

**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
VOLUME I**

November 8, 2012

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its capacity as Receiver of Northern Sawmills
Inc.

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**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
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TAB 1

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

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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 all of the assets, undertakings and properties of Northern Sawmills Inc. (“**Northern**”) acquired for or used in relation to a business carried on by Northern including all proceeds thereof (collectively, the “**Northern Property**”) will make a motion to a Judge on Monday, November 19, 2012, at 10:00 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 (any capitalized term not otherwise defined in this Notice of Motion shall have the meaning ascribed thereto in the Receiver’s Fifth Report dated November 7, 2012 (the “**Fifth Report**”)):

- (a) If necessary, abridging the time for service so that the Motion is properly returnable on the date it is heard and directing that any further service be dispensed with and validating service in all respects;
- (b) Approving the Receiver's Fifth Report, together with the Statement of Cash Receipts and Disbursements in the Fifth Report, the actions and activities of the Receiver described therein, and the fees and disbursements of the Receiver and Receiver's Counsel;
- (c) Declaring that the process of the Superintendent (the "**Superintendent**") of the Financial Services Commission of Ontario ("**FSCO**") considering the Plan Administrator's (defined below) recommendation of changing the wind-up date of the Hourly Plan and merging the Salaried Plan with the Hourly Plan is a Proceeding within the meaning of the Receivership Order such that the parties are stayed by the Receivership Order from taking steps in furtherance of the Proceeding without leave of the Court;
- (d) Directing the Receiver to reserve \$147,732 in relation to the Plan Administrator's claim pursuant to s. 81.6 of the BIA with respect to the Salaried Plan; \$0 in relation to a claim pursuant to s. 81.6 of the BIA with respect to the Hourly Plan; and \$0 in relation to the PBA deemed trust claim advanced by the Plan Administrator with respect to the Salaried and Hourly Plans;
- (e) Ordering the Plan Administrator to provide to the Receiver sufficient information to confirm the normal cost deficiency in the Salaried Plan on or before December 19, 2012 (or a later date to which the Receiver consents);

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- (f) Approving the distribution of \$157,864 to the City of Thunder Bay; \$86,879 plus accrued interest less reserves to RBC; \$200,000 less reserves to one of or a combination of Lucky Star and NWP, as directed by Lucky Star and NWP; and \$195,627 less reserves to GE; and
- (g) Such further relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

The Northern Receivership and Liquidation Process

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 the Northern Property;
2. On the same day, the Court authorized the Receiver to conduct a sale process in respect of the Northern Property. Following a failed attempt to sell the Northern Property as a going concern, the Receiver entered an Agency Sale Agreement with a liquidator, Maynards Industries Ltd. (“**Maynards**”), which was approved by the Court on August 12, 2011;
3. On September 29 and 30, 2011, Maynards conducted an Auction, liquidating all of Northern’s assets except its real property. The value of Northern’s “account or inventory and its proceeds” as such phrase is used in section 30(7) of the *Personal Property Security Act*, R.S.O. c. P.10 (“**PPSA**”) realized in the Auction was \$4,725;

4. The Receiver also successfully marketed Northern's Real Property and, on March 20, 2012, the Court granted an approval and vesting order approving the sale of Northern's Real Property to 2308703 Ontario Inc.;

5. The Receiver has liquidated virtually all of the Northern Property. The proceeds of the Northern Property will not fully satisfy Northern's obligations to its secured creditors;

Approving the Receiver's Activities and Fees

6. The Receiver's activities, as more particularly described in the Fifth Report, have been within the scope of its mandate, the Receivership Order and other Orders made in this proceeding;

7. The Receiver has prepared an affidavit of accounts sworn on October 22, 2012 that reflects the activities of the Receiver. The Receiver's counsel has prepared an affidavit of accounts sworn on November 8, 2012 that reflects the activities of the Receiver's Counsel. Details, including the average hourly rate of the Receiver and counsel, are set out in the Report and the Fee Affidavits;

Distributions

8. The Northern Property is subject to certain priority charges as follows:

- (a) *Receiver's Charge*: The Receiver's Charge ranks in priority to all other security interests. The Receiver proposes to reserve \$100,000 for unpaid professional fees and work in progress;

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(b) *Property Tax Claim*: The City of Thunder Bay claims for property taxes owing on the Real Property up to March 30, 2012 (the date of the sale), in the amount of \$157,864;

9. GE is the senior secured creditor of the Northern Property as has been confirmed by a security review conducted by the Receiver’s independent counsel, as previously reported to this Honourable Court;

10. Subject to the minor exceptions set out above and below, GE is the only priority creditor with respect to the Northern Property and will incur a substantial shortfall with respect to its loans to Northern;

11. RBC ranks in priority to the other secured parties in respect of the GIC Account;

12. The Receiver, GE, Lucky Star and NWP have settled certain priority disputes in relation to the Disputed Collateral and the NWP Disputed Assets;

Pension Plan Deemed Trust Claims

13. Morneau Shepell Ltd. in its capacity as plan administrator (the “**Plan Administrator**”) of the Hourly Plan and the Salaried Plan alleges that pursuant to *Re Indalex* and sections 57(4) and 57(5) of the *Pension Benefits Act* (the “**PBA**”), it has a deemed trust over the Northern Property;

14. Section 30(7) of the PPSA makes it clear that any PBA deemed trust only has priority over “an account or inventory and its proceeds” but not other property. The Court of Appeal’s decision in *Re Indalex* does not affect the interpretation of section 30(7) of the PPSA;

15. In addition, the Receiver intends to assign Northern into bankruptcy. As a result, the Receiver proposes to reserve no funds in relation to the Plan Administrator's PBA deemed trust claim and seeks the Court's approval in this regard;

Pension Plan Section 81.6 Claims

16. Despite the existence of the stay of proceedings in the Receivership Order, the Plan Administrator asked the Superintendent of FSCO to change the wind-up date for the Hourly Plan and to merge the Salaried Plan with the Hourly Plan;

17. The Receiver asks this Honourable Court to declare that the process of the Superintendent considering the Plan Administrator's recommendation of changing the wind-up date of the Hourly Plan and combining the Hourly and Salaried Plans is a proceeding within the meaning of the Receivership Order and such that the parties are stayed by the Receivership Order from taking further steps without leave of the Court;

18. On the assumption that the stay of proceedings applies and based on the information known to date, the Receiver proposes to reserve \$0 with respect to the Hourly Plan for section 81.6 claims;

19. On the assumption that the stay of proceedings applies and based on the information known to date, the Receiver proposes to reserve \$147,732 with respect to the Salaried Plan for section 81.6 claims;

Other

20. Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*;

21. Sections 81.6, 183, 243 and 246 of the *Bankruptcy and Insolvency Act*;

22. Rule 3 of the *General Rules under the Bankruptcy and Insolvency Act*;
23. Section 30(7) of the *Personal Property Security Act*;
24. Sections 57(4) and 57(5) of the *Pension Benefits Act*; and
25. 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:

26. Receiver's Fifth Report dated November 7, 2012;
27. The affidavit of Tracy Weaver sworn on October 22, 2012; and
28. The affidavit of Shireen Young sworn on November 8, 2012; and
29. Such other evidence as counsel may advise and this Court may permit.

November 8, 2012

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

TAB A

Court File No. CV10-9042-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)	MONDAY, THE 19 th
)	
JUSTICE)	DAY OF NOVEMBER, 2012

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.

ORDER

THIS MOTION, made by PricewaterhouseCoopers Inc. ("**PwC**") in its capacity as the Court-appointed receiver (the "**Receiver**") of all of the assets, undertakings and properties of Northern Sawmills Inc. ("**Northern**") acquired for or used in relation to a business carried on by Northern including all proceeds thereof (collectively, the "**Northern Property**"), for an order seeking advice and directions, approving distributions and approving the Receiver's activities, among other things, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fifth Report of the Receiver dated November 7, 2012 (the "**Fifth Report**"), the affidavit of the Receiver as to fees sworn on October 22, 2012 (the "**Weaver Affidavit**"), the affidavit of Receiver's counsel as to fees sworn on November 8, 2012

Draft

(collectively with the Weaver Affidavit, the “**Fee Affidavits**”) and on hearing the submissions of counsel for the Receiver, submissions of counsel for G.E. Canada Equipment Financing G.P. (“**GE**”), submissions of Morneau Shepell Ltd. in its capacity as the plan administrator of the Hourly Plan and the Salaried Plan (the “**Plan Administrator**”) and such other counsel as were present, all parties having been served as evidenced by the affidavit of service, filed;

Definitions and Notice

1. THIS COURT ORDERS that any capitalized term in this Order that is not otherwise defined has the meaning ascribed to it in the Fifth Report.
2. THIS COURT ORDERS AND DECLARES that the time for service of this Notice of Motion and the Motion Record is hereby abridged so that the Motion is properly returnable today and hereby dispenses with further service thereof and orders that service of the Notice of Motion and Motion Record is hereby validated in all respects.

Approval of Receiver Activities and Fees

3. THIS COURT ORDERS that the Fifth Report, including the Statement of Cash Receipts and Disbursements contained therein, is hereby approved and the activities of the Receiver as set out in the Fifth Report are hereby approved.
4. THIS COURT ORDERS that the fees and disbursements of the Receiver and Receiver’s counsel, as set out in the Fifth Report and the Fee Affidavits, are hereby approved.

Application of Stay of Proceedings

5. THIS COURT DECLARES that the process of the Superintendent considering the Plan Administrator’s recommendation of changing the wind-up date of the Hourly Plan and merging

the Salaried Plan into the Hourly Plan is a Proceeding within the meaning of the Receivership Order such that the parties are stayed by the Receivership Order from taking steps in furtherance of the proceeding.

Reserves in Relation to Pension Claims

6. THIS COURT ADVISES AND DIRECTS that the Receiver reserve \$147,732 in relation to the Plan Administrator's claim pursuant to s. 81.6 of the BIA with respect to the Salaried Plan (the "Section 81.6 Reserve").

7. THIS COURT ADVISES AND DIRECTS that the Receiver reserve no funds in relation to the Plan Administrator's s. 81.6 claim pursuant to the BIA with respect to the Hourly Plan.

8. THIS COURT ADVISES AND DIRECTS that the Receiver reserve no funds in relation to the PBA deemed trust claim advanced by the Plan Administrator with respect to the Salaried and Hourly Plans.

9. THIS COURT ORDERS that on or before December 19, 2012 (or a later date to which the Receiver consents), the Plan Administrator shall provide to the Receiver sufficient information to confirm the normal cost deficiency in the Salaried Plan.

10. THIS COURT ORDERS that the Section 81.6 Reserve may be reduced without further order of the Court if the Receiver and the Plan Administrator consent to such reduction.

Immediate Distributions

11. THIS COURT ORDERS that the Receiver shall distribute \$157,864 to the City of Thunder Bay, Ontario in full satisfaction of the City of Thunder Bay's Property Tax Claim.

12. THIS COURT ORDERS that the Receiver shall distribute \$86,879 plus accrued interest but less the reserves required by this Order by way of releasing all or part, as the case may be, of a GIC Account controlled by the Receiver and held with Royal Bank of Canada ("RBC") to RBC in full satisfaction (subject to a reduction in the reserves) of RBC's secured interest in the GIC Account.

13. THIS COURT ORDERS that the Receiver shall distribute a total of \$200,000 less the reserves required by this Order from the Disputed Collateral Proceeds and the NWP Disputed Asset Proceeds to Lucky Star in full satisfaction (subject to a reduction in the reserves) of Lucky Star and NWP's interests in the Disputed Collateral Proceeds and NWP Disputed Asset Proceeds.

14. THIS COURT ORDERS that the Receiver shall distribute a total of \$195,627 to GE less the reserves required by this Order.

Subsequent Distributions

15. THIS COURT ORDERS that if the Section 81.6 Reserve is reduced in accordance with this Order, then the Receiver shall distribute to the City of Thunder Bay, RBC, Lucky Star and GE, their respective portion of the reduction in the Section 81.6 Reserve.

16. THIS COURT ORDERS that, subject to maintaining the required reserves, to the extent that further realizations are available, the Receiver shall distribute such proceeds from the Northern Property to GE.

Draft

G.E. Canada Equipment Financing G.P.
Applicant

Northern Sawmills Inc.
Respondent

- and -

Court File No: CV10-9042-001

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.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

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Inc.

F. 1127

Draft

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

NOTICE OF MOTION

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

TAB 2

NORTHERN SAWMILLS INC.

