

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

G.E. Canada Equipment Financing G.P.

Applicant

- and -

Northern Sawmills Inc.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, as amended.

MOTION RECORD
(Approval of Sale Process Forms of Advertisement and "Teaser")

January 13, 2011

OSLER, HOSKIN & HARCOURT LLP

P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

Tracy C. Sandler (LSUC # 32443N)
(416) 862- 5890
(416) 862-6666 (fax)

Artem Miakichev (LSUC # 51366C)
(416) 862-5673
(416) 862-6666 (fax)

To: SERVICE LIST

Solicitors for PricewaterhouseCoopers Inc., in
its capacity as Receiver of Northern Sawmills
Inc.

SERVICE LIST

<p>GE Canada Equipment Financing G.P. 1250 Rene-Levesque Blvd. W. Suite 1100 Montreal, QC H3B 4W8</p> <p>123 Front Street Suite 1400, P.O. Box 14 Toronto, ON M5J 2M2</p> <p>Applicant</p>	<p>Chris Rankin Tel: 514.394.2919 Fax: 514.221.4093 Email: Christopher.rankin@ge.com</p> <p>Jennifer Guerard Tel: 416.842.1743 Fax: 416.202.6226 Email: Jennifer.guerard@ge.com</p>
<p>Stikeman Elliott LLP 5300 Commerce Court West 199 Bay Street Toronto, ON M5L 1B9</p> <p>Counsel for GE Canada Equipment Financing G.P.</p>	<p>Elizabeth Pillon Tel: 416.869.5623 Fax: 416.947.0866 Email: lpillon@stikeman.com</p> <p>Jordana Bergman Tel: 416.869.5510 Fax: 416.947.0866 Email: jbergman@stikeman.com</p> <p>Maria Konyukova Tel: 416.869.5230 Fax: 416.947.0866 Email: mkonyukhova@stikeman.com</p>
<p>Buset & Partners LLP 1121 Barton Street Thunder Bay, ON P7B 5N3 Counsel for Royal Bank of Canada</p>	<p>Richard J. Buset Tel: 807.623.2500 Fax: 807.622.7808 Email: law@buset-partners.com</p>

<p>PricewaterhouseCoopers Inc. 3000 Toronto Dominion Centre P.O. Box 82, 77 King Street West Toronto, ON M5K 1G8</p> <p>Receiver</p>	<p>Gregory Prince Tel: 416.814.5752 Fax: 416.814.3210 Email: Gregory.n.prince@ca.pwc.com</p> <p>Nathaly Labbe Tel: 416.941.8383 Fax: 416.941.8250 Email: nathaly.labbe@ca.pwc.com</p> <p>Jonathan Reimche Tel: 416.814.5827 Fax: 416.814.3210 Email: jonathan.p.reimche@ca.pwc.com</p>
<p>Blake, Cassels & Graydon LLP 2800 Commerce Court West 199 Bay Street Toronto, ON M5L 1A9</p> <p>Counsel to Lucky Star Holdings Inc. and Buchanan Sales Inc.</p>	<p>Jackie Moher Tel: 416.863.3174 Fax: 416.863.2653 Email: Jackie.moher@blakes.com</p>
<p>Weiler, Maloney, Nelson 1001 William Street, Suite 201 Thunder Bay, ON P7B 6M1</p> <p>Counsel to Northern Sawmills Inc. and Atikokan Forest Products Ltd.</p>	<p>Paul Jasiura Tel: 807.625.8881 Fax: 807.623.4947 Email: pjasiura@wmnlaw.com</p>
<p>CaleyWray Labour/Employment Lawyers 1600-65 Queen Street West Toronto, ON M5H 2M5</p> <p>Counsel to Communications, Energy and Paperworkers Union of Canada and its Locals 38X and 38.02</p>	<p>Ken Stuebing Tel: 416.775.4683 Fax: 416.366.3293 Email: stuebingk@caleywray.com</p> <p>Jesse B. Kugler Tel: 416.775.4677 Cell: 416.458.7729 Fax: 416.366.3293 Email: kuglerj@caleywray.com</p>
<p>Ministry of the Environment Thunder Bay Regional Office 435 James Street South, Suite 331, 3rd Floor Thunder Bay, ON P7E 6S7</p>	<p>Director Fax: 807.475.1754</p>

