

Court File No. CV-10-9041-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

BETWEEN:

G.E. CANADA EQUIPMENT FINANCING G.P.

Applicant

- AND -

ATIKOKAN FOREST PRODUCTS LTD.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY
ACT, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

FIFTH REPORT OF
PRICEWATERHOUSECOOPERS INC.
AS RECEIVER OF
ATIKOKAN FOREST PRODUCTS LTD.

July 27, 2011

BACKGROUND

1. On January 4th, 2011, pursuant to an Order of this Honourable Court (the “**Atikokan Receivership Order**”) PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as receiver (the “**Receiver**”), pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “**CJA**”), over all the assets, undertakings and properties (the “**Atikokan Property**”) of Atikokan Forest Products Ltd. (“**Atikokan**”). A copy of the Atikokan Receivership Order is attached as **Appendix “A”** hereto.
2. On the same date, pursuant to an Order of this Honourable Court (the “**Northern Receivership Order**”), PwC was also appointed as receiver, pursuant to section 243(1) of the BIA and Section 101 of the CJA, over all the assets, undertakings and properties (the “**Northern Property**”) of Northern Sawmills Inc. (“**Northern**”).
3. Pursuant to an Order of this Honourable Court also made on January 4th, 2011 (the “**Atikokan Sale Process Order**”) attached hereto as **Appendix “B”**, the Receiver was authorized and directed to carry out and conduct a sale process in respect of the Atikokan Property, or any material portions thereof, substantially in accordance with the sale process (the “**Atikokan Sale Process**”) outlined in the Report of PwC as proposed receiver of Atikokan, dated December 30, 2010 (the “**Proposed Receiver's Report**”), attached hereto as **Appendix “C”**.
4. Pursuant to an Order of this Honourable Court also made on January 4th, 2011 (the “**Northern Sale Process Order**”), the Receiver was authorized and directed to carry out and conduct a sale process in respect of the Northern Property, or any material portions thereof, substantially in accordance with the sale process (the “**Northern Sale Process**”) outlined in the Report of PwC as proposed receiver of Northern, dated December 30, 2010.
5. On January 13, 2011, the Receiver filed its first report with this Honourable Court (the “**First Report**”), attached hereto, without appendices, as **Appendix “D”**, which, *inter alia*, requested this Honourable Court’s approval of the advertisement and the teaser to be

used by the Receiver in connection with the Atikokan Sale Process.

6. On April 18, 2011, the Receiver filed its second report with this Honourable Court (the **“Second Report”**), attached hereto as **Appendix “E”**, which, *inter alia*:
 - i) outlined the status of the Atikokan Sale Process, up to the date of the Second Report; and
 - ii) sought an adjournment of the motion (the **“SFL Motion”**) brought by Her Majesty The Queen in Right of the Province of Ontario (the **“Province”**) seeking an Order of this Honourable Court authorizing the lifting of the stay of proceedings pursuant to the Atikokan Receivership Order, to allow the Ministry of Northern Development, Mines and Forestry (the **“MNDMF”**) to take steps to commence the termination of a Sustainable Forest License No. 542442 (the **“SFL”**) granted by the MNDMF to Atikokan until the completion of the Atikokan Sale Process and to provide the Receiver and G.E. Canada Equipment Financing, G.P. (**“GE”**), Atikokan’s primary secured creditor, with an opportunity to make representations to the MNDMF in connection with the wood allocation to the Atikokan mill site (the **“Wood Allocation”**).
7. On May 2, 2011, the Receiver filed its third report with this Honourable Court (the **“Third Report”**), attached hereto, without appendices, as **Appendix “F”**, which, *inter alia*:
 - i) provided this Honourable Court with a summary of the transaction (the **“EACOM Transaction”**) entered into on April 29, 2011, between the Receiver and EACOM Timber Corporation (**“EACOM”**), for the purchase and sale of substantially all of the Atikokan Property, subject to a number of conditions precedent, which are more fully described in the Third Report;
 - ii) summarized discussions in which the Receiver engaged, in an attempt to determine sources for obtaining the Wood Allocation;
 - iii) advised the Court of the notice the Receiver provided to the MNDMF’s counsel on April 27, 2011, pursuant to the endorsement of the Honourable Mr. Justice Morawetz

made on April 19, 2011; and

- iv) described the Receiver's activities with respect to the development of a plan for carrying out Atikokan's duties and obligations in maintaining the Sapawe Forest pursuant to the SFL.