FIFTH REPORT OF THE RECEIVER

November 8, 2012

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

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

November 8, 2012

INTRODUCTION

1. On January 4, 2011, pursuant to an Order (the “**Receivership Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as Receiver (the “**Receiver**”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, over all the assets, undertakings and properties acquired for or used in relation to a business carried on by Northern including all proceeds thereof (the “**Northern Property**”) of Northern Sawmills Inc. (“**Northern**”). The appointment of the Receiver is referred to herein as the “**Receivership Proceedings**”.
2. On January 4, 2011, by order of the Court, the Receiver was authorized and directed to carry out and conduct a sale process in respect of the Northern Property, substantially in accordance with the sale process (the “**Northern Sale Process**”) outlined in the report of PwC, as proposed receiver of Northern, dated December 30, 2010 (the “**Proposed Receiver’s Report**”).
3. The Receiver’s first report dated January 13, 2011 (the “**First Report**”) was filed with the Court requesting approval of the advertisement and the teaser to be used by the Receiver in connection with the Northern Sale Process. An Order was made by the Court on January 14, 2011 approving the Receiver’s forms of advertisement and teaser.
4. The Receiver’s second report dated July 14, 2011 (the “**Second Report**”) was filed with the Court in respect of the Receiver’s motion seeking the Court’s advice and direction with respect to the applicability of the *Wage Earner Protection Program Act* (“**WEPPA**”) to Northern’s former unionized employees. On July 25, 2011, pursuant to an Order (the “**WEPPA Employment Termination Date Order**”) of Mr. Justice Perell, the Court declared that July 6, 2010 was the applicable employment termination date of Northern’s former unionized employees for the purposes of determining such former unionized employees’ claims pursuant to WEPPA.
5. The Receiver’s third report dated July 27, 2011 (the “**Third Report**”) was filed with the Court in support of the Receiver’s motion for the approval of the Agency Sale Agreement (as defined in the Third Report) between the Receiver and Maynards Industries Ltd. (“**Maynards**”). On August 12, 2011, the Court made an order approving the Agency Sale Agreement, as amended by the Amending Agreement (as defined in the Third Report), with

respect to the liquidation of certain of the Northern Property, and authorizing the Receiver to execute the Agency Sale Agreement and to take such other steps as were necessary and desirable for the completion of the transaction described therein (the “**Liquidation Process**”). As part of the Liquidation Process, on September 29 and 30, 2011, Maynards conducted an auction of the Northern Property excluding the real property (the “**Auction**”) at 490 Maureen Street, Thunder Bay Ontario (the “**Northern Site**” or the “**Real Property**”). The Liquidation Process is more particularly outlined in the Third Report.

6. The Receiver’s fourth report dated March 9, 2012 (the “**Fourth Report**”) provided the Court with an update on, among other things, the status of the Receivership Proceedings, the results of the Liquidation Process and the proposed sale of Northern’s Real Property. Subsequently, on March 20, 2012, the Court granted an order approving the sale of the Real Property to 2308703 Ontario Inc. (“**230**”) and vesting all of Northern’s right, title and interest in and to the Real Property in 230.
7. The purpose of this, the Receiver’s fifth report (the “**Fifth Report**”, and collectively with the Proposed Receiver’s Report, the First Report, the Second Report, the Third Report and the Fourth Report, the “**Reports**”) is to provide the Court with information with respect to:
 - i) the activities of the Receiver since the date of the Fourth Report;
 - ii) the Receiver’s Statement of Receipts and Disbursements from the date of the Receivership Order to October 31, 2012; and
 - iii) Northern’s pension plans, as certain issues raised by Morneau Shepell Ltd. (“**Morneau**”) in its capacity as administrator of the Plans (as hereinafter defined) may impact on the distributions available to the Company’s stakeholders, which is the primary subject of this Fifth Report;

to seek advice and direction from the Court regarding:

- iv) whether the process of the Superintendent (the “**Superintendent**”) of the Financial Services Commission of Ontario (“**FSCO**”) considering Morneau’s recommendation to change the Wind Up Date (as hereinafter defined) of the Hourly Plan (also as hereinafter defined) and merge the deregistered Salaried Plan into the Hourly Plan (as hereinafter defined) constitutes a proceeding (a “**Proceeding**”) as defined in the Receivership Order such that FSCO is stayed from taking steps without leave of the Court;

and to seek an order of the Court:

- v) approving the Fifth Report and the activities of the Receiver as set out in the Fifth Report, including the Receiver's Statement of Receipts and Disbursements set out herein;
- vi) subject to the Court determining that the process of the Superintendent considering Morneau's recommendation to change the Wind Up Date of the Hourly Plan and merge the deregistered Salaried Plan into the Hourly Plan is a Proceeding, directing that such Proceeding is stayed by paragraph 8 of the Receivership Order;
- vii) approving the establishment of the maximum amount of the reserve that may be required pursuant to section 81.6 of the BIA (the "**81.6 Reserve**") as described herein;
- viii) authorizing and directing the Receiver to pay the Property Tax Claim (as hereinafter defined);
- ix) authorizing and directing the Receiver to make the RBC Distribution (as hereinafter defined);
- x) authorizing and directing the Receiver to make the Lucky Star/NWP Distribution (as hereinafter defined);
- xi) authorizing and directing the Receiver to make the GE Distribution (as hereinafter defined, and collectively with the RBC Distribution and the Lucky Star/NWP Distribution, the "**Proposed Distributions**");
- xii) authorizing and directing the Receiver to make further distributions to the Secured Lenders (as hereinafter defined) of their respective portion of the remaining 81.6 Reserve (as hereinafter defined), if any, should the claims under section 81.6 of the BIA ("**81.6**") as proven be less than the 81.6 Reserve, without further order of the Court;
- xiii) approving the distribution of any remaining proceeds following the Proposed Distributions from the Northern Property to G.E. Canada Equipment Financing G.P. ("**GE**"), and authorizing and directing the Receiver to make such subsequent distributions, to the extent further realizations are available, without further Order of the Court; and

- xiv) approving the fees and disbursements of the Receiver and its counsel, as set out in this Fifth Report and the Fee Affidavits (as hereinafter defined).
8. A compendium of the Orders and the Reports in the Receivership Proceedings has been prepared and filed by the Receiver's legal counsel, Osler Hoskin & Harcourt LLP ("**Osler**") to assist the Court with respect to this motion.

RESTRICTIONS

9. In preparing this Fifth Report, the Receiver has relied upon unaudited and draft internal financial information of Northern. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided to it and expresses no opinion, or other form of assurance, in respect of the information contained therein.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not defined herein are as defined in the Receivership Order.

RECEIVER'S ACTIVITIES SINCE THE FOURTH REPORT

RECEIVER'S ACTIVITIES

11. The Receiver's activities have been within the scope of its mandate, the Receivership Order and other Orders made in the Receivership Proceedings.
12. Since the date of the Fourth Report, the Receiver has, among other things:
- i) Closed the sale of the Real Property to 230 on March 30, 2012;
 - ii) Prepared and filed applications to the City of Thunder Bay (the "**City**") and the Municipal Property Assessment Corporation ("**MPAC**") for property tax rebates and adjustments for 2011 and 2012;
 - iii) Discussed potential bases for allocating value and costs in respect of the Disputed Collateral Proceeds and NWP Disputed Assets Proceeds with Lucky Star Holdings Inc. ("**Lucky Star**"), Northern Wood Preservers Inc. ("**NWP**") and GE. Lucky Star and NWP are entities related to Northern;
 - iv) Prepared outstanding tax returns under the *Income Tax Act* ("**ITA**") and the *Excise Tax Act* ("**ETA**") as applicable;

- v) Reviewed potential priority claims in respect of Northern to determine the amount of reserve, if any, required to be maintained by the Receiver prior to making any distribution of proceeds;
- vi) Prepared and filed statutory reports as required under section 246 of the BIA; and
- vii) Responded to requests for information from creditors, employees and other stakeholders as appropriate.

ACCESS AGREEMENT WITH 632

13. On January 22, 2012, the Receiver entered into an access agreement with 6322093 Manitoba Inc. o/a Global Recycling & Recovery (“632”). 632 had purchased the majority of the Northern Property remaining on the Northern Site and the property located at Atikokan Forest Products Ltd., a company related to Northern over which PwC was also acting as receiver (the “Atikokan Site” and collectively with the Northern Site, the “Sites”). 632 took possession of the Northern Site to ensure it had adequate time to remove the assets that it had purchased in the Auction. Under its agreement with the Receiver, 632 agreed to cover the costs of its occupation of both Sites. In exchange, 632 provided PwC with a \$10,000 deposit to cover all direct and indirect costs, excluding professional fees, associated with maintaining the Sites while 632 removed the assets it had purchased therefrom. While in possession of the Northern Site, 632 also facilitated the removal of certain third party assets at the Receiver’s direction. The access agreement with the Receiver was completed upon the sale of the Real Property. As set out in the Fourth Report, 632 also entered into an access agreement with 230 authorizing 632 to continue to occupy the Northern Site subsequent to the sale of the Real Property by the Receiver to 230.

NORTHERN’S PENSION PLANS

BACKGROUND PRIOR TO THE DATE OF THE RECEIVERSHIP ORDER

14. Northern was the employer under, and the administrator of, two defined benefit pension plans:
- i) the Retirement Plan for Employees of Northern Sawmills Inc. (the “Hourly Plan”); and
 - ii) the Retirement Plan for Salaried Employees of Northern Sawmills Inc. (the “Salaried Plan”).

15. Unionized and non-unionized employees of Northern participated in the Hourly Plan prior to June 1, 2007. In February 2008, Northern filed amendments to the Hourly Plan with the Superintendent seeking to cease participation of the non-unionized employees in the Hourly Plan effective June 1, 2007.¹ Subsequently, on March 3, 2008, Northern filed documents with the Superintendent requesting the establishment of the Salaried Plan to be effective June 1, 2007. Copies of these documents are included in the Wind Up NOP (as defined herein) which is attached hereto as **Appendix "A"**.
16. After June 1, 2007, Morneau has advised the Receiver that Northern made three contributions totalling \$124,740 to the Salaried Plan as follows:
- i) \$78,331 in August 2008;
 - ii) \$39,941 in May 2009; and
 - iii) \$6,468 in February 2010.²
17. Additionally, the Receiver notes, from a review of the Salaried Plan actuarial valuation for the plan year ended May 31, 2008, it appears that Northern made contributions in respect of the Salaried Plan between June, 2007, and January, 2008, of \$86,112.
18. The Receiver notes from schedules provided by Morneau that Northern made two contributions to the Hourly Plan for the period after the Wind Up Date (as defined below) as follows:
- i) \$145,000 in January 2008; and
 - ii) \$90,853 in September 2008.³
19. On March 29, 2010, the Superintendent issued a Notice of Proposal to Northern, as employer and administrator of the Hourly Plan, giving notice that the Superintendent proposed to wind-up the Hourly Plan effective January 1, 2008 (the "**Wind Up NOP**"). Also on March 29, 2010, the Superintendent issued a Notice of Proposal to Northern, as employer and administrator of the Salaried Plan, giving notice that the Superintendent refused to register

¹ A copy of this filing is attached as Appendix C to a letter from Morneau on November 18, 2011, (the "**November 18, 2011 Morneau Letter**") which is attached hereto as **Appendix "I"**.

² See the July 6, 2011 Morneau Letter (defined below).

³ See the July 6, 2011 Morneau Letter (defined below).

the Salaried Plan pursuant to section 18(1)(a) of the *Pension Benefits Act* (Ontario) (the “**PBA**”) (the “**Refusal NOP**” and together with the Wind Up NOP, the “**NOPs**”). A copy of the Refusal NOP is attached hereto as **Appendix “B”**.

20. On April 28, 2010, Northern filed a notice with the Financial Service Tribunal (the “**FST**”) requesting a hearing before the FST in relation to the NOPs.
21. By letter dated May 11, 2010, the Canada Revenue Agency (the “**CRA**”) registered the Salaried Plan, effective January 1, 2010.
22. On August 18, 2010, Northern withdrew both requests for a hearing before the FST.
23. On September 2, 2010, the Superintendent ordered that the Hourly Plan be wound-up effective January 1, 2008 (the “**Wind Up Date**”), under section 69(1)(a) and (b) of the PBA (the “**Hourly Plan Wind Up Order**”). Also on September 2, 2010 the Superintendent ordered that the registration of the Salaried Plan be revoked pursuant to section 18(1)(b) of the PBA (the “**Salaried Plan Revocation Order**”) rather than 18(1)(a) as per the Refusal NOP. Copies of the Hourly Plan Wind Up Order and the Salaried Plan Revocation Order are attached hereto as **Appendices “C”** and “**D**” respectively.
24. In summary, on January 4, 2011, the date of the Receivership Order, the Hourly Plan had been wound up by order of the Superintendent on September 2, 2010, with the wind up effective January 1, 2008, and the registration of the Salaried Plan had been revoked.

BACKGROUND AFTER THE DATE OF THE RECEIVERSHIP ORDER

25. The Receiver was appointed on January 4, 2011. On January 7, 2011, FSCO was provided with a copy of the Receivership Order and was added to the service list for the Receivership Proceedings.
26. On February 9, 2011, FSCO wrote to the Receiver (the “**February 9, 2011 FSCO Letter**”) and stated, amongst other things, that the Hourly Plan “is wound up effective January 1, 2008 by virtue of an Order dated September 2, 2010 issued by the Superintendent” and that the Superintendent considered it appropriate to appoint a replacement administrator for the Hourly Plan. The Superintendent advised that if he did not receive objections from any of the interested parties by February 16, 2011, he would commence the process of appointing a replacement administrator. A copy of the February 9, 2011 FSCO Letter is attached hereto as **Appendix “E”**.