<p>Ministry of the Environment Legal Services Branch 10th Floor, 135 St. Clair Avenue West Toronto, ON M4V 1P5</p>	<p>Mario Faieta Tel: 416.314. 6482 Fax: 416.314.6579 Email: mario.faieta@ontario.ca</p>
<p>Ministry of Northern Development, Mines and Forestry Suite 210, 70 Foster Drive Sault Ste. Marie, ON P6A 6V5</p>	<p>Bill Thornton Tel: 705.945.6660 Fax: 705.945.5977 Email: bill.thornton@ontario.ca</p> <p>David Hayhurst Tel: 705.945.5733 Fax: 705.541.5111 Email: david.hayhurst@ontario.ca</p>
<p>Ministry of Northern Development, Mines and Forestry Rm. M2-17 MacDonald Block 900 Bay Street Toronto, ON M7A 1C3</p>	<p>Donald Bennett Tel: 416.327.0637 Fax: 416.327.0646 Email: donald.bennett@ontario.ca</p>
<p>Ministry of Northern Development, Mines and Forestry Legal Services Branch 5th Floor 56 Wellesley Street West Toronto, ON M7A 2E7</p>	<p>Lawrence Fagan Tel: 416.326.1010 Fax: 416.326.1018 Email: Lawrence.fagan@ontario.ca</p>
<p>Ministry of Northern Development, Mines and Forestry Legal Services Branch Rm. M2-24 MacDonald Block Toronto, ON M7A 1C3</p>	<p>Andrew Macdonald Tel: 416.327.0613 Fax: 416.327.0640 Email: andrew.macdonald@ontario.ca</p>
<p>Ministry of Natural Resources 99 Wellesley Street West, Room 3420 Toronto, ON M7A 1W3</p>	<p>Stuart Davidson Tel: 416.314.2004 Fax: 416.314.2030 Email: stuart.davidson@ontario.ca</p>
<p>Ministry of the Attorney General Legal Services Branch Financial Services Commission of Ontario (FSCO) 17th Floor – Box 85 5160 Yonge Street Toronto, ON M2N 6L9</p>	<p>Mark Bailey Tel: 416.590.7555 Fax: 416.590.7070 Email: mbailey@fsco.gov.on.ca</p>

Index

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

G.E. Canada Equipment Financing G.P.

Applicant

- and -

Northern Sawmills Inc.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, as amended.

**MOTION RECORD
INDEX**

<u>Tab</u>		<u>Page</u>
A.	Notice of Motion returnable January 14, 2011	1
1.	Northern Receivership Order dated January 4, 2011	5
2.	Report of PricewaterhouseCoopers Inc. as Proposed Receiver of Northern Sawmills Inc., dated December 30, 2010	22
3.	First Report of PricewaterhouseCoopers Inc., in its capacity as Receiver of Northern Sawmills Inc., dated January 13, 2011	29
A.	Northern Receivership Order dated January 4, 2011 and Atikokan Receivership Order dated January 4, 2011	33
B.	Form of Advertisement	67
C.	Form of Teaser	68
4.	Draft Order	70

Tab A

Court File No. CV10-9042-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

G.E. Canada Equipment Financing G.P.

Applicant

- and -

Northern Sawmills Inc.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, as amended.

NOTICE OF MOTION

PricewaterhouseCoopers Inc. in its capacity as court appointed receiver (the “**Receiver**”) of Northern Sawmills Inc. (“**Northern**” or the “**Company**”) will make a motion to a Judge on Friday, January 14, 2011, at 9:30 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached to this Notice of Motion including, *inter alia*, for the following relief:

- (a) abridging the time for service of the Notice of Motion and the Motion Record and dispensing with any further service of the Notice of Motion and the Motion Record;
 - (b) approving the form of advertisement and the form of "teaser" as attached as Appendices "B" and "C", respectively, to the First Report of PricewaterhouseCoopers Inc., in its capacity as Receiver of Northern Sawmills Inc., dated January 13, 2011 (the "**Receiver's First Report**"), in connection with the sales and marketing process of all of the assets, undertakings, and properties of Northern as described in the Report of PricewaterhouseCoopers Inc. as Proposed Receiver of Northern Sawmills Inc., dated December 30, 2010 (the "**Proposed Receiver's Report**"); and
2. Such further relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. By an Order of this Honourable Court dated January 4, 2011 (the "**Receivership Order**"), PricewaterhouseCoopers Inc. was appointed Receiver, pursuant to 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, of all of the assets, undertakings and properties of Northern acquired for, or used in relation to a business carried on by Northern, including all proceeds thereof (collectively, the "**Property**");
2. Pursuant to the terms of the Receivership Order, the Receiver is empowered and authorized to, *inter alia*, market any or all of 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;

3. As more particularly described in the Proposed Receiver's Report, the Receiver has developed a sale process in respect of the Property (the "**Sale Process**"), which contemplates, *inter alia*, that not later than ten (10) business days after the Sale Process is approved by this Honourable Court, the Receiver will:

- (a) advertise the Company and the Property and the Sale Process in the national edition of the *Globe & Mail* (the "**Advertisement**"); and
- (b) send a "teaser" (the "**Teaser**") and a non-disclosure agreement to all parties identified by the Receiver as potentially having an interest in the Company and/or the Property.

4. The Sale Process also provides that if requested by this Honourable Court, the Receiver will provide the Court a copy of the Advertisement and the Teaser for approval, prior to finalizing same;

5. Pursuant to an Order of this Honourable Court dated January 4, 2011 (the "**Sale Process Order**"), the Sale Process was approved by the Court and the Receiver was authorized and empowered to carry out and conduct the Sale Process; and

6. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. Proposed Receiver's Report dated December 30, 2010;
2. Receiver's First Report dated January 13, 2011; and
3. Such other evidence as counsel may advise and this Honourable Court may permit.

January 13, 2011.

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50
1 First Canadian Place
Toronto, ON M5X 1B8

Tracy C. Sandler
(416) 862-5890
(416) 862-6666 (fax)

Artem Miakichev
(416) 862-5673
(416) 862-6666 (fax)

Solicitors for PricewaterhouseCoopers Inc.,
in its capacity as Receiver of Northern
Sawmills Inc.