8. On May 12, 2011, the Receiver filed its fourth report with this Honourable Court (the "**Fourth Report**"), attached hereto as **Appendix "G"**, which, *inter alia*:

- i) provided this Honourable Court with an update on the SFL Motion and the Receiver's discussions with the MNDMF and commercial third parties in an attempt to determine sources for obtaining the Wood Allocation since the date of the last adjournment of the SFL Motion on May 3, 2011; and
- ii) advised this Honourable Court with respect to the Receiver's alternative proposal to the lifting of the stay in the Atikokan receivership proceedings, in an effort to balance the interests of various parties with respect to the SFL, including the Receiver, GE, as Atikokan's primary secured creditor, and the MNDMF and to address concerns that were raised by Abibow Canada Inc. ("**Abibow**"), as described in the affidavit of Mr. Roger Barber, sworn and served on the Receiver on May 11, 2011.

9. The purpose of this, the Receiver's fifth report (the "**Fifth Report**" and collectively with the Proposed Receiver's Report, the First Report, the Second Report, the Third Report and the Fourth Report, the "**Reports**") is to advise and update this Honourable Court with respect to:

- i) the status of the Atikokan Sale Process;
- ii) the termination of the EACOM Transaction;
- iii) the activities undertaken by the Receiver subsequent to the termination of the EACOM Transaction with respect to the sale of the Atikokan Property;
- iv) the outcome of the SFL Motion;

- v) the results of the review conducted by the Receiver's counsel in respect of the security granted by Atikokan in favour of its secured creditors; and
- vi) update this Honourable Court on the Receiver's other activities to date;

And to seek an order of this Honourable Court:

- i) extending the Atikokan Sale Process timeline for finalizing and executing an agreement with the successful bidder up to and including July 22, 2011, *nunc pro tunc*, to allow the Receiver to complete the Atikokan Sale Process;
 - ii) approving the agency sale agreement (the "**Agency Sale Agreement**") between the Receiver and Maynards Industries Ltd. ("**Maynards**") relating to the liquidation of the Atikokan Property, as discussed below, and authorizing the Receiver to execute the Agency Sale Agreement and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transaction contemplated thereby;
 - iii) increasing the Receiver's borrowing limit, as set out in paragraph 20 of the Atikokan Receivership Order, from \$300,000 to \$425,000; and
 - iv) approving the Reports and the activities of the Receiver as described in the Reports.
10. In preparing the Fifth Report, the Receiver has relied upon unaudited and draft, internal financial information of Northern and Atikokan provided to it by Northern, Atikokan or by GE. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it and expresses no opinion, or other form of assurance, in respect of the information contained therein.
11. All monetary amounts referred to herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the Proposed Receiver's Report.

SALE PROCESS UPDATE

GENERAL BACKGROUND

12. The Atikokan Sale Process was described by the Receiver in the Proposed Receiver's Report. In addition, the Receiver provided this Honourable Court with updates on the status of the Atikokan Sale Process in its Second Report and Third Report.
13. As more particularly described in the Second Report, the Receiver received a total of four (4) bids (the "**Bids**") in respect of some or all of the Atikokan Property from prospective purchasers (the "**Prospective Purchasers**"), including liquidation proposals. A summary of the Bids, as amended based upon the discussions between the Receiver and the Prospective Purchasers, were summarized in Confidential Appendix "A" attached to the Second Report, which remains subject to a temporary sealing order, granted by this Honourable Court on April 19, 2011.

EACOM TRANSACTION

14. Based on its review of the Bids, the Receiver, in consultation with GE, had determined that the most favourable offer for the Atikokan Property (the "**Successful Bid**") was a Bid submitted by EACOM.
15. On April 29, 2011, the Receiver and EACOM executed an asset purchase agreement in respect of the Atikokan Property (the "**Atikokan APA**"). The Atikokan APA contained various conditions precedent for the benefit of EACOM including conditions typical for transactions of this nature and other business conditions (the "**Conditions**") including, but not limited to:
 - i) within 90 days of the execution of the Atikokan APA, EACOM was to:
 - (a) complete its due diligence review of the Purchased Assets, as defined in the Atikokan APA;
 - (b) obtain financing to fund the total purchase price; and

- (c) obtain an approval of the EACOM Transaction by its primary lender;
 - ii) the confirmation by the Receiver of the availability of the Wood Allocation in order to recommence Atikokan's sawmilling operations (the "**Wood Allocation Condition**"); and
 - iii) the Receiver obtaining an Approval and Vesting Order with respect to the Purchased Assets.
- 16. As mentioned in the Third Report, the Receiver did not immediately seek this Honourable Court's approval of the EACOM Transaction due to the uncertainty associated with the Receiver being able to satisfy the Wood Allocation Condition.