27. By letter dated March 7, 2011 (the “**March 7, 2011 Bailey Letter**”), the Receiver was informed by Mark Bailey, legal counsel at the Legal Service Branch, FSCO (“**FSCO Counsel**”) that the Superintendent would be appointing a replacement administrator for the Hourly Plan and providing that replacement administrator with an opportunity to make submissions on the issue of the status of contribution arrears relating to periods after the Wind Up Date. In the March 7 2011 Bailey Letter, the Superintendent advised the Receiver that the Superintendent had not determined the effective date of the termination of the Salaried Plan and that he planned to solicit submissions on the issue from the replacement administrator of the Hourly Plan. The March 7, 2011 Bailey Letter is attached hereto as **Appendix “F”**.
28. On March 11, 2011, Morneau was appointed as administrator of the Hourly Plan.
29. By letter dated July 6, 2011, Morneau (the “**July 6, 2011 Morneau Letter**”) provided comments to FSCO Counsel in response to the items raised in the March 7, 2011 Bailey Letter and advised, among other things:
- i) in relation to the Hourly Plan, it appeared that normal cost for the period prior to January 2008, (i.e. the Wind Up Date of the Hourly Plan) were fully paid and that there were no normal cost arrears;
 - ii) in relation to the Hourly Plan, that it appeared that as of the Wind Up Date, special payments were underpaid by approximately \$125,000;
 - iii) in relation to the Salaried Plan, that contributions had been made in August 2008, May 2009, and February 2010, and that as of April 30, 2011, the account balance for the Salaried Plan was \$120,790.36; and
 - iv) that FSCO should approve a transfer of all of the assets in the Salaried Plan to the Hourly Plan.

The July 6, 2011 Morneau Letter did not indicate that there were normal cost arrears in the Salaried Plan. A copy of the July 6, 2011 Morneau Letter is attached hereto as **Appendix “G”**.

30. On August 3, 2011, Morneau was appointed as administrator of the Salaried Plan.
31. On November 7, 2011, Morneau wrote to the Receiver (the “**November 7, 2011 Morneau Letter**”) advising that Morneau intended to recommend to the Superintendent that the Hourly Plan and the Salaried Plan be treated as one plan and that the wind-up period for the

merged plans be changed from January 1, 2008 to November 16, 2010, a date almost 3 years after the Wind Up Date. Morneau's rationale for its recommendation included the following:

- i) that November 16, 2010 was the last date of employment for a salaried employee based on information Morneau had received;
 - ii) the unionized employees' formal employment continued to July 6, 2010 based on the WEPPA Employment Termination Date Order;
 - iii) contributions to the plans did not cease at January 1, 2008 but continued after that date; and
 - iv) a January 1, 2008 wind up date would be contrary to the collective agreement for unionized employees and contrary to the employment terms for non-unionized employees.
32. The November 7, 2011 Morneau Letter indicated that, if the Superintendent implemented the Morneau Recommendation, Morneau calculated that the normal cost arrears in respect of the Hourly Plan would be \$335,777. The November 7, 2011 Morneau Letter also indicated that if interest was payable on such normal cost arrears, then as at January 3, 2011, the date immediately preceding the appointment of the Receiver, such interest would be \$39,780. The November 7, 2011 Morneau Letter is attached hereto as **Appendix "H"**.
33. On November 18, 2011, Morneau made submissions to Jai Persaud, Insolvency Coordinator at FSCO, (the "**November 18, 2011, Morneau Letter**") recommending that the Superintendent issue a Notice of Intended Decision (previously notices were known as a "Notice of Proposal") to revise the Wind Up Date of the Hourly Plan previously set by the Superintendent to November 16, 2010, and set out Morneau's reasons therefore. The November 18, 2011, Morneau Letter also reiterated Morneau's previous recommendation to FSCO that the Salaried Plan be merged with the Hourly Plan (collectively the "**Morneau Recommendation**"). The November 18, 2011, Morneau Letter is attached hereto as **Appendix "I"**.
34. On September 6, 2012, both GE and the Receiver made submissions (the "**GE Submissions**" and the "**Receiver's Submissions**" respectively) to the Superintendent with respect to the Morneau Recommendation. Both GE and the Receiver took the position that the process initiated by the Superintendent in response to the November 18, 2011 Morneau Letter was likely stayed by the Receivership Order. In addition, GE and the Receiver

separately made submissions on the substantive issues, including, but not limited to, the following points:

- i) *No Jurisdiction*: The Superintendent's September 2, 2010 Order setting the Wind Up Date was made after the Wind Up NOP was issued and the appeal procedure set out in the PBA was followed. It was a final Order. There is no provision in the PBA authorizing the Superintendent to revisit final orders. There is no provision in the PBA permitting the Superintendent to change the wind-up date of a pension plan in these circumstances. Absent express statutory authority to revisit a final Order, the Superintendent is *functus officio*. There are no allegations of blatant mistake or fraud that would permit the Superintendent to revisit his final Order;
 - ii) *No Justification*: Even if the Superintendent had the jurisdiction to revisit the Order, he ought not do so because no new facts have come to light that somehow render the Order unreasonable. In addition, a revision to the final Order would set a precedent (as it would be the first time that a final Order had been revised) that would call into question the Superintendent's ability to make orders with retroactive wind-up dates and would render subsections 69(1)(a), (b) and (g) of the PBA essentially meaningless. Furthermore, the proposed changes would have a different impact on various plan members, producing the result that some plan members would receive a benefit and others would be harmed; and
 - iii) *No Certainty*: If the Superintendent were to revisit his final Order, then it would undermine the certainty and reliability of his Orders. The Receiver requires certainty to assess claims and determine reserves. In addition, GE, an arm's-length third party lender to Northern, advanced funds to Northern after the Superintendent made the Order. If the Superintendent revisits the final Order and changes the Wind Up Date, then the normal cost owing to the plans may increase, thereby decreasing GE's recovery from the estate after it had funded the receivership.
35. The GE Submissions and the Receiver's Submissions are attached hereto as **Appendices "J"** and **"K"** respectively.
36. The Receiver is of the view that the process of the Superintendent considering the Morneau Recommendation constitutes a Proceeding as defined in the Receivership Order such that the parties are stayed from taking steps without leave of the Court and seeks the Court's advice and direction in that regard.

37. If the Court finds that the stay does not apply and if the Superintendent issues an order merging the plans or changing the Wind Up Date or both, Northern may have additional outstanding normal cost obligations. The amount of such normal cost obligations may be greater than the amount Northern contributed to the Plans and that deficiency would enjoy a priority under 81.6. Additionally, such amounts may also be in excess of the 81.6 Reserve described herein.

MORNEAU'S CLAIMS

38. In addition to the Morneau Recommendation, the November 7, 2011, Morneau Letter raised two matters relating to the Plans, one relating to the super-priority granted to unpaid normal costs under 81.6 and one relating to the wind-up deficiency and other amounts potentially subject to a deemed trust in relation to the Plans, based in part on the decision of the Ontario Court of Appeal in *Re Indalex Limited* ("*Re Indalex*").

81.6 Claim

39. As previously noted, on September 2, 2010, the Superintendent ordered that the Hourly Plan be wound up effective January 1, 2008, and Morneau has advised the Superintendent that as of January 1, 2008 it appeared that there were no outstanding normal cost contributions to the Hourly Plan. By email dated October 22, 2012, the Receiver's counsel requested confirmation from Morneau that there were no normal cost contributions to the Hourly Plan owing as at January 1, 2008, (the "**Information Request**"). In response to the Information Request, on November 6, 2012, counsel to Morneau advised the Receiver (the "**November 6, 2012 Morneau Response**") that:

"if January 1, 2008, is the wind-up date, the Morneau Shepell actuaries have determined that there were no unpaid normal cost contributions with respect to the period prior to January 2008 for Hourly members".

Accordingly, the Receiver is of the view that, as at the Wind Up Date, Northern has no outstanding obligations with respect to the Hourly Plan that would attract any priority status under 81.6. A copy of the November 6, 2012 Morneau Response is attached hereto as **Appendix "L"**.

40. In the November 6, 2012 Morneau Response, Morneau advised the Receiver that if the wind up date for the Salaried Plan was November 16, 2010, and certain other assumptions are made, the normal cost arrears would be \$135,615, net of an allocation of \$30,563 out of \$124,740 paid into the Salaried Plan by Northern, that Morneau allocated as "normal cost

contributions”. Accordingly, the Receiver is of the view that, as FSCO has not yet set a date for the wind up of the Salaried Plan, the potential maximum amount of normal cost arrears for the Salaried Plan is \$135,615 based on the information provided to it. In addition, the Receiver understands that Morneau also claims that interest applies in respect of amounts owing under 81.6 and that its calculation of interest in this respect is \$12,117, resulting in a total claim for the Salaried Plan pursuant to 81.6 of \$147,732 (the “**Salaried Plan 81.6 Claim**”). The Receiver notes the following:

- i) As of the date of this Fifth Report, the Receiver has not yet reviewed the supporting details, methodology and calculations made by Morneau, in order to confirm the Salaried Plan 81.6 Claim;
 - ii) The estimate of the normal cost contribution arrears made by Morneau is based on certain assumptions, as further outlined below, including an allocation of payments made as between normal costs and special costs, if any. The Receiver has not yet reviewed and satisfied itself with respect to the methodology employed by Morneau in calculating the total obligations claimed as owing or the allocation of the payments to the Salaried Plan, among other assumptions; and
 - iii) The normal cost arrears calculated by Morneau includes interest. It is the Receiver’s view that, if interest were accruing under the PBA at all, the interest portion of such a claim would not have priority status under 81.6.
41. The Receiver understands that Morneau had come into possession of approximately \$120,790 from the Salaried Plan. It is the Receiver’s view that these funds should be accounted for as a reduction in any normal costs that may be owing by Northern as it impacts the quantification of any normal cost arrears amounts related to the merged Plans should the Morneau Recommendation be implemented, and any associated reserve the Receiver may be required to make pursuant to 81.6.
42. As indicated above, Morneau recommended that the Plans be merged and the Wind Up Date for the Hourly Plan be extended. The November 7, 2011 Morneau Letter indicated the normal costs contribution arrears that would exist if the Superintendent merged the Salaried Plan with the Hourly Plan and then changed the wind-up date for the Hourly Plan from January 1, 2008, to November 16, 2010, would be \$335,777, subject to certain actuarial and other assumptions Morneau made in performing that calculation.

43. Morneau provided the Receiver with the basis for its calculation of the normal costs arrears for both plans as set out in the November 7, 2011 Morneau Letter if the Salaried Plan and the Hourly Plan are merged. The Receiver notes that the calculation of the estimated \$335,777 of normal costs arrears is based on certain assumptions by Morneau that have not been agreed or confirmed, including but not necessarily limited to:
- i) The Plans are assumed to have been merged in accordance with the Morneau Recommendation such that:
 - a. All payments made to the Salaried Plan and the Hourly Plan have been treated as merged; and
 - b. The wind up date used for the merged Plans is assumed to be November 16, 2010;
 - ii) The \$120,790 collected by Morneau from the Salaried Plan is not applied against the normal costs or special contributions arrears outstanding for the merged Plans; and
 - iii) The payments made to the Plans totalling \$360,593 are allocated between normal costs and special contributions on a pro-rata basis based on the required contribution for each period, with 18.7% applied against normal costs and 81.3% applied against special contributions. The basis of allocating the payments is subjective and there are other approaches that could be used.
44. The November 7, 2011 Morneau Letter also indicated that if interest was payable on such normal costs, then, as at January 3, 2011, such interest would be \$39,780. As noted above, it is the Receiver's view that, if interest were accruing under the PBA at all, the interest portion of such a claim would not have priority status under 81.6.
45. As noted above, Morneau has advised the Receiver that as at the Wind Up Date, the normal cost arrears in the Hourly Plan is nil and that the potential normal cost arrears for the Salaried Plan, should the Superintendent determine the wind up date for the Salaried Plan to be November 16, 2010, is \$135,615, plus interest, if applicable, of \$12,117, for a total of \$147,732. Accordingly, the Receiver intends to establish and maintain a reserve of \$147,732 (the "**81.6 Reserve**") on account of Morneau's estimate of the normal cost arrears of the Salaried Plan until it has satisfied itself of the quantum, if any, of the Salaried Plan 81.6 Claim.

46. Accordingly, the Receiver seeks the advice and direction of the Court in respect of the following questions:
- i) Whether the process of the Superintendent considering the change of the Wind Up Date in respect of the Hourly Plan or combining the Hourly and Salaried Plans, or issuing a Notice of Intended Decision in relation to those issues, constitutes a Proceeding?
 - ii) What reserve should be maintained with respect to claims pursuant to 81.6 in respect of the Hourly Plan and Salaried Plan if the stay of proceedings prevents changes in the Wind Up Date or a merger of the plans and, in particular:
 - a. whether the funds contributed to the Salaried Plan by Northern should be accounted for as a reduction in the normal cost owing in respect of either of the Plans?; and
 - b. how the contributions should be allocated against normal costs and special payments?
 - iii) In the event that the Court finds that there is no applicable stay, what reserve should be maintained for the purposes of any claim under 81.6?

