

RSM Richter

**Receiver's Fifth Report
RE: CIC Pulp Ltd. operating as
Meadow Lake Limited Partnership and
Meadow Lake Pulp Ltd.**

RSM Richter Inc.
Calgary, May 12, 2011

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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

Receiver's Fifth Report
May 12, 2011

1. INTRODUCTION

- 1.1 This report is filed by RSM Richter Inc. ("Richter") in its capacity as Receiver and Manager (the "Receiver") of CIC Pulp Ltd. operating as Meadow Lake Pulp Limited Partnership and Meadow Lake Pulp Ltd. (collectively "MLPLP") pursuant to an Order of the Court of Queen's Bench of Saskatchewan (the "Court") made on October 1, 2007 (the "Receivership Order"). The Receiver last reported to the Court on March 17, 2011 (the "Fourth Report").

- 1.2 Richter was previously appointed monitor (the “Monitor”) of MLPLP pursuant to an Order of the Court made on December 28, 2005 granting MLPLP protection under the *Companies’ Creditors Arrangement Act* (“CCAA”). The Monitor was discharged on October 29, 2007.
- 1.3 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. From the sale proceeds held by the Receiver by its Order made March 23, 2011 the Court authorized payment of the following amounts by the Receiver:
- (a) \$25,585,824 plus interest from and after February 28, 2011 to the date of payment shall be paid to CIC Asset Management Inc. (“CIC”); and
 - (b) \$4,514,176 plus interest from and after February 28, 2011 to the date of payment shall be paid to 101069101 Saskatchewan Ltd.
- 1.4 On or about April 20, 2011, after the maturity of the investment in which funds were held, the Receiver paid the amounts described in paragraph 1.3.

2. PROPOSED TRUST AGREEMENT

- 2.1 Following the granting of the March 23 Order, counsel for the Saskatchewan Ministry of Environment (“SMOE”) provided the Receiver’s counsel with a proposed form of trust agreement, a copy of which is attached as Schedule “A” to this Report (the “Trust Agreement”).
- 2.2 It is acceptable to the Receiver that the \$4.9 million that was to be set aside on account of the Landfill Closure Plan be paid to CIC in accordance with the Trust Agreement. Among other matters, the Trust Agreement provides that disposition of surplus funds, if any, will be paid to 101069101 Saskatchewan Ltd. Such payment is consistent with the legal opinion as to priorities that the Receiver received from its legal counsel as described in the Thirteenth Report of the Monitor.

3. EX PARTE APPLICATION

3.1 This application has been brought on an ex parte basis, with the following parties having been served with the application documents:

- (a) Fraser Milner Casgrain LLP (Attention: Mr. Ray C. Rutman), counsel for Millar Western Investments (Saskatchewan) Ltd., Millar Western Industries Ltd., Millar Western Holdings (Meadow Lake) Ltd. and Millar Western Forest Products Ltd.;
- (b) Saskatchewan Justice (Attention: Leanne Lang) counsel to SMOE; and
- (c) Angela Eiffert, counsel to CIC.

3.2 The Receiver has brought the application on an ex parte basis because:

- (a) only SMOE and CIC are directly interested in the application, as the March 23, 2011 Order previously provided that the funds in question would be held in trust for their benefit; and
- (b) Mr. Rutman's clients were the only parties who appeared on the return date on the application that led to the March 23, 2011 Order.

3.3 The Receiver respectfully suggests that it is not necessary and is inappropriate to incur extra costs to serve the application documents on other parties as those parties are unaffected in respect of this matter.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 The Receiver respectfully recommends that the Court make an Order approving the payment of \$4.9 million to CIC to be held by CIC and distributed in accordance with the Trust Agreement.

4.2 The Receiver further requests that such Order provide that the Receiver be requested to serve the Order only upon:

- (a) Fraser Milner Casgrain LLP (Attention: Mr. Ray C. Rutman), counsel for Millar Western Investments (Saskatchewan) Ltd., Millar Western Industries Ltd., Millar Western Holdings (Meadow Lake) Ltd. and Millar Western Forest Products Ltd.;
- (b) Saskatchewan Justice (Attention: Leanne Lang) counsel to SMOE; and
- (c) Angela Eiffert, counsel to CIC.

All of which is respectfully submitted this 12 day of May, 2011.

A handwritten signature in black ink that reads "RSM Richter Inc." with a stylized flourish at the end.

**RSM RICHTER INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER
OF CIC PULP LTD. OPERATING AS
MEADOW LAKE PULP LIMITED PARTNERSHIP
AND MEADOW LAKE PULP LTD.**