WOOD ALLOCATION

- 17. Subsequent to the execution of the Atikokan APA, the Receiver had discussions with a number of third parties, including but not limited to the MNDMF, Abibow and Domtar Corporation, with a view to determining potential sources for obtaining and negotiating the Wood Allocation. Options available to the Receiver and EACOM in this respect included:
 - i) Crown fibre – obtaining rights to wood supply from Crown lands, either under a forest resource licence or under long-term wood supply commitments approved by the MNDMF; or
 - ii) Private, long-term arrangements with other commercial sources who have wood supply available to them, subject to EACOM obtaining necessary approvals from the MNDMF.
- 18. Based on representations made to the Receiver by the MNDMF and as a result of its discussions with certain commercial parties to whom Crown fibre is available, the Receiver determined that the Wood Allocation Condition, as set out in the Atikokan APA, could not be met.

RESULTS OF THE SFL MOTION

19. The background to and the progress in respect of the SFL Motion was described by the Receiver in the Second Report, the Third Report and the Fourth Report, previously filed with this Honourable Court.
20. The SFL Motion was heard by Mr. Justice Morawetz of this Honourable Court on May 12, 2011. On May 13, 2011, Mr. Justice Morawetz issued an endorsement authorizing the lifting of the stay in the Atikokan receivership proceeding, to permit the MNDMF to take the steps necessary to cancel the SFL and issued an order dated the day of the SFL Motion, May 12, 2011, to give effect to the foregoing.
21. On May 24, 2011, the MNDMF delivered a Notice of Intention to Cancel the SFL (the **“Cancellation Notice”**) to the Receiver pursuant to Section 59(3)(a) of the *Crown Forest Sustainability Act*, 1994, S.O. 1994, c.25. (the **“CFSA”**). Pursuant to the Cancellation Notice, the Receiver was provided with an opportunity to make representations to the MNDMF in accordance with Section 59(3)(b) of the CFSA as to why the SFL should not be cancelled. A copy of the Cancellation Notice is attached as **Appendix “H”** hereto.
22. On June 6, 2011, the Receiver sent a letter (the **“Cancellation Response Letter”**) to the MNDMF advising that the Receiver did not intend to make representations to the MNDMF as to why the SFL should not be cancelled and that the Receiver did not oppose the immediate cancellation of the SFL. Pursuant to the Cancellation Response Letter, the Receiver also advised the MNDMF that, *inter alia*, from and as of the date of the Cancellation Response Letter, the Receiver would no longer be performing any of the ongoing obligations of Atikokan pursuant to the SFL in connection with the Sapawe Forest, but would provide the MNDMF with access to the information in its possession and control in connection with the SFL. A copy of the Cancellation Response Letter is attached as **Appendix “I”** hereto.

TERMINATION OF THE EACOM TRANSACTION

23. As more particularly described in the third report of PwC, as court-appointed receiver of Northern (the “**Northern Receiver’s Third Report**”), dated the day hereof and filed with this Honourable Court contemporaneously with this Fifth Report, the Receiver and EACOM also executed an asset purchase agreement in respect of the Northern Property dated April 29, 2011 (the “**Northern APA**” and, collectively with the Atikokan APA, the “**APAs**”).
24. Subsequent to the execution of the APAs, EACOM commenced further due diligence of the Purchased Assets of Northern and Atikokan, respectively, as such term is defined in each of the APAs.
25. On May 20, 2011, counsel to EACOM e-mailed (the “**Northern APA Termination Notice**”) the Receiver and advised that pursuant to the terms of the Northern APA, EACOM was not satisfied with its due diligence review of the Purchased Assets in respect of the Northern APA. Accordingly, EACOM elected to terminate the Northern APA in accordance with its terms.
26. The Atikokan APA provided that, in the event EACOM provided the Receiver with the Northern APA Termination Notice and the Northern APA terminated in accordance with its terms, the Receiver, at its option, may terminate the Atikokan APA. In addition, the Atikokan APA also provided each of the Receiver and EACOM with an option to terminate the Atikokan APA at either party’s discretion in the event such party determined, acting reasonably, that any of the Conditions could not be satisfied and the Receiver or EACOM (as applicable) had not waived such condition within five days of becoming aware of the inability to satisfy such condition.
27. As the Receiver had concluded that the Wood Allocation Condition of the Atikokan APA could not be satisfied and the MNDMF had issued the Cancellation Notice in respect of the SFL, the Receiver, with GE’s support, elected to exercise its option to terminate the Atikokan APA.