Morneau's PBA Claim

47. On August 19, 2011, Morneau delivered a proof of claim to the Receiver alleging a deemed trust claim in the amount of \$12,384,000, for the wind-up deficiency of the Plans, if Morneau's recommendation to merge the Plans is accepted by the Superintendent (the "PBA Claim"). A copy of the PBA Claim is attached hereto as **Appendix "M"**.
48. In the November 7, 2011 Morneau Letter, Morneau provided further information relating to the PBA Claim and took the position that, based on the Court of Appeal's decision in *Re Indalex*, all of the assets of Northern are subject to a deemed trust in the amount of the wind-up deficiency in the Plans.

INDALEX DISCUSSION

A. Deemed Trust Under the PBA

49. In *Re Indalex*, the Court of Appeal concluded that Section 57(4) of the PBA operated to create a deemed trust in respect of all employer contributions payable to a pension plan on the wind-

up of the plan, including in respect of the amount of any wind-up deficiency, even if such payments were not yet due. The decision of the Ontario Court of Appeal was appealed to the Supreme Court of Canada, which heard the appeal on June 5, 2012. No decision has yet been released by the Supreme Court of Canada.

50. Section 30(7) of the *Personal Property Security Act*, Ontario (“PPSA”) which grants a priority to deemed trusts over certain assets, provides as follows:

A security interest in an account or inventory and its proceeds is subordinate to the interest of a person who is the **beneficiary of a deemed trust** arising under the Employment Standards Act or under the **Pension Benefits Act**. (Emphasis added).

51. For reference, the value of Northern’s “account or inventory and its proceeds” realized in the Auction was \$4,725.
52. Pursuant to Section 30(7) of the PPSA, an ordinary security interest in accounts or inventory is subordinated to a deemed trust created under the PBA. However, the priority status granted by Section 30(7) of the PPSA to a deemed trust under the PBA does not provide a priority over any other assets, property or undertaking of the company (including equipment, plant and real property).
53. It is the Receiver’s view that even if the Supreme Court of Canada affirms the decision of the Ontario Court of Appeal in *Re Indalex*, such that section 57(4) of the PBA creates a deemed trust in respect of all employer contributions payable to the Hourly Plan and Salaried Plan, if applicable, such deemed trust only has a priority security interest over “an account or inventory and its proceeds” by virtue of section 30(7) of the PPSA. This priority would be limited to \$4,725, being the value of the “account or inventory and its proceeds” and would have priority over the Disputed Collateral claimed by Lucky Star and GE which includes the inventory of Northern. However, this deemed trust may not have a priority over the RBC Security (as defined below) in the GIC Account (as defined below), the Property Tax Claim (defined below), or the GE Security (as defined below) in the balance of Northern’s assets (or related proceeds from the sale thereof) other than the Disputed Collateral because the PPSA does not provide such a priority.
54. GE has advised the Receiver that it is of the view that, should any reserves associated with the PBA Claim affect the GE Distribution, it is GE’s view that the assignment of Northern into bankruptcy is appropriate in the circumstances, including that GE agreed to fund this receivership in reliance on the Wind Up Date. The Receiver understands that it is GE’s view

that this assignment would have the effect of reversing any priority of the PBA Claim on the basis of the paramountcy of the BIA over provincial statute. As discussed below, GE will incur a significant shortfall in its recovery on its outstanding loan to Northern. The Receiver has obtained the Security Opinion (as defined and discussed further herein) from independent legal counsel that, subject to the customary qualifications and limitations contained therein, the GE Security would be valid and enforceable against a trustee in bankruptcy. Accordingly, in respect of its unsecured claim against Northern, GE has requested that PwC act, and PwC has agreed to act, as trustee in bankruptcy of the estate of Northern should an assignment be made.

55. The Receiver is of the view that exercising its power given under paragraph 3(r) of the Receivership Order to assign Northern into bankruptcy pursuant to the provisions of the BIA is just and convenient in the circumstances referred to in the preceding paragraph and avoids the need for GE to incur the costs associated with applying for a bankruptcy order in the circumstances.

B. Breach of Fiduciary Duty and Creation of Constructive Trust

56. The Court of Appeal in *Re Indalex* also found against the parent of Indalex as principal secured creditor by imposing a constructive trust over the assets of Indalex. This constructive trust was based on the involvement of the Indalex parent in breaches of the fiduciary duty that Indalex, as administrator of the Indalex pension plans, owed to pension plan members.
57. Morneau has made no allegations of breach of fiduciary duty by Northern, and in any event none of the secured creditors with claims to Northern's assets owes any fiduciary duty to members of the Hourly Plan or the Salaried Plan.
58. It is the Receiver's view that there is no basis for a constructive trust claim over the assets of Northern in favour of beneficiaries of the Hourly Plan or the Salaried Plan. Even if the Supreme Court of Canada affirms the decision of the Ontario Court of Appeal in *Re Indalex* in relation to the constructive trust issues, that analysis does not apply to Northern and therefore no reserve needs to be retained by the Receiver in relation to this aspect of the *Re Indalex* decision.

RECEIVER'S STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

59. The Receiver's Statement of Receipts and Disbursements for the period from January 4, 2011 to October 31, 2012 is summarized as follows:

STATEMENT OF RECEIPTS AND DISBURSEMENTS	
For the Period from January 4, 2011 to October 31, 2012	
RECEIPTS	CAD\$
Net Proceeds of Liquidation	1,874,679
Receiver's Borrowings	400,000
Sale of Real Property	300,000
Funding of Professional Costs	64,577
Interest Income	4,349
Miscellaneous	4
TOTAL RECEIPTS	2,643,610
DISBURSEMENTS	
Rent / Telephone / Utility	154,294
Insurance	135,420
Receiver Fees & Disbursements	119,578
Legal Fees	111,782
Pay roll	76,962
Operating Expenses	25,992
Bank Charges	2,281
Deemed Trust Claims	3,975
Selling Costs	1,308
Statutory costs	1,404
Sales Tax (HST, PST)	58,688
TOTAL OPERATING DISBURSEMENTS	691,683
Add: Provision for fees paid directly by GE	726,844
Less: Professional Fees paid directly by GE	(726,844)
Repayment of Receiver's Borrowings	(400,000)
Costs of Receiver's Borrowings	(15,193)
NET RECEIPTS OVER DISBURSEMENTS	1,536,734
Funds in RBC GIC Account	86,879
TOTAL FUNDS AVAILABLE	1,623,614

60. As noted above, PwC is holding \$10,000 in trust related to the occupation costs of 632 as between the Sites. The portion of funds associated with the costs of 632's occupation of the Northern Site has not yet been reflected in the Statement of Receipts and Disbursements set out above.

61. Total professional fees paid directly by GE were \$791,421, comprising \$726,844 paid directly to the Receiver and its counsel plus an additional \$64,577 paid by GE into the Receivership Proceedings as a reimbursement of professional fees paid directly through the Receiver's accounts. The payment of those professional fees that has been made directly to the Receiver and its counsel has been disclosed in the Statement of Receipts and Disbursements for information purposes. Further detail of the professional fees of the Receiver and its counsel in these Receivership Proceedings are set out below and in the Fee Affidavits (as defined below), filed separately.
62. As at the date of this Fifth Report, and as further described below, the Receiver estimates additional disbursements will be required for various administrative costs and liabilities incurred by the Receiver during the Receivership Proceedings. Accordingly, the Receiver proposes to hold a reserve of \$150,000 to address outstanding disbursements if required (the "**Outstanding Disbursements**").
63. The Receiver respectfully requests that the Court approve the Receiver's Statement of Receipts and Disbursements.

OBLIGATIONS TO SECURED CREDITORS

64. As more particularly described in paragraphs 36 through 42 of the Third Report, on July 25, 2011, Osler provided the Receiver with its opinion (the "**Security Opinion**") on the validity and enforceability of the security granted by Northern to GE and its related entities (the "**GE Entities**"), Royal Bank of Canada ("**RBC**"), Lucky Star and Buchanan Sales Inc. ("**Buchanan Sales**" and collectively with the GE Entities, RBC and Lucky Star, the "**Secured Lenders**") as well as the related inter-creditor arrangements among the Secured Lenders.
65. As set out in the Security Opinion, the security registered by each of the Secured Lenders was amended and updated from time to time. A comprehensive list of the dates where each security agreement was entered into and/or registered is set out in **Appendix "N"** hereto. In summary, the Secured Lenders all entered into security agreements and/or registered their security as appropriate by no later than June 18, 2009. This date is earlier in time than September 2, 2010, the date that FSCO made the orders winding up the Hourly Plan and revoking the registration of the Salaried Plan. Accordingly, the Secured Lender's security collectively has priority over Morneau's PBA Claim on account of its earlier registration in time.

66. As set out in paragraph 38 of the Third Report, and as more particularly described in the Security Opinion in respect of the inter-creditor arrangements between the Secured Lenders and subject to the customary qualifications and limitations, the Security Opinion in effect states:
- i) the security granted by Northern in favour of RBC (the “**RBC Security**”) ranks in priority to the other secured parties in respect of the GIC held by Northern in the GIC collateral account (the “**GIC Account**”) with RBC;
 - ii) except for the personal property of Northern classified as “motor vehicle”, the security granted by Northern in favour of the GE Entities (the “**GE Security**”) ranks in priority to the security granted by Northern in favour of Buchanan Sales in the personal property of Northern;
 - iii) the security granted by Northern in favour of Buchanan Sales (the “**Buchanan Sales Security**”) ranks in priority to the security granted by Northern in favour of the GE Entities solely in respect of the personal property of Northern classified as “motor vehicle”; and
 - iv) the security granted by Northern in favour of Lucky Star (the “**Lucky Star Security**”) ranks in priority to the security granted by Northern in favour of Buchanan Sales in respect of the personal property of Northern.
 - v) the GE Security and the Lucky Star Security are in conflict and therefore Osler was unable to provide an opinion as to the rank and priority of the GE Security and the Lucky Star Security as they relate to the proceeds of the sale of certain of the Northern Property, including certain “rolling stock” (referred to herein and in the Third Report as the “**Disputed Collateral**”).
67. As further described in paragraphs 28 and 40-42 of the Third Report, prior to the commencement of the Receivership Proceedings, Lucky Star advised GE that it had priority over GE in respect of the Disputed Collateral. The Security Opinion indicates that certain security documentation executed by Northern in favour of each of the GE Entities and Lucky Star on the same day appears to be in conflict. The Security Opinion also states that Osler was unable to determine which of the conflicting agreements govern the rank and priority of the security granted by Northern in favour of each of the GE Entities and Lucky Star and,

therefore was unable to provide an opinion with respect to the disputed priority claims of GE and Lucky Star in and to the Disputed Collateral.

68. The RBC Security, GE Security, Buchanan Sales Security and the Lucky Star Security are subject to prior charges and security interests or claims against the Northern Property, which include:
- i) The Receiver's Charge (as defined below);
 - ii) The Property Tax Claim (as defined below);
 - iii) Potential deemed trust claims;
 - iv) Potential claims pursuant to Sections 81.3 to 81.6 of the BIA; and
 - v) The Receiver's Borrowing Charge (as defined below).

RECEIVER'S CHARGE

69. Pursuant to the Receivership Order, a charge (the "**Receiver's Charge**") was created as security for the fees and disbursements of the Receiver and its counsel. The Receiver's Charge ranks in priority to all other security interests, trusts, liens, charges and encumbrances, subject to the exceptions set out in paragraph 17 of the Receivership Order, including claims pursuant to 81.6(2).
70. On October 27, 2011, Morneau confirmed to the Receiver in writing (the "**October 27, 2011 Morneau Letter**") that Morneau, solely on its own behalf and not on behalf of any other party, would not assert a priority of the claims pursuant to the PBA or the BIA over certain costs of the Receivership Proceedings, including amounts subject to the Receiver's Charge and the Receiver's Borrowings Charge. The October 27, 2011 Morneau Letter represented "a concession to achieve a commercial resolution in the circumstances that does not prejudice the position of any party with respect to the priority of the PBA Claims or the BIA Claims relative to other claims."
71. GE has either paid, or the Receiver has accrued for GE's payment of, the Receiver's fees and disbursements and those of Osler for the period up to September 30, 2012 as set out in the Weaver Affidavit and the Osler Affidavit, both terms as hereinafter defined. In addition to being represented by Osler, the Receiver, from time to time was represented by Stikeman Elliott LLP ("**Stikeman**") who also represented GE during the Receivership Proceedings.

Stikeman primarily assisted the Receiver with the preparation of material related to the Northern Sale Process and the Liquidation Process. The costs of the Receiver and its legal counsel are all secured by the Receiver's Charge, regardless of whether or how they are paid. Certain charges incurred by Stikeman related to the Northern Sale Process represent an allocation of 50% of the total charges in this respect, as Stikeman also performed similar services for the Receiver in respect of a "sister" receivership proceeding, Atikokan Forest Products Ltd. ("**Atikokan**"). For the purpose of calculating this portion of the costs secured by the Receiver's Charge, the Receiver asked Stikeman to identify and limit such amounts to 50% of the total charges, where work was being performed for the benefit of both Northern and Atikokan.