Tab 1



Court File No. CV10-9042-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR

)

TUES DAY, THE 4th DAY

)

JUSTICE MORAWETZ

)

OF JANUARY, 2011

**G.E. CANADA EQUIPMENT
FINANCING G.P.**

Applicant

- and -

NORTHERN SAWMILLS INC.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, c.C.43, as amended.

ORDER

THIS MOTION made by the Applicant for an Order 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") appointing PricewaterhouseCoopers Inc. ("PwC") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Northern Sawmills Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Rankin sworn December 23, 2010 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and counsel for the Debtor and on reading the consent of PwC to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, PwC is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that 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 of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect 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 of the 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 Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, 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 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;
- (k) to market any or all of 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,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$200,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; 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 subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages*

Act, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (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 on 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 shareholder, partnership, joint venture or other rights which the Debtor may have; and

- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of their 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 to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that 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 5 or in paragraph 6 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 due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that 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

7. THIS COURT ORDERS that 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

8. THIS COURT ORDERS that 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.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies 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 this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided 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

10. THIS COURT ORDERS that 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.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that 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 wood supply arrangements and commitments, sustainable forestry licenses, forest management services, 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

12. THIS COURT ORDERS that 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 new accounts to be opened by the Receiver (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 to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, or as employer under the *Pension Benefits Act*, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal

information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation,

unless it is actually in possession. Nothing in this Order shall derogate from the protection afforded to the Receiver by section 14.06 of the BIA or other applicable legislation.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that 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 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.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$300,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. 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.

27. THIS COURT ORDERS that the Receiver 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, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the

- 14 -

Applicant's security or, if not so provided by the Applicant'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.

29. THIS COURT ORDERS that 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.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 4 - 2011

PER / PAR: 

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc. ("PwC"), the receiver (the "Receiver") of the assets, undertakings and properties of Northern Sawmills Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 4th day of January, 2011 (the "Order") made in an action having Court file number __-CL_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____, which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED December ●, 2010.

PricewaterhouseCoopers Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

G.E. Canada Equipment Financing G.P. and Northern Sawmills Inc.

Court File No: CV10-9042-00CL

Applicant Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

ORDER

STRIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Elizabeth Pillon LSUC#: 35638M
(416) 869-5623
Jordan Bergman LSUC#: 55762W
Tel: (416) 869-5510
Fax: (416) 947-0866

Lawyers for the Applicant

Tab 2

Court File No. CV-10-9042-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST**

BETWEEN:

G.E. CANADA EQUIPMENT FINANCING G.P.

Applicant

- AND -

NORTHERN SAWMILLS INC.

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

**REPORT OF PRICEWATERHOUSECOOPERS INC.
AS PROPOSED RECEIVER OF
NORTHERN SAWMILLS INC.**

December 30, 2010

INTRODUCTION

1. PricewaterhouseCoopers Inc. ("PwC" or the "Proposed Receiver") understands that an application will be made before the Ontario Superior Court of Justice (Commercial List) (the "Court") by G.E. Capital Equipment Financing G.P. ("GE" or the "Lender") for an order (the "Receivership Order") appointing a 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 over all the assets, undertakings and properties (the "Property") of Northern Sawmills Inc. and its subsidiaries ("Northern" or the "Company").
2. PwC is a licensed trustee within the meaning of section 2 of the BIA. PwC has consented to act as Receiver in these proceedings in the event that this Honourable Court grants the Receivership Order.
3. This report has been prepared by the Proposed Receiver in support of an application to be brought by the Lender, for an order approving a sales and marketing process (the "Sale Process") as hereinafter described, in respect of the Property, which if appointed as receiver, the Proposed Receiver would implement.
4. In preparing this report, the Proposed Receiver has relied upon unaudited and draft, internal financial information of the Company provided to it by the Lender. The Proposed 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 in this report. The Proposed Receiver reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this report.
5. Unless otherwise noted, all currency amounts contained in this report are expressed in Canadian dollars.
6. Capitalized terms not defined herein are as defined in the Affidavit of Christopher Rankin dated December 23, 2010 (the "Rankin Affidavit") or in the proposed Receivership Order sought by GE.

BACKGROUND

7. As further described in the Rankin Affidavit, Northern was engaged in the business of producing a range of structural and dimensional softwood lumber, utility poles, and specialty lumber products, wood chips and wood byproducts for customers in Canada and United States. The Proposed Receiver understands that Northern has not been operating, in the normal course, since the fall of 2008, when

its operations were idled. The Proposed Receiver also understands that all, or virtually all, of Northern's employees were laid off following the cessation of normal course operations

8. As described in the Rankin Affidavit, a Notice of Intention to Enforce Security pursuant to section 244 of the BIA was issued by the Lender on or about April 2, 2010, whereby GE demanded payment from Northern of all obligations owing to it. Despite GE's demand for payment, the Proposed Receiver understands that the Company has failed to make payment or enter into a satisfactory arrangement with GE to rectify the default. The Proposed Receiver understands that the Company owes GE \$9,172,308.66, as at October 22, 2010.
9. In order to maintain the Property, the Proposed Receiver understands that Northern incurs ongoing, monthly costs associated with payroll in respect of two individuals who are maintaining and overseeing the Property, insurance, utilities, security and other basic maintenance and preservation costs (the "Costs"). The Proposed Receiver understands that GE has reviewed the estimated Costs and understands that GE has agreed to provide initial funding for the Costs, as well as professional fees associated with the receivership proceedings. However, the Proposed Receiver understands that the Lender is only prepared to fund the Costs for a limited period of time, so that the Receiver is able to undertake the Sale Process. Accordingly, the Receiver's borrowings will be limited to an amount not to exceed \$300,000. Funding of the receivership will be achieved by advances to the Receiver, if appointed, under Receiver's Certificates, which amounts would be secured by a charge over the Property.