CONTINUATION OF THE ATIKOKAN SALE PROCESS

28. Following the termination of the EACOM Transaction, the Receiver, in consultation with GE, recommenced the Atikokan Sale Process by contacting the former Prospective Purchasers who had expressed an interest in all or substantially all of the Atikokan Property (other than Atikokan's real property), other than EACOM, and inviting such Prospective Purchasers to submit revised offers for the Atikokan Property by June 8, 2011. At that point in time, the Receiver was uncertain whether the recommencement of the Atikokan Sale Process would yield any offers or whether the Receiver would be forced to abandon the Atikokan Sale Process altogether. Accordingly, the Receiver determined that seeking this Honourable Court's approval to extend the deadline for executing an asset purchase agreement with a successful bidder would be premature. The Receiver wanted to make a substantive recommendation to this Honourable Court to allow the Court to make an informed decision as to whether the deadline for executing an asset purchase agreement pursuant to the Atikokan Sale Process should be extended and submit the asset purchase agreement for this Honourable Court's approval at the same time.
29. In response to the Receiver recommencing the Atikokan Sale Process after the termination of the EACOM Transaction, the Receiver received offers from two liquidators in respect of the Atikokan Property (the "**Liquidation Offers**").
30. The Liquidation Offers included a proposal from Maynards (the "**Maynards' Offer**") and a proposal from EDS Decommissioning Canada Inc. (the "**EDS Offer**"). Both EDS and Maynards specialize in industrial asset sales, with EDS also focusing on demolition and decommissioning of industrial sites.
31. The Maynards' Offer provided the option of an outright sale of the Atikokan Property to Maynards, or for Maynards to act as the Receiver's agent overseeing a liquidation sale of the Atikokan Property on a "commission-only" basis or with a net minimum guarantee to the Receiver, with net proceeds of sale above a certain threshold to be shared as between the Receiver and Maynards.

32. The EDS Offer was a cash offer to purchase the Atikokan Property. However, the EDS Offer also contemplated the Receiver remaining in possession of the Atikokan real property for an additional 12-month period to allow for the completion of the liquidation and dismantling of the assets.
33. The Receiver has determined that entering into an agency arrangement with Maynards for the liquidation of the Atikokan Property, subject to a net minimum guarantee being paid to the Receiver is the most favourable alternative available to the Receiver at this time, as:
- i) liquidating the Atikokan Property with Maynards will not obligate the Receiver to occupy Atikokan's real property for another year, which will give rise to the incurrence of additional costs that are not justified by higher potential recoveries;
 - ii) the net minimum guarantee will provide a base line recovery to the Receiver that is only slightly less than the cash purchase options available to the Receiver from both Maynards and EDS; and
 - iii) if the auction is successful, the overall recovery for the benefit of the Atikokan's estate and its stakeholders may in fact be greater than the cash offer contemplated by the EDS Offer or the Maynards Offer.
34. On July 22, 2011 the Receiver and Maynards finalized the Agency Sale Agreement, a redacted copy of which is attached as **Appendix "J"** hereto. An unredacted copy of the Agency Sale Agreement will be provided to this Honourable Court upon request.
35. The Receiver has been contacted, from time to time, by Mr. Dennis Brown, the Mayor of Atikokan ("**Mayor Brown**") who has asked that the Receiver keep him apprised of any developments with respect to the sale of the Atikokan Property. On or about July 6, 2011, after determining that a liquidation of the Atikokan Property with Maynards was the most favourable alternative available to it, the Receiver contacted Mayor Brown, advised him of the termination of the Atikokan APA and of the Receiver's intention to proceed to enter into an agreement for the liquidation of the Atikokan Property. The

Receiver also understands that Mayor Brown was, and is, independently trying to secure a sustainable supply of wood in order to increase the prospect of the Atikokan sawmill re-opening.