72. Subject to the Court's approval of the fees and disbursements of the Receiver and its counsel, the Receiver intends to distribute funds to GE in respect of those amounts subject to the Receiver's Charge that were paid by GE, or that will be paid by GE, excluding harmonized sales tax amounts ("**HST**") as the Receiver understands that GE claims input tax credits for HST amounts it has incurred in respect of the fees paid directly by it.
73. The Receiver's calculation of the professional fees comprising part of the Receiver's Charge, up to September 30, 2012, are set out in **Appendix "O"** and are summarized as follows:

Northern Sawmills Inc.	
Total Professional Fees Comprising the Receiver's Charge	
Up to September 30, 2012	
	(excluding HST)
PricewaterhouseCoopers Inc.	386,997
Osler, Hoskin & Harcourt LLP	347,498
Stikeman Elliott LLP	98,728
Total	833,223

74. As detailed below, the Receiver has reserved funds for future costs that may be incurred to complete the administration of the Receivership Proceedings. Accordingly, the Receiver is of the view that, following repayment of the Fees and Disbursements (as hereinafter defined) to GE, it is holding adequate reserves to satisfy remaining amounts owing subject to the Receiver's Charge.

PROPERTY TAX CLAIM

75. The City of Thunder Bay, Ontario has a claim for property taxes owing on the Real Property up to March 30, 2012, the date of the sale of the Real Property, in the net amount of approximately \$157,864 (the “**Property Tax Claim**”). These amounts have not yet been paid as the resolution of various tax rebates and adjustments had, until recently, remained outstanding. The Receiver and the City of Thunder Bay have now agreed on the quantum of the Property Tax Claim.
76. As noted above, the Receiver applied for vacancy rebates from the City of Thunder Bay and MPAC for 2011 and 2012. On July 4, 2012, the City of Thunder Bay provided a vacancy rebate of \$5,252.69 from January 1, 2012, to March 31, 2012. On July 12, 2012, MPAC provided a value adjustment resulting in a reduction of total 2012 taxes by \$65,620.84, which resulted in a reduction of the Receiver’s liability in this respect of \$16,136 (i.e. up to the date the Real Property was sold).
77. After accounting for the rebates and adjustments noted above, the net balance owing to the City of Thunder Bay by the Receiver is approximately \$157,864, including interest and penalties, in respect of the Municipal Levy and Education Levy calculated on a per-diem basis up to March 30, 2012, the date the Real Property was sold. Pursuant to the agreement of purchase and sale with 230, the Receiver undertook to pay the Property Tax Claim. Accordingly the Receiver is seeking the Court’s authorization and direction for the payment of the Property Tax Claim.

DEEMED TRUST CLAIMS

78. There are no known amounts outstanding under the ITA or ETA. All outstanding tax returns have been filed with the CRA, and on April 5, 2012, the Receiver paid the CRA \$3,975 for all outstanding, pre-filing source deductions. The Receiver has been verbally advised by the CRA that no further returns remain outstanding or amounts owing from prior to or during the Receivership Proceedings. The Receiver’s counsel will serve the CRA with notice of this Motion.
79. The Receiver has paid all outstanding amounts owing to the Workplace Safety and Insurance Board, including penalties and interest thereon as appropriate.
80. The Receiver is not aware of any potential priority deemed trust claims which may exist, other than the PBA Claim discussed above. Additionally as noted above, prior to making the

Proposed Distributions, the Receiver's contemplated assignment of Northern into bankruptcy will have the effect of reversing the priority of any other unknown or contingent deemed trust claims.

CHARGES UNDER SECTIONS 81.3 TO 81.6

81. There are no amounts owing to any of Northern's former employees for claims pursuant to section 81.4 of the BIA. Additionally, there are no claims which would arise under section 81.3 of the BIA following Northern's assignment into bankruptcy.
82. As noted above, subject to the Court's advice and direction, the Receiver is of the view that Northern has no obligations arising under 81.6 with respect to the Hourly Plan and has established the 81.6 Reserve in respect of the Salaried Plan.

RECEIVER'S BORROWING CHARGE

83. Pursuant to the Receivership Order, the Receiver was empowered to borrow an amount up to \$300,000 (later increased to \$400,000 by order of the Court dated August 3, 2011) to fund the administration of the Receivership Proceedings. The Receivership Order created a charge on the Northern Property (the "**Receiver's Borrowing Charge**") as security for such amounts borrowed by the Receiver. The Receiver's Borrowing Charge ranks behind the Receiver's Charge but ahead of other security interests, trusts, liens, charges and encumbrances (with the exception of the charges under sections 81.3 to 81.6).
84. On January 16, 2012, the Receiver repaid to GE the full \$400,000 which had been borrowed by the Receiver in connection with the Receivership Proceeding plus interest of \$15,193 accrued thereon. No amounts currently remain outstanding in respect of the Receiver's Borrowing Charge.

REQUEST FOR APPROVAL OF DISTRIBUTIONS TO SECURED CREDITORS

85. In addition to the relief requested in respect of Morneau's claims discussed above, and subject to the Court's direction regarding the 81.6 Reserve, the Receiver is seeking an order of the Court approving the Proposed Distributions by the Receiver to the Secured Lenders, subject to maintaining a sufficient reserve for anticipated remaining costs and the potential claims, as follows:
 - i) To the City of Thunder Bay in the amount of \$157,864 in satisfaction of the Property Tax Claim;

- ii) To RBC in the amount of \$86,879, plus accrued interest, less RBC's portion of the 81.6 Reserve, in satisfaction of its secured claim (the "**RBC Distribution**");
- iii) To Lucky Star and/or NWP (as directed by Lucky Star) in the amount of \$200,000, less Lucky Star and NWP's portion of the 81.6 Reserve, in satisfaction of their respective claims against the Disputed Collateral Proceeds and the NWP Disputed Assets Proceeds (the "**Lucky Star/NWP Distribution**") in accordance with the Lucky Star Settlement (as hereinafter defined); and
- iv) To GE in the amount of \$195,627, less GE's portion of the 81.6 Reserve, in partial satisfaction of its secured claim (the "**GE Distribution**").
86. In addition, the Receiver is seeking an order of the Court approving the distribution of any remaining proceeds from the Northern Property to GE, and authorizing and directing the Receiver to make such subsequent distributions, to the extent further realizations are available, without further Order of the Court.
87. As summarized in the Receiver's statement of receipts and disbursements for the period ending October 31, 2012, the Receiver is in possession of \$1,623,614. After payment of the Proposed Distributions, the Receiver will retain cash of \$150,000 to fund the costs associated with the Receiver fulfilling its duties and, subject to the direction of the Court, will maintain the 81.6 Reserve of \$147,732.
88. The table below provides an illustration of the net Proposed Distribution available net of the 81.6 Reserve:

DISTRIBUTION SCHEDULE			
FUNDS AVAILABLE	CAD\$		
	1,623,614		
Receiver's Charge	833,243		
Reserve for Property Taxes	157,864		
Receiver Cost Reserve	150,000		
Net funds available for distribution	482,507		
	Gross		Net
	Distribution	81.6 Reserve	Distribution
RBC Distribution	86,879	(26,600)	60,279
Lucky Star/NWP Distribution	200,000	(61,235)	138,765
GE Distribution	195,627	(59,896)	135,731
Total	482,507	(147,732)	334,775

89. The charge created pursuant to section 81.6 of the BIA provides that normal cost arrears “that are unpaid immediately before the first day on which there was a receiver in relation to the person are secured by security on all the person’s assets” and “security under this section ranks above every other claim, right, charge or security against the person’s assets, regardless of when that other claim, right, charge or security arose, except rights under sections 81.1 and 81.2 and securities under sections 81.3 and 81.4.” Accordingly, the claims pertaining to the 81.6 Reserve rank ahead of the creditors to whom the Proposed Distributions are to be made. It is the Receiver’s view that all of the Secured Lenders should bear a portion of the obligations in respect of the 81.6 Reserve.
90. To the best of its knowledge the Receiver is of the view that there are no other prior charges or claims that remain unsatisfied or for which the Receiver is not holding sufficient reserves.

RBC DISTRIBUTION

91. At January 4, 2011, Northern maintained \$85,000 in the GIC Account. As at April 17, 2012, interest of \$1,879 had accrued thereon.
92. In the Receiver’s Notice of Motion returnable August 3, 2011, the Receiver indicated that it was seeking authorization of the Court to release to RBC the funds and interest held in the GIC Account. This portion of the relief was ultimately adjourned because of Morneau’s intention to advance the PBA Claim.
93. The Receiver is not aware of any other secured creditor with a claim to the GIC Account that ranks in priority to the claim of RBC. As a result, the Receiver considers it appropriate to release \$86,879 to RBC from funds held in the GIC Account, less RBC’s portion of the 81.6 Reserve, in full payment of RBC’s claim.

LUCKY STAR DISTRIBUTION

94. As described in paragraphs 28 and 40-42 of the Third Report, prior to the commencement of the Receivership Proceedings, Lucky Star advised GE that it had priority over GE in respect of certain of the Northern Property, including certain “rolling stock” (referred to herein and in the Third Report as the “**Disputed Collateral**”). The amount owing by Northern to Lucky Star as of January 4, 2011, was approximately \$10,046,500.
95. In connection with such dispute, the Receiver asked Osler to review the security granted by Northern to its secured creditors, including Lucky Star. As noted in the Third Report, Osler determined that certain of the security documentation executed by Northern in favour of each

of the GE Entities and Lucky Star on the same day appeared to be in conflict and Osler was unable to determine the rank and priority of the security granted by Northern in favour of each of the GE Entities and Lucky Star in respect of the Disputed Collateral.

96. The Disputed Collateral was sold by Maynards in the Auction as part of the Liquidation Process with the agreement of the GE Entities and Lucky Star. Following the Auction, a representative of Lucky Star notified the Receiver that 50 lots of Disputed Collateral were sold at Auction for proceeds totalling \$303,275 (before cost allocation) (the “**Disputed Collateral Proceeds**”). Included in the Disputed Collateral Proceeds, are proceeds of \$4,725 from the sale of Northern’s log inventory in the Auction, the only current assets realized in the Receivership Proceedings.
97. Additionally, prior to the commencement of the Auction, NWP claimed ownership of certain other assets on the Northern Site (the “**NWP Disputed Assets**”). With NWP’s agreement, the NWP Disputed Assets were sold by Maynards in the Auction. Subsequently, a representative of NWP identified as property of NWP 11 lots sold at auction for proceeds totalling \$55,750 (before cost allocation) (the “**NWP Disputed Assets Proceeds**”). In order to validate NWP’s claim, the Receiver reviewed the evidence provided by NWP in support thereof and reviewed the books and records of Northern. However, due to the age of these assets and the lack of adequate records maintained by Northern and NWP, the Receiver was not able to find sufficient evidence to support the claim of NWP.
98. In order to resolve this dispute, the Receiver has held various discussions with legal counsel to GE, Lucky Star and NWP to attempt to come to an agreement on how the Disputed Collateral Proceeds and the NWP Disputed Assets Proceeds are to be allocated. In order to facilitate an agreement, the Receiver prepared an analysis of the proceeds of the Northern Property, including the Disputed Collateral Proceeds and the NWP Disputed Assets Proceeds and determined a cost allocation between them based on the estimated costs associated with each asset category.
99. On July 26, 2012, Lucky Star proposed a revised cost allocation to the Disputed Collateral Proceeds and NWP Disputed Assets Proceeds as well as including additional lots sold at auction for a value of \$130,000 without a corresponding cost allocation being made against these additional lots (the “**Lucky Star Proposal**”). The Lucky Star Proposal treats the Disputed Collateral Proceeds and the NWP Disputed Assets Proceeds as a lump sum amount. Accordingly, the Lucky Star Proposal does not allow for a determination of the distribution as between Lucky Star and NWP.

100. Additionally, the Lucky Star Proposal includes a claim for the proceeds from a locomotive which was located at all times during the Receivership Proceedings in the CA Plant (as defined in the Fourth Report) where it was integral to the operation of the CA Plant, when the Company was operating prior to the Receivership Proceedings. The locomotive was an asset which was included in the Auction but was not sold. As described in paragraph 13 of the Fourth Report, in total there were 105 lots which were not sold. Subsequent to the completion of the Auction, Maynards attempted to sell the unsold lots to parties who purchased certain of the Northern Property at the Auction and to other parties known to Maynards as potentially having an interest in such property. Despite these efforts, the locomotive was not sold. As reported in the Fourth Report and as approved by the Court on March 20, 2012, the CA Plant was sold, along with the Real Property on an “as is, where is” basis. No allocation of value was made for this locomotive. The Receiver has concluded that, at this time, the locomotive is currently incapable of being realized by the Receiver.
101. As a result of discussions between the Receiver, GE and Lucky Star, GE and Lucky Star have advised the Receiver that, on November 6, 2012, an agreement in principal amongst those parties was reached (the “**Lucky Star Settlement**”), whereby:
- i) Lucky Star and NWP will release their claims to the Disputed Collateral Proceeds and Disputed Asset Proceeds in exchange for receiving the Lucky Star/NWP Distribution, subject to any reserves that may be required; and
 - ii) the Receiver will release Northern’s interest in and to a locomotive located on the former Northern Real Property and GE will release its security in respect of same.
102. Consistent with the Lucky Star Proposal above, the Lucky Star Settlement does not allow for a determination of the distribution as between Lucky Star and NWP. Accordingly, the Receiver is seeking direction from Lucky Star and NWP regarding the allocation of the Lucky Star/NWP Distribution as between the two parties, or alternatively direction as to which party to make the Lucky Star/NWP Distribution. The Receiver will hold the Lucky Star/NWP Distribution until such direction is provided.
103. As indicated above, the Receiver has obtained an opinion from its independent legal counsel that the Lucky Star Security is valid and enforceable. To the best of its knowledge the Receiver is of the view that there are no prior charges or claims that remain unsatisfied or for which the Receiver is not holding sufficient reserves.