SALE PROCESS AND THE PROPOSED RECEIVER'S RECOMMENDATION

10. The Proposed Receiver understands that, in connection with its application to this Honourable Court for the appointment of a receiver, GE will make an application to the Court for the approval of a sale process in respect of the Property.
11. In September 2010, GE engaged PricewaterhouseCoopers Corporate Finance Inc. ("PwCCF") to informally 'canvass the market' in respect of the Company and the Property. As a result of the response to the enquiries made by PwCCF, the Proposed Receiver understands that GE has determined that there may be sufficient interest in the marketplace to justify a formal sale process in respect of the Property.
12. In the event this Honourable Court grants the Receivership Order, the Proposed Receiver seeks this Honourable Court's approval of a sale process in respect of the Property (the "Sale Process"), the principal elements of which are as follows:

- a) Not later than ten business days after the Sale Process is approved by this Honourable Court the Receiver will:
 - i) advertise the Company and the Property and the Sale Process in the national edition of the *Globe & Mail* (the "**Advertisement**"); and
 - ii) send a teaser (the "**Teaser**") and a non-disclosure agreement ("**NDA**") to all parties identified by PwC as potentially having an interest in the Company and / or the Property.
- b) If requested by this Honourable Court, the Proposed Receiver will provide the Court a copy of the *Advertisement* and the *Teaser* for approval, prior to finalizing same.
- c) Not later than fifteen business days after the Sale Process is approved by this Honourable Court, the Receiver will establish an electronic data room containing information in respect of the Company and the Property;
- d) Parties expressing an interest in participating in the Sale Process (the "**Prospective Purchasers**") will be required to execute the *NDA*, upon which Prospective Purchasers will receive available information in respect of the Company, including access to the Receiver's data room, once established.
- e) The Receiver will arrange site visits to allow Prospective Purchasers the opportunity to visit the Company's premises in order to assist Prospective Purchasers with their due diligence efforts.
- f) The Receiver will offer the Property for sale on an "as-is, where-is" basis, without representations or warranties with respect to the Company and / or the Property. Detailed terms and conditions of sale will be as set out in the form of asset purchase agreement ("**APA**") provided by the Receiver to Prospective Purchasers. The Receiver will make a copy of the *APA* available in the data room by not later than January 28, 2011.
- g) Prospective Purchasers will have until 5 p.m. Eastern Standard time, on Wednesday, March 9, 2011 (the "**Bid Deadline**") to submit a binding offer ("**Offer**"), which must include a cash deposit equal to 5% of the total purchase price for the Company and/or the Property subject to the Offer (the "**Deposit**"). The Deposit will be refunded in the event an Offer, as submitted, is not accepted by the Receiver.
- h) Offers are to be made using the *APA* as a template and are to be without conditions, other than a condition for Court Approval. Offers shall remain open for acceptance by the Receiver until at least

2:00 p.m. Eastern Standard Time, Tuesday March 15, 2011.

- i) Concurrent with undertaking the Sale Process, the Proposed Receiver will solicit offers from professional liquidators in respect of the Property. The deadline for the submission of definitive, binding and unconditional (other than a condition for Court Approval) offers to liquidate the Property (the “**Liquidation Offers**”) is the Bid Deadline. Liquidation Offers must include a cash deposit equal to 5% of the total purchase price or guaranteed payment amount in respect of the Property subject to the Liquidation Offer(s), which amount will be refunded in the event a Liquidation Offer(s), as submitted, is not accepted by the Receiver. Liquidation Offers shall remain open for acceptance by the Receiver until at least 2:00 p.m. Eastern Standard Time, Tuesday March 15, 2011.
 - j) Following the Bid Deadline, the Proposed Receiver will review and assess all Offers and Liquidation Offers received, if any, including reviewing same with GE, or any creditor with a prior ranking security interest in the Property, if any, other than creditors enjoying a statutory priority in respect of the Property (a “**Prior Creditor**”).
 - k) Based on its review of both the Offers and the Liquidation Offers, the Receiver will determine the most favourable outcome and will proceed to finalize an APA(s) with the successful offering party or parties, subject only to the approval of this Honourable Court, by March 25, 2011. If the Receiver is unable to finalize the APA with the successful offering party or parties, the Receiver shall be at liberty to finalize an APA with such other offering party or parties as it deems appropriate, subject to consulting first with GE and / or Prior Creditors.
 - l) The Receiver shall have the right to extend the timelines set forth in the Sale Process and described herein, only with the support of GE and / or Prior Creditors, and only if such extensions are for a period of time not exceeding ten business days from the date(s) contemplated under the Sale Process. All other extensions or modifications of the Sale Process shall require the approval of this Honourable Court.
 - m) In the event one or more APAs are approved by this Honourable Court, the Receiver will work with the successful purchaser(s) to close the transaction(s) forthwith thereafter.
13. The Proposed Receiver understands that Lucky Star Holdings Inc. (“**Lucky Star**”), an entity related to the Company, has advised GE that it has a prior ranking secured interest in and to certain of Northern’s property, including Northern’s rolling stock (the “**Disputed Collateral**”). If this Honourable Court makes the Receivership Order, the Receiver will review the competing