36. On July 19, 2011, following an earlier telephone call with the Receiver, legal counsel to the Town of Atikokan emailed the Receiver, memorializing certain discussions that it and Mayor Brown had, on separate occasions, with the Receiver. In addition, the Receiver was also asked to consider delaying any disposition of the Atikokan Property until the end of October 2011, to provide the Town of Atikokan with more time to obtain a supply of wood from First Nations or other sources, among other things.
37. The Receiver has spoken with legal counsel to the Town of Atikokan and has advised that, in its view, delaying the sale of the Atikokan Property will lead to the incurrence of additional, ongoing costs, including insurance premiums, payroll, utilities and legal and professional fees, for which the benefit is not clear.
38. In addition, the Agency Sale Agreement provides the Receiver with the flexibility of having Maynards conduct a liquidation sale, on site at Atikokan's premises, or, alternatively, provides for the option of a private sale of some or all of the Atikokan Property. Finally, as set out in the Agency Sale Agreement, a liquidation sale is to occur within 60 days of the date this Honourable Court approves the Agency Sale Agreement (if this Honourable Court is inclined to approve same). The Receiver has confirmed with representatives of Maynards that a liquidation sale, if one is completed, would not likely take place until late September 2011, to allow sufficient time for advertising and set up of the Atikokan Property.
39. If the sale of the Atikokan Property were to be suspended until October 2011, it is likely that the Receiver would have to retain the Atikokan Property over the coming winter season, and conduct a liquidation sale the following spring, which will lead to the incurrence of substantially higher costs. The Receiver has consulted with GE, Atikokan's primary secured creditor, and understands that GE supports the Receiver's position in this respect.

40. Accordingly, based on the foregoing, the Receiver is seeking an approval of the Agency Sale Agreement by this Honourable Court and the authority to execute the Agency Sale Agreement.

EXTENSION OF SALE PROCESS TIMELINE

41. As more particularly described in the Proposed Receiver's Report and in the Second Report, the original Atikokan Sale Process, as approved by this Honourable Court, provides for the following principal elements of, and a timeline in connection with, the advertisement of the Atikokan Property for sale and the solicitation of offers from prospective purchasers or liquidators in connection with the proposed sale:
- i) Not later than ten (10) business days after the Atikokan Sale Process was approved by this Honourable Court, namely by January 18, 2011, the Receiver was required to:
 - a) advertise Atikokan, the Atikokan Property and the Atikokan Sale Process in the national edition of the Globe & Mail; and
 - b) send a teaser and a non-disclosure agreement to all parties identified by the Receiver as potentially having an interest in Atikokan and/or the Atikokan Property;
 - ii) Not later than fifteen (15) business days after the Atikokan Sale Process was approved by this Honourable Court, namely by January 25, 2011, the Receiver was required to establish an electronic data room containing information in respect of Atikokan and the Atikokan Property;
 - iii) The Receiver was also required to arrange site visits to allow prospective purchasers an opportunity to visit the Atikokan's premises and conduct due diligence;
 - iv) The prospective purchasers had until 5:00 p.m. Eastern Standard time, on March 9, 2011 to submit binding offers;
 - v) Based on its review of the binding offers, the Receiver was required to determine the

most favourable offer and proceed to finalize the asset purchase agreement with the successful offering party, subject to the approval of this Honourable Court, by March 25, 2011.

vi) The Receiver had the right to extend the timelines set forth above for a period of time not exceeding ten (10) business days from the dates indicated above. All other extensions or modifications of the Atikokan Sale Process required the approval of this Honourable Court.

42. As described in the Second Report, given the Receiver's right to extend the timelines set forth in the Atikokan Sale Process for a period of time not exceeding ten (10) business days without an order of this Honourable Court, an asset purchase agreement was required, under the Atikokan Sale Process, to be finalized by April 8, 2011. As the Receiver noted in the Second Report and as described above, despite the Receiver's attempts, the original deadline for executing an asset purchase agreement with a successful bidder (which at that time was EACOM) was not met by the Receiver. The Atikokan APA was in fact executed by the Receiver and EACOM on April 29, 2011. However, given the SFL Motion and various adjournments in respect thereof, this Honourable Court was kept fully apprised of the various issues relating to the timing of the execution of the Atikokan APA. As more particularly described in the Second Report, all other milestones of the Atikokan Sale Process were complied with.
43. Given that the EACOM Transaction was ultimately terminated, as described above, the Receiver required additional time to make a determination as to whether to recommence the Atikokan Sale Process or to abandon it altogether. Upon the recommencement of the Atikokan Sale Process, as described above, the Receiver also required additional time to negotiate the Agency Sale Agreement with Maynards. The Receiver did not seek this Honourable Court's approval of an extension to the timeline set out in the Atikokan Sale Process once the EACOM Transaction terminated as, at that time, the Receiver did not know how much time would be required to determine an alternative for the sale of the Atikokan Property.
44. Accordingly, the Receiver now respectfully requests and recommends that this