104. As set out above and subject to any additional reserves directed by the Court to be maintained, the Receiver intends to make a distribution to Lucky Star and NWP in the amount of \$200,000, less Lucky Star and NWP's portion of the 81.6 Reserve, in full payment of the Lucky Star Settlement.

GE DISTRIBUTION

105. As detailed in paragraphs 39-41 of the affidavit of Christopher Rankin sworn December 23, 2010 (the "**Rankin Affidavit**"), which was filed in support of GE's application for the appointment of the Receiver, in 2007, GE loaned Northern \$13,061,482.62 (the "**Northern Loan**"), the proceeds of which were intended to be used for liquidity and/or refinancing purposes. The amount owing by Northern to the GE Entities under the Northern Loan as of October 22, 2010, was approximately \$9,172,308.66.
106. As indicated above, the Receiver has obtained an opinion from its independent legal counsel that the GE Security is valid and enforceable.
107. As set out above and subject to any additional reserves directed by the Court to be maintained, in addition to paying to GE amounts subject to the Receiver's Charge as described herein, the Receiver intends to make an interim distribution to GE in the amount of \$195,627, less GE's portion of the 81.6 Reserve, in respect of the GE Security. The Receiver is also proposing that subsequently, as funds become available and to the extent that reserves are no longer required, additional funds will be released to GE pursuant to its secured claim without further order of the Court.

RECEIVER'S AND LEGAL COUNSEL'S FEES AND DISBURSEMENTS

108. The Receiver and its legal counsel have maintained detailed records of their professional time and costs. The Receiver is seeking the approval of its fees and disbursements and those of its legal counsel for the period from December 21, 2010 to September 30, 2012 (the "**Period**") in connection with the performance of their duties in the Receivership Proceedings and the estimated fees and disbursements of the Receiver and its counsel arising after the Period in connection with the bringing of the application referred to herein and the performance of the remaining duties.
109. Pursuant to paragraph 17 of the Receivership Order, any expenditure or liability properly made or incurred by the Receiver, including the fees and disbursements of the Receiver and the fees and disbursements of its legal counsel, were authorized to be paid on a periodic basis

subject to any final assessment or taxation as may be ordered by the Court. In addition, the Receiver's Charge was granted as security for, *inter alia*, the fees and disbursements of the Receiver and its counsel.

110. The total fees of the Receiver during the Period amount to \$423,728.51, together with expenses and disbursements in the amount of \$44,845.47 (both excluding HST) (collectively, the "**Receiver's Fees and Disbursements**"). The time spent by the Receiver's personnel during the Period is more particularly described in the Affidavit of Tracey Weaver of the Receiver (the "**Weaver Affidavit**"), sworn in support hereof and filed separately. Exhibit "A" to the Weaver Affidavit is a summary of the personnel, hours, and hourly rates charged by the Receiver in respect of the Receivership Proceedings for the Period. Barring unforeseen circumstances, the Receiver estimates that its fees and disbursements, at its standard rates currently in effect, for the period from October 1, 2012, to the completion of all work related to the Receivership Proceedings will be approximately \$50,000.
111. The total fees incurred by the Receiver for services provided by Osler during the Period amount to \$441,536.50 together with expenses and disbursements in the amount of \$2,863.47 (both excluding HST) (collectively, the "**Osler Fees and Disbursements**"). The time spent by Osler personnel during the Period is more particularly described in the Affidavit of Shireen Young of Osler (the "**Osler Affidavit**"), sworn in support hereof and filed separately. The Osler Affidavit provides a summary of the personnel, hours, and hourly rates charged by Osler in respect of the Receivership Proceedings for the Period. Barring unforeseen circumstances, Osler estimates that its fees and disbursements, at its standard rates currently in effect, for the period from October 2012 to the completion of all work related to the Receivership Proceedings will be approximately \$50,000.
112. The total fees incurred by the Receiver for services provided by Stikeman together with expenses and disbursements (both excluding HST) (collectively the "**Stikeman Fees and Disbursements**") will be described in the Affidavit of Elizabeth Pillon of Stikeman (the "**Stikeman Affidavit**" and collectively with the Weaver Affidavit and the Osler Affidavit, the "**Fee Affidavits**"), which will be filed separately with the Court by Stikeman. The Stikeman Affidavit will provide a summary of the personnel, hours, and hourly rates charged by Stikeman in respect of the Receivership Proceedings for the Period.
113. The Receiver respectfully submits that the Receiver's Fees and Disbursements, the Osler Fees and Disbursements and the Stikeman Fees and Disbursements (the "**Fees and Disbursements**") are reasonable in the circumstances and have been validly incurred in

accordance with the provisions of the Receivership Order. Accordingly, the Receiver now seeks the approval of the Fees and Disbursements.

CONCLUSION AND RECOMMENDATION

114. The Receiver respectfully requests that the Court provide advice and direction to the Receiver in respect of the Receiver's following requests as more fully set out in paragraph 46 above:

- i) whether the process of the Superintendent considering Morneau's recommendation to change the Wind Up Date in respect of the Hourly Plan and merge the deregistered Salaried Plan into the Hourly Plan constitutes a Proceeding as defined in the Receivership Order such that the parties are stayed from taking steps without leave of the Court;
- ii) what reserve should be maintained with respect to claims pursuant to 81.6 in respect of the Hourly Plan and Salaried Plan, and how the contributions and funds on hand should be allocated against normal costs and special payments;

and recommends that the Court grant the Order requested to, *inter alia*:

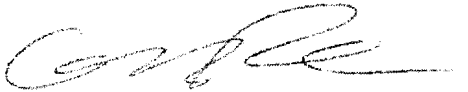
- iii) approve the Receiver's Fifth Report and the activities of the Receiver as set out in this Fifth Report including the Receiver's Statement of Cash Receipts and Disbursements set out herein;
- iv) approve the Fees and Disbursements of the Receiver and its counsel, as set out in this Fifth Report and the Fee Affidavits;
- v) subject to the Court's determination that the process of the Superintendent considering the Morneau Recommendation constitutes a Proceeding as defined in the Receivership Order, direct that such Proceeding is stayed by paragraph 8 of the Receivership Order;
- vi) authorize and direct the Receiver to pay the Property Tax Claim;
- vii) authorize and direct the Receiver to make the RBC Distribution;
- viii) authorize and direct the Receiver to make the Lucky Star/NWP Distribution;
- ix) authorize and direct the Receiver to make the GE Distribution; and

- x) approve the distribution of any remaining proceeds following the Proposed Distributions from the Northern Property to GE, and authorize and direct the Receiver to make such subsequent distributions, to the extent further realizations are available, without further Order of the Court.

All of which is respectfully submitted this 8th day of November, 2012.

PricewaterhouseCoopers Inc.

In its capacity as Receiver of Northern Sawmills Inc.



Greg Prince
Senior Vice President



Jonathan Reimche
Vice President

TAB A

Superintendent of
Financial
Services



surintendant des
services
financiers

IN THE MATTER OF the Pension Benefits Act, R.S.O. 1990,
c. P.8, as amended (the "PBA").

AND IN THE MATTER OF a Proposal of the Superintendent of Financial
Services to Make an Order under sections 69(1)(a) and (b) of the PBA that the
Retirement Plan for Employees of Northern Sawmills Inc., Registration Number
0978270, be wound up.

TO: **Northern Sawmills Inc.**
1 Maureen St., Box 29039
Thunder Bay, ON
P7B 6P9

Attention: **Mr. Harry Mercer**
Treasurer and Secretary
Northern Sawmills Inc.

Employer and Administrator of the Plan

NOTICE OF PROPOSAL

I PROPOSE TO MAKE AN ORDER under sections 69(1)(a) and (b) of the PBA, that
the Retirement Plan for Employees of Northern Sawmills Inc., Registration Number 0978270
(the "Plan") be wound up effective as at January 1, 2008.

REASONS:

1. The Plan is a defined benefit, non-contributory, single employer pension plan registered under the PBA.

2. Northern Sawmills Inc. (the "Company") is the employer and the administrator under the Plan.
3. Section 4.3 of the Plan provides that the Company shall make contributions on behalf of the plan members at a rate determined by an actuary to be sufficient to provide for payment of the benefits required to be paid by the Plan.
4. The Company has not made the employer required contributions to the Plan commencing with the contributions due in January 2008. The latest Actuarial Report in respect of the Plan as at May 31, 2009 (the "Actuarial Report") indicates that contributions in arrears, with interest are \$3,171,989 as at May 31, 2009.
5. The Financial Services Commission of Ontario ("FSCO") informed the Company by a letter dated July 6, 2009 (the "FSCO Letter") of its outstanding contributions and requested that it take steps to bring the Plan into full compliance with the funding requirements under the PBA. The Company was given 15 days to respond to the compliance request in the letter. No response was received from the Company.
6. Section 69 of the PBA sets out the circumstances under which the Superintendent may order a wind up of a pension plan. These circumstances include the following:
 - 69(1) The Superintendent by order may require the wind up of a pension plan in whole or in part if,
 - (a) there is a cessation or suspension of employer contributions to the pension fund;
 - (b) the employer fails to make contributions to the pension fund as required by this Act or the regulations.
7. The PBA states the following with respect to employer contributions:
 - 55(2) An employer required to make contributions under a pension plan, or a person or entity required to make contributions under a pension plan on behalf of an employer, shall make the contributions in accordance

with the prescribed requirements for funding and shall make the contributions in the prescribed manner and at the prescribed times.

8. The Regulation 909, R.R.O. 1990 (the "Regulation") prescribes as follows:
 - 4(4). The payments referred to in subsections (2) and (2.4) shall be made by the employer or, if a person or entity is required to make contributions on behalf of the employer, by that person or entity and, if applicable, by the member of the pension plan within the following time limits:
 3. In the case of a pension plan that provides defined benefits, employer contributions in respect of the normal costs reported under clause 13(1)(a) or 14(7)(a) for each period covered by a report beginning on or after the 1st day of January, 1988, in monthly installments within thirty days after the month for which contributions are payable, the amount of the instalments to be either a total fixed dollar amount, a fixed dollar amount for each employee or member of the plan or a fixed percentage either of the portion of the payroll related to members of the plan or of employee contributions.
9. The Company has not made any contributions to the Plan as required by the PBA and as prescribed by the Regulation since January 2008. Therefore there is a cessation or suspension of employer contributions to the pension fund and grounds to wind up the Plan under section 69(1)(a) of the PBA.
10. The Company has also failed to make contributions to the pension fund as required by the PBA and the Regulation and there are therefore grounds to wind up the Plan under section 69(1)(b) of the PBA.
11. Such further and other reasons as may come to my attention.

YOU ARE ENTITLED TO A HEARING by the Financial Services Tribunal (the "Tribunal") pursuant to section 89(6) of the PBA. **To request a hearing, you must deliver to**

the Tribunal a written notice that you require a hearing, within thirty (30) days after this Notice of Proposal is served on you. ¹

YOUR WRITTEN NOTICE must be delivered to:

Financial Services Tribunal
5160 Yonge Street
14th Floor
Toronto, Ontario
M2N 6L9

Attention: The Registrar

FOR FURTHER INFORMATION, contact the Registrar of the Tribunal by phone at 416-226-7752, toll free at 1-800-668-0128, ext. 7752, or by fax at 416-226-7750.

IF YOU FAIL TO REQUEST A HEARING WITHIN THIRTY (30) DAYS, I MAY CARRY OUT THE PROPOSAL AS DESCRIBED IN THIS NOTICE.

DATED at Toronto, Ontario, this 29th day of **March, 2010.**

K. David Gordon
Deputy Superintendent, Pensions

¹ NOTE - Pursuant to section 112 of the PBA any Notice, Order or other document is sufficiently given, served or delivered if delivered personally or sent by regular mail and any document sent by regular mail shall be deemed to be given, served or delivered on the seventh day after the date of mailing.

TAB B

Superintendent of
Financial
Services



surintendant des
services
financiers

IN THE MATTER OF the Pension Benefits Act, R.S.O. 1990,
c. P.8, as amended (the "PBA")

AND IN THE MATTER OF a Proposal of the Superintendent of Financial
Services to Refuse to Register the Retirement Plan for Salaried Employees of
Northern Sawmills Inc., Registration Number 1192400 under section 18(1)(a) of
the PBA.