security interests in and to the Disputed Collateral and will work with Lucky Star and GE, and their legal counsel, to either attempt to resolve the issue consensually or, in the alternative, to seek the advice and direction of this Honourable Court in resolving this matter. The Proposed Receiver is of the view that the issue of priority in respect of the Disputed Collateral will need to be determined before the completion of the Sale Process, so that appropriate consultation with economically interested parties takes place during the Sale Process.

14. The Disputed Collateral will be marketed during the Sale Process, along with all of the Property. In the event that priority in and to the Disputed Collateral has not been agreed by GE and Lucky Star or determined by this Honourable Court prior to closing a transaction in respect of the Disputed Collateral, the Receiver will segregate the proceeds of sale related to the Disputed Collateral, to the extent such proceeds are readily determinable (the “**Carve Out**”). In the event of a sale of all of the Property ‘en bloc’, the Receiver will provide its best estimate of the amount of the Carve Out, based on all Offers and Liquidation Offers received. If the value of the Disputed Collateral is not determinable based on the results of the Sale Process, the Receiver will obtain an independent appraisal of the Disputed Collateral to establish the amount of the Carve Out. In the event GE and Lucky Star are unable to agree on the amount of the Carve Out, the Receiver will seek this Honourable Court’s advice and direction with respect to same.
15. Concurrent with its application to appoint PwC as receiver of the Property of Northern, GE is seeking the appointment of PwC as receiver of Atikokan Forest Products Ltd. (“**Atikokan**”) in respect of the assets, undertakings and properties of Atikokan (the “**Atikokan Property**”). If this Honourable Court grants the Lender’s application for an order appointing PwC as receiver in respect of Atikokan, and if the Court approves the proposed sales process in respect of the Atikokan Property, the Proposed Receiver intends to coordinate the sale process for Northern with an identical sale process for Atikokan, as:
 - a) similar Property is being offered for sale in respect of both Northern and Atikokan;
 - b) potential purchasers for the Property and the Atikokan Property are very likely to be the same;
 - c) reduced professional costs will result, by minimizing the duplication of effort with respect to, among other things, preparing marketing materials and identifying potential purchasers and preparing sale documents, including the APA.
16. While efficiencies will be maximized where possible, if appointed as receiver of both Northern and Atikokan, the Receiver will ensure that costs associated with the sale of the Northern Property and the

Atikokan Property are segregated and accounted for separately.

CONCLUSION

17. The Proposed Receiver is of the view that the Sale Process is reasonable in the circumstances. Northern's operations have been idled since sometime in 2008. Accordingly, there is no "going concern" business available to a Prospective Purchaser. Rather, a Prospective Purchaser may view the opportunity to purchase all of the Company's Property on an 'en bloc' basis, as being strategically attractive. The alternative to an 'en bloc' sale to a Prospective Purchaser is a liquidation of the Property. Under either scenario, the Proposed Receiver is of the view that the Sale Process should provide interested parties with sufficient time to evaluate the Property and to make an offer in respect of the Company and / or the Property, if interested.
18. The Proposed Receiver is filing this report in support of the Lender's application for the approval of the Sale Process.

All of which is respectfully submitted on this 30th day of December, 2010.

PricewaterhouseCoopers Inc.
as Proposed Receiver of the Company



Greg Prince
Senior Vice President

Tab 3

Court File No. CV-10-9042-ooCL

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

BETWEEN:

G.E. CANADA EQUIPMENT FINANCING G.P.

Applicant

- AND -

NORTHERN SAWMILLS INC.

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

**FIRST REPORT OF
PRICEWATERHOUSECOOPERS INC.
AS RECEIVER OF
NORTHERN SAWMILLS INC.**

January 13, 2011

BACKGROUND

1. On January 4, 2011, pursuant to an Order of this Honourable Court (the “**Northern Receivership Order**”) PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as receiver (the “**Northern 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 “**Northern Property**”) of Northern Sawmills Inc. (“**Northern**”).
2. On the same date, pursuant to an Order of this Honourable Court (the “**Atikokan Receivership Order**”), PwC was also appointed as receiver (the “**Atikokan Receiver**” and, collectively with the Northern Receiver, the “**Receiver**”) pursuant to section 243(1) of the BIA and Section 101 of the CJA over all the assets, undertakings and properties (the “**Atikokan Property**” and, collectively with the Northern Property, the “**Property**”) of Atikokan Forest Products Ltd. (“**Atikokan**” and, collectively with Northern, the “**Company**”).
3. Copies of the Northern Receivership Order and the Atikokan Receivership Order made on January 4, 2011 are attached as Appendix “A” hereto.
4. Pursuant to an Order of this Honourable Court also made on January 4, 2011 (the “**Northern Sale Process Order**”), the Receiver was specifically authorized and directed to carry out and conduct a sales process in respect of the Northern Property, or any material portions thereof, substantially in accordance with the sales process (the “**Sale Process**”) outlined in the Report of PwC as Proposed Receiver of Northern Sawmills Inc. dated December 30, 2010 (“**Proposed Receiver's Report**”).
5. This is the first report (the “**First Report**”) of the Receiver in support of a motion by the Receiver for an order approving the Receiver’s newspaper advertisement (the “**Advertisement**”) and teaser (the “**Teaser**”) necessary to give effect to the Sales Process (collectively, the “**Documents**”), as these Documents are more particularly described in the Proposed Receiver’s Report.