Honourable Court make an order, *nunc pro tunc*, providing for an extension of the Atikokan Sale Process timeline for finalizing and executing an agreement with a successful bidder up to and including July 22, 2011, the date the Receiver and Maynards executed the Agency Sale Agreement. GE, as the major stakeholder in the Atikokan estate, has advised the Receiver that it is supportive of such time extension.

45. Given that the Atikokan Sale Process has taken longer than the Receiver initially anticipated due to the reasons set out above, the Receiver also requires additional funding to complete the transaction now achieved under the Agency Sale Agreement and other miscellaneous matters in the administration of the Atikokan receivership estate. The Receiver estimates that an increase of the Receiver's borrowing limit up to \$425,000 is required. The funding of the Atikokan receivership proceedings will continue to be made by way of advances from GE to the Receiver under the Receiver's Borrowing Certificates. The professional fees incurred by the Receiver will continue to be paid directly by GE.

SECURITY OPINION

46. The Receiver requested that its counsel, Osler, Hoskin & Harcourt LLP ("**Osler**"), conduct a security review of the security granted by Atikokan in favour of GE and its related entities (collectively, the "**GE Entities**"), and in favour of Buchanan Sales Inc. ("**Buchanan Sales**") and also to review the intercreditor arrangements between the GE Entities and Buchanan Sales, so that the Receiver could report and make a recommendation to this Honourable Court regarding issues relating to competing claims of the GE Entities and Buchanan Sales against the Atikokan Property, if any, and regarding any issues relating to the distribution of the proceeds of sale of the Atikokan Property.
47. On July 25, 2011, Osler issued a security review opinion (the "**Osler Opinion**") to the Receiver stating that, subject to the assumptions, qualifications and limitations contained therein, Osler is of the opinion that the security granted by Atikokan in favour of each of the GE Entities and Buchanan Sales creates a valid security interest in favour of each of the GE Entities and Buchanan Sales in the personal property described

in their respective security. To the extent that Atikokan has rights in the personal property secured by such security or the power to transfer rights in the personal property secured thereby to the GE Entities or to Buchanan Sales, as applicable, such security interests, to the extent capable of perfection by possession or registration of a financing statement under the *Personal Property Security Act* (Ontario) (the “**Ontario PPSA**”), and to the extent that the Ontario PPSA applies to the perfection of such personal property, has been perfected.

48. As more particularly described in the Osler Opinion, in respect of the intercreditor arrangements between the GE Entities and Buchanan Sales, the Osler Opinion in effect states that, except for the personal property of Atikokan classified as “motor vehicle”, the security granted by Atikokan in favour of the GE Entities ranks in priority to the security granted by Atikokan in favour of Buchanan Sales. In respect of the collateral classified as a “motor vehicle”, the security granted by Atikokan in favour of Buchanan Sales ranks in priority to the security granted by Atikokan in favour of the GE Entities.
49. Once the transaction contemplated by the Agency Sale Agreement is completed, if approved by this Honourable Court, and the proceeds from the sale of the Atikokan Property are generated, the Receiver intends to make a distribution motion before this Honourable Court.

RECOMMENDATION

50. The Receiver respectfully requests and recommends for the reasons outlined above, that this Honourable Court make an Order, *inter alia*:
 - i) extending the Atikokan Sale Process timeline for finalizing and executing an agreement with the successful bidder up to and including July 22, 2011, *nunc pro tunc*;
 - ii) approving the Agency Sale Agreement and authorizing the Receiver to execute the Agency Sale Agreement and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transaction contemplated thereby;

- iii) increasing the Receiver's borrowing limit, as set out in paragraph 20 of the Atikokan Receivership Order, to \$425,000; and
- iv) approving the Reports and the activities of the Receiver as described in the Reports.

All of which is respectfully submitted this 27th day of July, 2011.

PricewaterhouseCoopers Inc.

In its capacity as Receiver of
Atikokan Forest Products Ltd.

A handwritten signature in dark ink, appearing to read 'Greg Prince', with a stylized flourish at the end.

Greg Prince
Senior Vice President