TO: **Northern Sawmills Inc.**
McIntyre Centre, P.O. Box 29039
Thunder Bay, ON
P7B 6P9

Attention: **Mr. Harry Mercer**
Treasurer and Secretary
Northern Sawmills Inc.

Employer and Administrator of the Plan

NOTICE OF PROPOSAL

I PROPOSE TO REFUSE TO REGISTER the Retirement Plan for Salaried
Employees of Northern Sawmills Inc. (the "Plan") under section 18(1)(a) of the PBA.

REASONS:

- 1) Northern Sawmills Inc. (the "Applicant") has applied to register the Plan under the PBA.
- 2) The materials filed in support of the application state that the Plan was effective June 1, 2007, and that it is a single-employer, defined benefit pension plan.

- 3) Section 9(2) of the PBA states that an application for registration of a pension plan shall be made by paying the fee established by the Minister of Finance and by filing, among other things, a completed application in the form approved by the Superintendent of Financial Services (the "Superintendent") and a certified copy of the explanations and other information required under section 25(1) of the PBA.
- 4) Section 25(1) of the PBA requires that the administrator of a pension plan provide in writing to each person who is eligible or required to become a member of the pension plan the following: a) an explanation of the provisions of the plan that apply to the person; b) an explanation of the person's rights and obligations in respect of the pension plan; and c) any other information prescribed by the regulations.
- 5) The Applicant filed the Plan documents with the Superintendent on March 3, 2008.
- 6) On June 23, 2008, the Superintendent's staff advised the Applicant's agent that staff could not proceed with the review of the application for registration until page 12 of Form 1 (the form for registration of a pension plan requiring the applicant's original signature) and a certified copy of the employee booklet or the explanations of the Plan as required under section 25 of the PBA were filed with the Superintendent.
- 7) The Applicant has not responded to the June 23, 2008 letter.
- 8) Section 18(1)(a) of the PBA states that the Superintendent may refuse to register a pension plan that does not comply with the PBA.
- 9) The Plan documents that have been filed do not comply with the PBA because the original signature page of Form 1 is missing and the employee booklet or explanations required under section 25 of the PBA are also missing.
- 10) Such further and other reasons as may come to my attention.

YOU ARE ENTITLED TO A HEARING by the Financial Services Tribunal (the "Tribunal") pursuant to section 89(6) of the PBA. **To request a hearing, you must deliver to the Tribunal a written notice that you require a hearing, within thirty (30) days after this Notice of Proposal is served on you.**¹

YOUR WRITTEN NOTICE must be delivered to:

Financial Services Tribunal
5160 Yonge Street
14th Floor
Toronto, Ontario
M2N 6L9

Attention: The Registrar

FOR FURTHER INFORMATION on a Form for the written notice, please see the Tribunal website at www.fstontario.ca or contact the Registrar of the Tribunal by phone at 416-590-7294, toll free at 1-800-668-0128, ext. 7294, or by fax at 416-226-7750.

IF YOU FAIL TO REQUEST A HEARING WITHIN THIRTY (30) DAYS, I MAY CARRY OUT THE PROPOSAL AS DESCRIBED IN THIS NOTICE.

DATED at Toronto, Ontario, this 29th day of **March**, 2010.

K. David Gordon
Deputy Superintendent, Pensions

¹ NOTE - Pursuant to section 112 of the PBA any Notice, Order or other document is sufficiently given, served or delivered if delivered personally or sent by regular mail and any document sent by regular mail shall be deemed to be given, served or delivered on the seventh day after the date of mailing.

TAB C

**Financial Services
Commission
of Ontario**

Pension Plans Branch
5160 Yonge Street, 4th Floor
Box 85
Toronto ON M2N 6L9

Telephone: (416) 228-7776
Facsimile: (416) 228-7777

**Commission des
services financiers
de l'Ontario**

Direction des régimes de retraite
5160 rue Yonge, 4^e étage
boîte 85
Toronto ON M2N 6L9

Téléphone: (416) 228-7776
Télécopieur: (416) 228-7777



Ontario

REGISTERED MAIL

September 3, 2010

Harry Mercer
Treasure and Secretary
Northern Sawmills Inc.
1 Maureen St., Box 29039
Thunder Bay, ON P7B 6P9

Dear Sir:

**Re: Retirement Plan For The Employees Of Northern Sawmills Inc.
Registration Number 978270**

Enclosed please find the Order in respect to the above pension plan.

Yours truly,

Ann Marie Gumbs
Administrative Coordinator

Enclosure

c: Nancy Su, FSCO, Pension Plans Branch

Superintendent of
Financial
Services



surintendant des
services
financiers

IN THE MATTER OF the Pension Benefits Act, R.S.O. 1990,
c. P.8, as amended (the "PBA")

AND IN THE MATTER OF a Proposal of the Superintendent of Financial
Services to Make an Order under sections 69(1)(a) and (b) of the PBA relating to
the Retirement Plan for Employees of Northern Sawmills Inc., Registration
Number 0978270

TO: Northern Sawmills Inc.
1 Maureen St., Box 29039
Thunder Bay, ON
P7B 6P9

Attention: Mr. Harry Mercer
Treasurer and Secretary
Employer and Administrator of the Plan

ORDER


ON OR ABOUT March 29, 2010, the Superintendent of Financial Services (the "Superintendent") issued a Notice of Proposal (the "NOP") in respect of the Retirement Plan for Employees of Northern Sawmills Inc., Registration Number 0978270 (reported at Financial Services Commission of Ontario (FSCO) website, Pension e-Bulletin June 2010, Volume 19, Issue 2) to Northern Sawmills Inc., to wind up the Plan effective as at January 1, 2008, pursuant to sections 69(1)(a) and (b) of the PBA.

A REQUEST FOR HEARING before the Financial Services Tribunal (the "Tribunal") was filed by Northern Sawmills Inc. on April 28, 2010.

ON August 18, 2010, the request for a hearing was withdrawn by Northern Sawmills Inc. **ON August 20, 2010**, the Tribunal closed its file.

For the reasons set out in the NOP, I ORDER that the Retirement Plan for Employees of Northern Sawmills Inc., Registration Number 0978270, be wound up effective as at January 1, 2008, under sections 69(1)(a) and (b) of the PBA.

DATED at Toronto, Ontario, this *2nd* day of *September*, 2010.



K. David Gordon
Deputy Superintendent, Pensions

TAB D

**Financial Services
Commission
of Ontario**

Pension Plans Branch
5160 Yonge Street, 4th Floor
Box 85
Toronto ON M2N 6L9

Telephone: (416) 226-7778
Facsimile: (416) 226-7777

**Commission des
services financiers
de l'Ontario**

Direction des régimes de retraite
5160 rue Yonge, 4^e étage
boîte 85
Toronto ON M2N 6L9

Téléphone: (416) 226-7778
Télécopieur: (416) 226-7777



REGISTERED MAIL

September 3, 2010

Harry Mercer
Treasurer and Secretary
Northern Sawmills Inc.
1 Maureen St., Box 29039
Thunder Bay, ON P7B 6P9

Dear Sir:

**Re: Retirement Plan for Salaried Employees of Northern Sawmills Inc.
Registration Number 1192400**

Enclosed please find the Order in respect to the above pension plan.

Yours truly,

per Amy

Ann Marie Gumbs
Administrative Coordinator

Enclosure

c: Nancy Su, FSCO, Pension Plans Branch

Superintendent of
Financial
Services



surintendant des
services
financiers

IN THE MATTER OF the Pension Benefits Act, R.S.O. 1990,
c. P.8, as amended (the "PBA")

AND IN THE MATTER OF a Proposal of the Superintendent of Financial
Services to Make an Order under section 18(1)(b) of the PBA to revoke
registration of the Retirement Plan for Salaried Employees of Northern Sawmills
Inc., Registration Number 1192400

TO: Northern Sawmills Inc.
1 Maureen St., Box 29039
Thunder Bay, ON
P7B 6P9

Attention: Mr. Harry Mercer
Treasurer and Secretary
Employer and Administrator of the Plan

ORDER

ON OR ABOUT March 29, 2010, the Superintendent of Financial Services (the "Superintendent") issued a Notice of Proposal (the "NOP") to Northern Sawmills Inc. proposing to revoke registration of the Retirement Plan for Salaried Employees of Northern Sawmills Inc., Registration Number 1192400 (reported at Financial Services Commission of Ontario (FSCO) website, Pension e-Bulletin June 2010, Volume 19, Issue 2), under section 18(1)(b) of the PBA.

A REQUEST FOR HEARING before the Financial Services Tribunal (the "Tribunal") was filed by Northern Sawmills Inc. on April 28, 2010.

ON August 18, 2010, the request for a hearing was withdrawn by Northern Sawmills Inc. **ON August 20, 2010**, the Tribunal closed its file.

For the reasons set out in the NOP, I ORDER that the registration of the Retirement Plan for Salaried Employees of Northern Sawmills Inc., Registration Number 1192400, be revoked under section 18(1)(b) of the PBA.

DATED at Toronto, Ontario, this *2nd* day of *September*, 2010.



K. David Gordon
Deputy Superintendent, Pensions

T A B L E

**Financial Services
Commission
of Ontario**

Pension Plans Branch

5160 Yonge Street
Suite 1600
Toronto ON M2N 6L9

Telephone: (416) 226-7776
Facsimile: (416) 226-7777

**Commission des
services financiers
de l'Ontario**

Direction des régimes de retraite

5160, rue Yonge
Bureau 1600
Toronto ON M2N 6L9

Téléphone: (416) 226-7776
Télécopieur: (416) 226-7777



Ontario

February 9, 2011

Registration Number: 0978270

Sent via email and regular mail

PricewaterhouseCoopers Inc.
Receiver of Northern Sawmills Inc.
Suite 3000, Box 82
Royal Trust Tower, TD Centre
77 King Street West
Toronto, ON M5K 1G8

Attention: Mr. Gregory Prince

Northern Sawmills Inc.
1 Maureen Street, P.O. Box 29039
Thunder Bay, ON P7B 6P9

Attention: Mr. Harry D. Mercer, MBA, CA
Vice-President, Secretary/Treasurer

Dear Sirs/Madams:

Re: Retirement Plan For The Employees Of Northern Sawmills Inc. (the "Plan")

We are writing with respect to the Order, granted by the Ontario Superior Court of Justice on January 4, 2011, that appointed PricewaterhouseCoopers Inc. as receiver (the 'Receiver') of all of the assets, undertakings and properties (the 'Property') of Northern Sawmills Inc. (the 'Company').

We understand that the Receiver has initiated a sales and marketing procedure respecting the Property. Further we understand that the Company is not currently operating and all but two employees have ceased employment. The two remaining employees are involved in the maintenance and general oversight of the mill. In addition, we understand that the Receiver has not assumed any role in the administration of the Plan. Finally, we note that the Plan is wound up effective January 1, 2008 by virtue of an Order dated September 2, 2010 issued by the Superintendent of Financial Services (the "Superintendent"). Given the circumstances, it appears that the Company will have insufficient capacity to administer the Plan and complete the wind up.

Registration Number: 0978270
Northern Sawmills Inc.
February 9, 2011
page 2

Based on this information, it would appear that the statutory pre-conditions exist for the appointment of a replacement administrator pursuant to section 71(1) of the *Pension Benefits Act* (the "*PBA*"). In these circumstances, the Superintendent of Financial Services considers it appropriate to appoint a replacement administrator for the Plan.

If we do not receive any written objection from any of the interested parties by February 16, 2011, the Superintendent will commence the process of appointing an Administrator.

If at any time you have any questions or concerns, you may contact me either at the address above, or directly by telephone at (416) 226-7833, or toll free at 1-800-668-0128, extension 7833. Please quote the registration number shown at the top of this letter.

Yours truly,



Anna Vani
Pension Officer

AV

CC: C. Helbronner - Blake, Cassels & Graydon LLP
A. Boctor - Stikeman Elliot LLP
T. Sandler - Osler, Hoskin & Harcourt
K. Stuebing - CaleyWray
M. Bailey - FSCO

TAB F

Ministry of the
Attorney General

Legal Services Branch
Financial Services
Commission
of Ontario

17th Floor
5160 Yonge Street
Box 85
Toronto, ON M2N 6L9

Tel: (416) 250-7250
Fax: (416) 590-7556

Writer's Direct Line: (416) 590-7555
Email: mark.bailey@fscg.gov.on.ca

Ministère du
Procureur général

Direction des services juridiques
Commission des
services financiers
de l'Ontario

17^e étage
5160, rue Yonge
C.P. 85
Toronto, ON M2N 6L9

Tél: (416) 250-7250
Téléco: (416) 590-7556



Ontario

March 7, 2011

SENT BY E-MAIL

PricewaterhouseCoopers Inc.
Receiver of Northern Sawmills Inc.
Suite 3000, Box 82
Royal Trust Tower, TD Centre
77 King Street West
Toronto, ON M5K 1G8

Attention: Greg Prince
Jonathon Reimche
Nathaly Labbe

Dear Sirs/Madams:

Re: Northern Sawmills Inc.

