further order of this Court.



## EMPLOYEES

15. The Receiver shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Receiver may specifically agree in writing to pay, or such amounts as may be determined in Proceeding before a court or tribunal of competent jurisdiction.

## LIMITATION ON ENVIRONMENTAL LIABILITIES

16. (a) Notwithstanding anything in any federal or provincial law, the Receiver is not personally liable in that position for any environmental condition that arose or environmental damage that occurred:
- (i) before the Receiver's appointment; or
  - (ii) after the Receiver's appointment unless it is established that the condition arose or the damage occurred as a result of the Receiver's gross negligence or wilful misconduct.
- (b) Nothing in sub-paragraph (a) exempts a Receiver from any duty to report or make disclosure imposed by a law referred to in that sub-paragraph.
- (c) Notwithstanding anything in any federal or provincial law, but subject to sub-paragraph (a) hereof, where an order is made which has the effect of requiring the Receiver to remedy any environmental condition or environmental damage affecting the Property, the Receiver is not personally liable for failure to comply with the order, and is not personally liable for any costs that are or would be incurred by any person in carrying out the terms of the order,
- (i) if, within such time as is specified in the order, within ten (10) days after the order is made if no time is so specified, within ten (10) days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, or during the period of the stay referred to in clause (ii) below, the Receiver:
    - A. complies with the order, or

- B. on notice to the person who issued the order, abandons, disposes of or otherwise releases any interest in any real property affected by the condition or damage;
- (ii) during the period of a stay of the order granted, on application made within the time specified in the order referred to in clause (i) above, within ten (10) days after the order is made or within ten (10) days after the appointment of the Receiver, if the order is in effect when the Receiver is appointed, by,
    - A. the court or body having jurisdiction under the law pursuant to which the order was made to enable the Receiver to contest the order; or
    - B. the court having jurisdiction in bankruptcy for the purposes of assessing the economic viability of complying with the order; or
  - (iii) if the Receiver had, before the order was made, abandoned or renounced or been divested of any interest in any real property affected by the condition or damage.

Nothing in this Order shall derogate from the protection afforded to the Receiver by s. 14.06 of the *BIA* or any other applicable legislation.

#### RECEIVER'S ACCOUNTS

- 17. Any expenditure or liability which shall properly be made or incurred by the Receiver, including the fees of the Receiver and the fees and disbursements of its legal counsel, incurred at the standard rates and charges of the Receiver and its counsel, shall be allowed to it in passing its accounts and shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person (the "**Receiver's Charge**").
- 18. The Receiver and its legal counsel shall pass their accounts from time to time.
- 19. Prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including the legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute

advances against its remuneration and disbursements when and as approved by this Court.

#### GENERAL

20. The Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
21. Nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.
22. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
23. The Receiver shall be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.
24. ISI shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of ISI's security or, if not so provided by ISI's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.
25. Any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

#### FURTHER SERVICE

26. The Applicants shall, within ten (10) days of the date of this Order, cause a true copy of this Order to be served by prepaid ordinary mail on all persons to whom the Receiver is required to send notice pursuant to s. 245(1) of the *BIA*, and all parties on the service list in this action and any such service shall be deemed to be received on the seventh day after mailing.
27. A true copy of the Order served pursuant to paragraph 26 above shall be accompanied by a cover letter in the form attached as Schedule "A" to this Order.
28. Every person who is served with a copy of the Order pursuant to paragraph 27, and who requires notice in respect of all further proceedings in this matter, shall provide to counsel for each of the Receiver and the Applicants a demand for notice of such proceedings, which demand for notice shall be in the form provided in the attached Schedule "A" to this Order (the "**Demand for Notice**") and shall contain an electronic mail address or a facsimile number to which such further notice of these proceedings shall be sent. The failure of any person to provide the Demand for Notice hereby releases the Receiver and the Applicants from any requirement to provide further notice in respect of these proceedings to any such person until such time as a properly completed Demand for Notice is received by each of the Receiver and the Applicants from such person.

#### **TRANSITIONAL MATTERS**

29. The Initial Order and the other orders previously granted in these proceedings shall remain in full force and effect, save as amended by this Order, including all stays of proceedings and charges granted therein. Without limiting the generality of the foregoing, the charges created pursuant to the previous orders granted in this action and this Order shall each attach to the Property and rank in priority to the claims of all creditors and shall rank, as between themselves, as follows:
  - (a) the Administrative Charge and the Receiver's Charge, *pari passu*;
  - (b) the DIP Charge; and

(c) the Director's Charge.

30. The Receiver shall continue to hold or invest those funds it has held or invested as Monitor pursuant to the Order of this Court granted on May 24, 2007 and, except as expressly authorized by this Order or the Order of May 24, 2007, shall not pay out any of those funds without a further Order or Orders of this Court.

ISSUED at Regina, Saskatchewan, this 5<sup>th</sup> day of October, 2007.

  
\_\_\_\_\_  
(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

**SCHEDULE "A"**  
**COVER LETTER OF DEMAND FOR NOTICE**

[Date]

[Address]

[Address]

[Address]

[Address]

Attention:

**RE: IN THE MATTER OF THE RECEIVERSHIP OF •**

A Receiver has been appointed by Order of the Court of Queen's Bench for Saskatchewan over the property, assets and undertaking of •. Enclosed is a copy of the Court Order appointing • as Receiver.

You are being provided with a copy of the Order because you are a creditor of •.

If you would like to receive notice of all further proceedings in relation to the Receivership of •, please complete the Demand for Notice attached to this letter and send the Demand for Notice by electronic mail (email) or facsimile to each of the following persons:

1. [Name of the Applicant]

c/o [Name and address of counsel for the Applicant]

Attention:

Email:

Fax:

2. [Name of the Receiver]

c/o [Name and address of counsel for the Receiver]

Attention:

Email:

Fax:

**If you fail to properly complete the Demand for Notice and forward the Demand for Notice by email or facsimile to each of the above-referenced persons indicating that you would like to receive further notice of the Receivership proceedings, then you will not receive, nor will you be entitled to receive, any further notice of the Receivership proceedings.**

Yours truly,  
|

**DEMAND FOR NOTICE**

**TO:**

- 1. [Name of the Applicant]  
c/o [Name and address of counsel for the Applicant]  
Attention:  
Email:  
Fax:

- 2. [Name of the Receiver]  
c/o [Name and address of counsel for the Receiver]  
Attention:  
Email:  
Fax:

**Re: In the Matter of the Receivership of •**

I hereby request that notice of all further proceedings in the above Receivership be sent to me in the following manner:

- (a) by email, at the following email address:

\_\_\_\_\_, or

- (b) by facsimile, at the following facsimile number:

\_\_\_\_\_.



Signature: \_\_\_\_\_

Name of Creditor: \_\_\_\_\_

Address of Creditor: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Phone Number: \_\_\_\_\_