



SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE

Commercial List Office

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FAX COVER SHEET

Date: *April 13/10*

TO: *MR. Michael E. BARACK* FAX NO. *(416) 304-1313*
MR. Robert F. THORNTON
MS. D.J. MILLER
MR. LARRY ELLIS

FROM: Commercial List Office (*Anthony Simmons*)

TOTAL PAGES (INCLUDING COVER PAGE): *4*

MESSAGE: *RE: FRASER VS. COMMUNICATIONS*
ENERGY

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Court File Number: CV-09-8241-00CC

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Re Fraser Papers Inc et al
Plaintiff(s)
AND

Defendant(s)

Case Management Yes No by Judge: Repall

Counsel	Telephone No.:	Facsimile No.:

- Order Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)
- Adjourned to: _____
- Time Table approved (as follows): _____

The Applicants move for an order approving the sale of the pulp mill located in Thurso, Quebec + vesting title in the purchaser, Fortress Specialty Cellulose Inc.

No one attended to oppose the motion + it is supported by the Minister, CIT Business Credit Canada + the non-unionized employees (the INVR Association). As to the unionized employees, while CEP did not appear on the motion, the purchaser, Fortress, has entered 3 memoranda of understanding with each of CEP local 894, CEP local 5199 + the INVR Association. These MOUs contain undertakings that renewed + amended collective agreements will be entered into.

The Thurso sale is the culmination of a marketing process that was commenced -
Apr 13, 2010 Date 80 Repall, J Judge's Signature

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FILE/DIRECTION/ORDER

Judges Endorsement Continued

the fall of 2009 but which failed to find any interested purchasers. Renewed efforts were made, the result of which was I expressing interest - that of Fortress.

The cash purchase price is \$3 million. Additionally, Fortress is assuming a number of liabilities including all obligations under the unorganized employees renewed collective bargaining agreements arising from the date of closing + all environmental liabilities associated with the purchased assets. The latter include 2 landfill sites, a Hydro Quebec contract + certain federal government MIP + Paper Green Transportation Programme credits.

Prior to closing, the Applicants will pay or the purchase price will be adjusted to reflect payment of outstanding property taxes, cut back liens + forest + timber tenure liabilities. Vacation pay owing to certain of the employees will be paid by the Applicants post closing. This amounts to approximately \$600,000.

Significantly, Fortress is expected to extend open employment to substantially all of the unorganized + non-unorganized employees at the time mill. The continuation of the mill as a key concern benefits suppliers + the community at large. Both the City of Catmon + the City of Thurso support the motion. The monitor prepared a liquidation analysis

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Judges Endorsement Continued

+ determined that the net sale proceeds approximated the net liquidation proceeds but this was before costs derived from the environmental liabilities being assumed.

In 2008 + 2009, the Thurso mill generated negative cash flows + was closed in June 2009. Fortness intends to restart + invest approximately \$150 million into the mill. In addition, approximately 300 people will have the opportunity to go back to work. While it is impossible to satisfy each member of every constituency, clearly the proposed sale is in the best interests of the Applicant's stakeholders as a whole. The interests of all parties were considered, ~~an~~ good effort was made to secure the best offer + the process was appropriate. Lastly, the balance of the proceeds will be available to creditors in accordance with the priority of their claims.

In my view the standard principles have been considered + satisfied. Although compliance with s 36(1)-(4) of the CA is not a requirement, consideration of these provisions also cause me to conclude that the proposed sale is commercially reasonable + should be approved along with the vesting order.

S. J. Pall, J.