6. In preparing this First Report and the Documents, the Receiver has relied upon unaudited and draft, internal financial information of the Company provided to it by the Company or by G.E. Canada Equipment Financing G.P. (“GE”) as the lender to the Company. 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 in the Documents.
7. Capitalized terms not defined herein are as defined in the Affidavit of Christopher Rankin of GE, dated December 23, 2010 (the “**Rankin Affidavit**”), the Northern Receivership Order or the Atikokan Receivership Order.

SALE PROCESS AND THE RECEIVER’S RECOMMENDATION

8. As more particularly described in the Proposed Receiver’s Report, the Sale Process provides for the following principal elements in connection with advertisement of the Company and the Property for sale and soliciting offers from prospective purchasers or liquidators in connection with the proposed sale:
 - a) Not later than ten (10) business days after the Sale Process is approved by this Honourable Court (January 18, 2011), the Receiver will:
 - i) advertise the Company and the Property and the Sale Process in the national edition of the *Globe & Mail* and
 - ii) send a teaser and a non-disclosure agreement (“NDA”) to all parties identified by PwC as potentially having an interest in the Company and / or the Property.
9. Notwithstanding paragraph 8 a) ii), The Receiver advises this Honourable Court that if approved, the Advertisement is scheduled to first appear on January 19, 2011.
10. As requested by this Honourable Court on January 4, 2011, the Receiver hereby provides a copy of the Advertisement (attached as Appendix “B” hereto) and the Teaser (attached as Appendix “C” hereto) for this Honourable Court’s approval.

11. Similarly, the Atikokan Receiver also obtained an Order from this Honourable Court on January 4, 2011 approving a sales process for the Atikokan Property (the “**Atikokan Sale Process**”). Concurrent with its application to approve the Documents, PwC is seeking the same approval in its capacity as Atikokan Receiver in respect of an advertisement and teaser in connection with the Atikokan Sale Process.
12. While efficiencies will be maximized where possible, as PwC has been appointed as receiver of each of Northern and Atikokan, the Receiver will ensure that costs associated with the sale of the Northern Property and the Atikokan Property are segregated and accounted for separately.

CONCLUSION

13. The Receiver respectfully submits the Documents to this Honourable Court for its approval.

All of which is respectfully submitted on this 13th day of January, 2011.

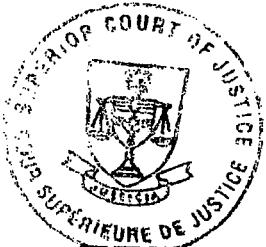
PricewaterhouseCoopers Inc.

In its capacity as Receiver of the Northern Sawmills Inc.



Greg Prince
Senior Vice President

Tab A



Court File No. CV10-9042-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR

)

TUES DAY, THE 4th DAY

)

JUSTICE MORAWETZ

)

OF JANUARY, 2011

G.E. CANADA EQUIPMENT
FINANCING G.P.

Applicant

- and -

NORTHERN SAWMILLS INC.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE BANKRUPTCY AND
INSOLVENCY ACT, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, c.C.43, as amended.

ORDER

THIS MOTION made by the Applicant for an Order 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") appointing PricewaterhouseCoopers Inc. ("PwC") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Northern Sawmills Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Rankin sworn December 23, 2010 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and counsel for the Debtor and on reading the consent of PwC to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, PwC is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that 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 of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect 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 of the 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 Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, 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 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;
- (k) to market any or all of 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,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$200,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; 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 subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages*

Act, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (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 on 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 shareholder, partnership, joint venture or other rights which the Debtor may have; and

- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of their 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 to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that 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 5 or in paragraph 6 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 due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that 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

7. THIS COURT ORDERS that 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

8. THIS COURT ORDERS that 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.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies 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 this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided 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

10. THIS COURT ORDERS that 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.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that 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 wood supply arrangements and commitments, sustainable forestry licenses, forest management services, 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

12. THIS COURT ORDERS that 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 new accounts to be opened by the Receiver (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 to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, or as employer under the *Pension Benefits Act*, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal

information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation,

unless it is actually in possession. Nothing in this Order shall derogate from the protection afforded to the Receiver by section 14.06 of the BIA or other applicable legislation.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that 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 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.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$300,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.
21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.
22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. 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.

27. THIS COURT ORDERS that the Receiver 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, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the

Applicant's security or, if not so provided by the Applicant'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.

29. THIS COURT ORDERS that 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.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 4 - 2011

PER / PAR: NB

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc. ("PwC"), the receiver (the "Receiver") of the assets, undertakings and properties of Northern Sawmills Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 4th day of January, 2011 (the "Order") made in an action having Court file number __-CL-____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____, which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

- 2 -

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED December ●, 2010.

PricewaterhouseCoopers Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per:

Name:

Title:

G.E. Canada Equipment Financing G.P. Northern Sawmills Inc.
and

Court File No: CV10-9042-00CL

Applicant Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

ORDER

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Elizabeth Pillon LSUC#: 35638M
(416) 869-5623
Jordana Bergman LSUC#: 55762W
Tel: (416) 869-5510
Fax: (416) 947-0866

Lawyers for the Applicant

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR) TUES DAY, THE 4th DAY
)
JUSTICE MORAWETZ) OF JANUARY, 2011

**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.C-36, as amended, AND SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, c.C.43, as amended.

ORDER

THIS MOTION made by the Applicant for an Order 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") appointing PricewaterhouseCoopers Inc. ("PwC") as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Atikokan Forest Products Ltd. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Christopher Rankin sworn December 23, 2010 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and counsel for the Debtor and on reading the consent of PwC to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, PwC is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that 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 of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect 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 of the 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 Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, 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 the Debtors;
- (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;
- (k) to market any or all of 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,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$200,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; 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 subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages*

Act, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (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 on 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 shareholder, partnership, joint venture or other rights which the Debtor may have; and

- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

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

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their 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 to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that 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 5 or in paragraph 6 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 due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that 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

7. THIS COURT ORDERS that 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

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors 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.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtors, 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 this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided 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

10. THIS COURT ORDERS that 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.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all wood supply arrangements and commitments, sustainable forestry licenses, forest management services, 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

12. THIS COURT ORDERS that 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 new accounts to be opened by the Receiver (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 to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, or as employer under the *Pension Benefits Act*, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental

Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession. Nothing in this Order shall derogate from the protection afforded to the Receiver by section 14.06 of the BIA or other applicable legislation.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that 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 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.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$300,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. 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.

27. THIS COURT ORDERS that the Receiver 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, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the

- 14 -

Applicant's security or, if not so provided by the Applicant'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.

29. THIS COURT ORDERS that 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.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JAN 4 - 2011

PER / PAR:



SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc. ("PwC"), the receiver (the "Receiver") of the assets, undertakings and properties of and Atikokan Forest Products Ltd. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 4th day of January, 2010 (the "Order") made in an action having Court file number ____-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$_____, being part of the total principal sum of \$_____ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of _____ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

- 2 -

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED December ●, 2010.

PricewaterhouseCoopers Inc., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: _____

Name: _____

Title: _____

G.E. Canada Equipment Financing G.P. and Atikokan Forest Products Ltd.

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

Applicant Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

ORDER

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Elizabeth Pillon LSUC#: 35638M
(416) 869-5623
Jordana Bergman LSUC#: 55762W
Tel: (416) 869-5510
Fax: (416) 947-0866

Lawyers for the Applicant

Tab B

SALE OF TWO SAWMILLS LOCATED IN THUNDER BAY AND ATIKOKAN, ONTARIO

PricewaterhouseCoopers Inc., in its capacity as court-appointed receiver (the "Receiver") of Northern Sawmills Inc., located in Thunder Bay, ON ("Northern") and Atikokan Forest Products Ltd., located in Atikokan, ON ("Atikokan", and collectively with Northern, the "Companies"), is soliciting offers for each of the Companies and/or for the assets of each of the Companies (collectively, the "Sawmills").

The Sawmills have a theoretical capacity of 1,850,000 m³ or 412,000 thousand board-feet ("MFBM") for Northern, and 950,000 m³ and 200,000 MFBM for Atikokan. Separate sales procedures are being run by the Receiver for each of the Sawmills.

The Receiver will provide a description of the Sawmills, the financial information related to the Sawmills and specific information regarding the sale processes, including the terms and conditions of sale, to interested parties/prospective purchasers, who have first signed a non-disclosure agreement. To obtain the non-disclosure agreement, please contact Mr. Frederic Bouchard, Managing Director, PwC, at 514-205-5079 or frederic.bouchard@ca.pwc.com. Tours of the Sawmills will be provided to interested parties/prospective purchasers by appointment only and all other information related to the Sawmills will be posted on a secured website.

All offers to the Receiver shall be communicated in writing by no later than 5:00 pm Eastern time March 9, 2011.

PRICEWATERHOUSECOOPERS 

Tab C

Acquisition Opportunity

PricewaterhouseCoopers Inc.

NORTHERN SAWMILLS INC. ATIKOKAN FOREST PRODUCTS LTD.

January 2011

THE COMPANIES

- On January 4, 2011, upon an application brought by GE Canada Equipment Financing G.P. ("GE"), PricewaterhouseCoopers Inc. ("PwC") was appointed by the Ontario Superior Court of Justice (Commercial List) as receiver ("Receiver") of each of Northern Sawmills Inc. ("Northern") and Atikokan Forest Products Ltd. ("Atikokan"), (collectively the "Sawmills"). Court Materials and other relevant documents can be found on our website at <http://www.pwc.com/ca/en/car/northern-sawmills/index.jhtml> and <http://www.pwc.com/ca/en/car/atikokan-forest/index.jhtml>.
- In preparing this document, the Receiver has relied upon unaudited and draft, internal information of the Company provided to it by the Lender. 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 in the document.

Northern

- Located in Thunder Bay, Ontario, Northern is a state-of-the-art softwood sawmill facility. When fully operational, Northern employed over 260 full time employees (240 of whom were unionized employees). Between 1999 and 2006, \$35M was invested for various upgrades and modernizations. The mill was shut down in November 2007 due to the adverse lumber market conditions and restarted for a short period of time in May 2008 to process the remaining timber available.
- Northern is one of the largest integrated roundwood sawmills in North America and has a theoretical process capacity of 1,850,000 m³ to produce over 412,000 MFMB of lumber each year. Northern had an annual Ministry Recognized Operating Level ("MROL") of approximately 1,100,000 m³, or the equivalent of approximately 250,000 MFMB of lumber each year.

Atikokan

- Atikokan is a softwood sawmill that has received significant capital improvements between 2001-2006 (\$32M). Based in Sapawe, Ontario, Atikokan employed over 220 people when fully operational (205 of whom were unionized employees). The mill was shut down in November 2007 due to the adverse lumber market conditions and restarted for a short period of time in March 2008 to process the remaining timber available.
- Atikokan has a theoretical process capacity of 950,000 m³ to produce over 200,000 MFMB of lumber annually. Atikokan has an annual MROL of approximately 680,000 m³, or the equivalent of approximately 136,000 MFMB of lumber each year.

PricewaterhouseCoopers Inc.

Acquisition Opportunity

PricewaterhouseCoopers Inc.

SALE PROCESS

- Parties expressing an interest in participating in the Court approved sale process (the "Prospective Purchasers") will be required to execute a non-disclosure agreement, upon which Prospective Purchasers will receive available information in respect of the Sawmills. Such information will be available on a secure website.
- The Receiver will provide a description of the Sawmills, the financial information related to them and specific information regarding the sale process, including its terms and conditions of sale, to the Prospective Purchasers who have signed the Receiver's non-disclosure agreement.
- The Receiver will arrange site visits to allow the Prospective Purchasers the opportunity to visit the Sawmills' premises in order to assist Prospective Purchasers who have signed the non-disclosure agreement with their due diligence efforts.
- The Receiver will offer the Sawmills for sale on an "as-is, where-is" basis, without representations or warranties with respect to the Sawmills. Detailed terms and conditions of sale will be set out in the Receiver's asset purchase agreement ("APA") which will be provided to the Prospective Purchasers. Offers are to be without conditions, other than Court approval. The Receiver will make a copy of the APA available on its secure website by January 28, 2011.
- Prospective Purchasers will have until March 9, 2011 to submit a binding offer in form of the APA, with a cash deposit equal to 5% of the Prospective Purchaser's purchase price for the Sawmills. The Deposit will be refunded in the event that an Offer, as submitted, is not accepted by the Receiver.
- Offers shall remain open for acceptance by the Receiver until 5:00 pm Eastern time, on Tuesday, March 15, 2011.

The Receiver will grant Prospective Purchasers, who have signed the non-disclosure agreement, access to the Sawmills, if requested. Should you have any questions regarding this opportunity, please contact:

Frédéric Bouchard CA CF CFA
Managing Director, Montreal
 Tel.: (514) 205-5079
frederic.bouchard@ca.pwc.com

Michael Armstrong RPF CA
Director, Vancouver
 Tel.: (604) 806-7585
armstrong.michael@ca.pwc.com

Tab 4

Court File No. CV10-9042-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

G.E. Canada Equipment Financing G.P.

Applicant

- and -

Northern Sawmills Inc.

Respondent

APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.C-36, as amended, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, as amended.

THE HONOURABLE MR.
JUSTICE MORAWETZ

)
)
)

FRIDAY, THE 14TH
DAY OF JANUARY, 2011

O R D E R

(Approval of Sale Process Forms of Advertisement and “Teaser”)

THIS MOTION, made by PricewaterhouseCoopers Inc., in its capacity as court appointed receiver (the “**Receiver**”) of Northern Sawmills Inc. was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the First Report of the Receiver dated January 13, 2011 (the “**Receiver’s First Report**”), and on hearing the submissions of counsel for the Receiver, no one appearing for any other person on the Service List although properly served as appears from the affidavit of service of • sworn on January •, 2011,

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this Motion is properly returnable today and any further service of the Notice of Motion and the Motion Record is hereby dispensed with.
 2. THIS COURT ORDERS that the form of advertisement and the form of teaser (to be used by the Receiver under the Sale Process approved by this Honourable Court pursuant to an Order made January 4, 2011), as attached as Appendices "B" and "C" to the Receiver's First Report, respectively are hereby approved.
-

G.E. Canada Equipment Financing G.P.

Northern Sawmills Inc.

Court File No. CV10-9042-00CL

and

Applicant

Respondent

Ontario
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

MOTION RECORD

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50, First Canadian Place
Toronto, ON M5X 1B8

Tracy C. Sandler (LSUC # 32443N)
(416) 862-4908
(416) 862-6666 (fax)

Artem Miakichev (LSUC # 51366C)
(416) 862-5673
(416) 862-6666 (fax)

Solicitors for PricewaterhouseCoopers
Inc., in its capacity as Receiver of
Northern Sawmills Inc.