Further to our e-mail dated February 10, 2011, we write to respond to the two remaining questions raised during our discussions with Mr. Reimche, Ms. Labbe and counsel for G.E. Canada Equipment Financing on January 24, 2011.

The questions with our responses are as follows:

1. The Retirement Plan for Employees of Northern Sawmills Inc. (the "Hourly Plan"), Registration Number 0978270, was wound up effective January 1, 2008 by order of the Superintendent of Financial Services (the "Superintendent") owing to a failure by the employer to make required contributions. You requested a breakdown of the contribution arrears as between periods prior to and after the wind up date and as between current service amounts and special payments. If some or all of the arrears relate to the period after the wind up date, you enquired

as to whether the wind up effectively eliminates those arrears because the contributions would be required to be paid after the wind up.

Response: We are advised by our client that the arrears relate to periods both before and after the wind up date and cover both current service and special payments. Unfortunately, we are not in a position to provide any precise quantification of these amounts. However, it now appears that we will be proceeding with the appointment of a replacement administrator for the Hourly Plan who should, shortly after the appointment is finalized, be in a position to provide precise amounts. Finally, the Superintendent is currently considering the issue of the status of the arrears relating to periods after the wind up date. However, we do not anticipate making a determination until we have provided replacement administrator with an opportunity to make submissions on the issue.

2. As you know, the application for registration of the Retirement Plan for Salaried Employees of Northern Sawmills Inc., Registration Number 1192400, (the "Salaried Plan") was refused by the Superintendent. You want to know what, if any, further steps are required in respect of the Salaried Plan.

Response: Section 18(3) of the *PBA* states that "a refusal of registration of a pension plan ... operates to terminate the pension plan as of the date specified by the Superintendent". Further, section 18(5) states that "where the registration of a pension plan is refused or revoked ... the administrator shall wind up the pension plan in accordance" with the *PBA* which usually entails the distribution of assets in the pension fund from the pension plan. However, in this case, we understand that there are no assets in pension fund for the Salaried Plan but there maybe contribution arrears and amounts to be transferred from the Hourly Plan if the effective date of the termination of the Salaried Plan is after the date the Salaried Plan commenced. The Superintendent has not yet determined the effective date of the termination of the Salaried Plan and the further steps which are required would depend upon the termination date ultimately determined by the Superintendent. Before coming to a determination of this issue, the Superintendent plans to solicit submissions from the appointed administrator for the Hourly Plan (because of the potential transfer of members and assets from the Salaried Plan) and from other interested parties. Please advise if the Receiver has a position on this issue and would like to make submissions to the Superintendent.

We trust that this provides an adequate response to your questions at this time. Please let us know if you have any further questions or concerns.

Yours truly,



Mark Bailey
Legal Counsel

CC: C. Helbronner - Blake, Cassels & Graydon LLP
T. Sandler - Osler, Hoskin & Harcourt

TAB G



HUMAN RESOURCE CONSULTING AND ADMINISTRATIVE SOLUTIONS

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895 Don Mills Road, Suite 700
One Morneau Sobeco Centre
Toronto ON M3C 1W3
tel.: 416.445.2700 • fax: 416.445.7989

Mark Bailey
Legal Services Branch
Financial Services Commission of Ontario
17th Floor
5160 Yonge Street
Toronto, ON M2N 6L9

July 6, 2011

Dear Mr. Bailey,

**RE: Retirement Plan for Employees of Northern Sawmills Inc. (the "Hourly Plan"),
Registration #0978270**

**Retirement Plan for Salaried Employees of Northern Sawmills Inc. (the "Salaried Plan"),
Registration #1192400**

We are writing to you to provide our comments on the Hourly and Salaried Plans in respect of the two issues discussed in the letter you sent to PricewaterhouseCoopers Inc. ("PwC"), the Receiver of Northern Sawmills Inc., on March 7, 2011. The issues with our responses are as follows:

1. Breakdown of Contribution Arrears

PwC requested a breakdown of the contribution arrears as between periods prior to and after the wind up date and as between current service amounts and special payments.

We have reviewed the account statements from the Hourly Plan, in light of the funding requirements in the Hourly Plan actuarial reports and the Form 7 filed with the Plan's fund holder. It appears that current service costs for the Hourly Plan were fully paid up in respect of the period prior to January 2008, while special payments were underpaid by roughly \$125,000 as of January 2008. The last filed valuation, as of May 31, 2009, also shows a considerable solvency deficiency of \$4,996,170.

Based on this initial review, it appears that there are no current service arrears in respect of the Hourly Plan. As you know, we had some discussions with PwC in the spring, to advise them of this information. We reserve our right, however, to revise this view, if additional information were to come to light.

2. Treatment of Salaried Plan

PwC further requested information as to the state of the Salaried Plan. We agree with the position stated in your letter that a plan whose registration is refused or revoked by the Superintendent of Financial Services shall be wound up in accordance with the *Pension Benefits Act*.

The information we have received from the Salaried Plan fund holder is that three contributions were made to the Salaried Plan. Specifically, a contribution of \$78,330.68 was made in August 2008, a

July 6, 2011

contribution of \$39,941.20 was made in May 2009, and a contribution of \$6,468.00 was made in February 2010. As of April 30, 2011, the account balance was \$120,790.36.

It also appears that the Salaried Plan was registered with the Canada Revenue Agency ("CRA") effective January 1, 2008, pursuant to a letter dated May 11, 2010. The CRA will not provide further information regarding the Salaried Plan without our being appointed as administrator; however, we assume that the Salaried Plan is still registered with CRA. It is unlikely that the Salaried Plan funding agent will allow us to take control of the assets in the Salaried Plan in our capacity as the administrator of the Hourly Plan. In light of this information, then, we recommend that we be appointed the administrator of the Salaried Plan for the purpose of winding up the Salaried Plan.

Assuming we are appointed the administrator of the Salaried Plan, the question arises as to how the Salaried Plan assets should be treated. The Salaried Plan registration was revoked by FSCO by order dated September 2, 2010, and we understand that the corresponding restatement of the Hourly Plan which would have excluded Salaried Plan participants from participating in the Hourly Plan effective June 1, 2007, has not been registered by FSCO. Accordingly, in hindsight, in our view it would be appropriate to consider the employer contributions to the Salaried Plan as contributions that should have been made to the Hourly Plan, and to consider service by salaried employees subsequent to June 1, 2007, as Hourly Plan service.

To the extent this does not naturally flow from the revocation of registration of the Salaried Plan and the non-registration of the Hourly Plan restatement, we would make the preliminary suggestion that FSCO approve a transfer of the assets in the the Salaried Plan to the Hourly Plan pursuant to subsection 81(8) of the *Pension Benefits Act*. Our view is that such a transfer would be in the interests of both the Hourly and Salaried Plan members, as it would reduce overall administration costs, hasten the wind-up of the plans, and increase the level of assets in the Hourly Plan. We note that the administrator of either the original or successor pension plan has the authority to apply for such a transfer under the amended wording of subsection 81(5) (yet to be proclaimed).

Conclusion

We trust that the information set out above will be helpful to you and to the Receiver of Northern Sawmills Inc., and we look forward to discussing with you our potential appointment as administrator of the Salaried Plan.

Regards,



Morneau Shepell Ltd. in its capacity
as Administrator for the Retirement Plan for
Employees of Northern Sawmills Inc.
and not in its personal capacity

Per: Bethune Whiston
Partner

July 6, 2011

- c. Andrew Zur, Morneau Shepell Ltd.
Debbie Gallagher, Morneau Shepell Ltd.
Al Kiel, Morneau Shepell Ltd.
Greg Prince, PricewaterhouseCoopers Inc.

TAB H

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

www.fasken.com

333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, Ontario, Canada M5H 2T6

**FASKEN
MARTINEAU** 

416 366 8381 Telephone
416 364 7813 Facsimile
1 800 268 8424 Toll free

Stuart Brotman
Direct 416 865 5419
sbrotman@fasken.com

November 7, 2011
File No.: 211780.16472

VIA EMAIL

Ms. Tracy Sandler
Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6100, P.O. Box 50
Toronto, ON M5X 1B8

Dear Ms. Sandler:

Re: Receivership of Northern Sawmills Inc. (the "Receivership") pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) dated January 4, 2011 (the "Appointment Order")

As you know, we represent Morneau Shepell Ltd. (the "Administrator") in its capacity as the Administrator of the Retirement Plan for the Employees of Northern Sawmills Inc. No. 0978270 (the "Hourly Plan"), as well as Administrator of the Retirement Plan for Salaried Employees of Northern Sawmills Inc. No. 1192400, (the "Salaried Plan", and collectively with the Hourly Plan, the "Plans") and not in its personal capacity.

By letter dated October 27, 2011, the Administrator undertook to provide to you as complete a statement of the PBA Claims and the BIA Claims (as defined in the said letter agreement) as it can based on the information available to it as at November 7, 2011. The following is further to that undertaking and to the letter received from Elizabeth Pillon dated November 3, 2011.

Background:

The Plans began as a single plan in 1989 and continued in that form until February 27 2008, when Northern Sawmills Inc. ("Northern") filed an amendment to the Hourly Plan to cease participation by its salaried employees and attempted to establish a separate Salaried Plan, effective June 1, 2007. Northern was the administrator of the Plans until

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replaced by Morneau Shepell Ltd. as Administrator of the Hourly Plan and Salaried Plan on March 11, 2011, and August 3, 2011, respectively.

On March 29, 2010, the Superintendent of Financial Services (the "Superintendent") issued a Notice of Proposal to wind up the Hourly Plan effective as at January 1, 2008, pursuant to sections 69(1)(a) and (b) of the *Pension Benefits Act* (Ontario) (the "PBA").

Northern had requested a hearing in respect of the proposed wind up of the Hourly Plan but withdrew that request. On September 2, 2010, the Superintendent ordered that the Hourly Plan be wound up effective as at January 1, 2008.

On January 4, 2011, PricewaterhouseCoopers Inc. ("PWC") was appointed as receiver (the "Receiver") of Northern pursuant to the Appointment Order.

In response to questions posed by the Receiver, on March 7, 2011, Mark Bailey as solicitor for the Superintendent wrote to PWC and advised, in part, as follows:

"We are advised by our client that the arrears relate to periods both before and after the wind up date and cover both current service and special payments. Unfortunately, we are not in a position to provide any precise quantification of these amounts. However, it now appears that we will be proceeding with the appointment of a replacement administrator for the Hourly Plan who should, shortly after the appointment is finalized, be in a position to provide precise amounts. Finally, the Superintendent is currently considering the issue of the status of the arrears relating to periods after the wind up date. However, we do not anticipate making a determination until we have provided replacement administrator with an opportunity to make submissions on the issue"

and

"...The Superintendent has not yet determined the effective date of the termination of the Salaried Plan and the further steps which are required would depend upon the termination date ultimately determined by the Superintendent. Before coming to a determination of this issue, the Superintendent plans to solicit submissions from the appointed administrator for the Hourly Plan...and from other interested parties. Please advise if the Receiver has a position on this issue and would like to make submissions to the Superintendent."

On March 11, 2011, Morneau Shepell Ltd. was appointed by the Superintendent as administrator of the Hourly Plan pursuant to section 71(1) of the PBA.

On July 25, 2011, the Ontario Superior Court of Justice issued a decision in the Receivership Proceedings in which it determined that 232 hourly employees of Northern had recall rights under the terms of the Collective Agreements between Northern and the

Communication, Energy and Paperworkers Union of Canada (“CEP”) until July 6, 2010. Accordingly, the employment of such hourly employees continued until that date.

On August 3, 2011, Morneau Shepell Ltd. was appointed by the Superintendent as Administrator of the Salaried Plan.

The Administrator’s Review and Recommendations:

As set out in the March 7, 2011 letter from Mark Bailey to PWC, the Superintendent has requested submissions from the Administrator with respect to the wind up of the Salaried Plan (including the effective date of wind up thereof) and also with respect to the contribution arrears in the Plans relating to the periods before and after January 1, 2008. Some initial submissions were made by the Administrator in a letter dated July 6, 2011, a copy of which was provided to you, and the Administrator is currently preparing further submissions to the Superintendent based on its subsequent appointment to administer the wind up of the Salaried Plan and certain additional information it has been able to secure.

Based upon the information presently available to it, the Administrator intends to recommend to the Superintendent that the Hourly Plan and the Salaried Plan be treated as one plan for purposes of calculating contribution arrears and wind up deficiencies and that the effective wind up period for both plans be January 1, 2008 to November 16, 2010. The Administrator will provide to the Receiver a copy of its formal recommendations to the Superintendent once available.

Contribution Arrears and Wind Up Deficiency in the Plans:

The Administrator has undertaken a calculation of the contribution arrears and wind up deficiency in the Plans on the basis of its intended recommendations to the Superintendent. Those calculations are set out in the documents attached as Schedule “A” and Schedule “B”, respectively.

Claims Against the Assets of Northern:

Bankruptcy and Insolvency Act Claims:

Pursuant to section 81.6 of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”), normal cost amounts unpaid immediately before the first day on which there was a receiver are secured by security on all of the assets of Northern in priority over every other claim, right, charge or security except those under section 81.1, 81.2, 81.3 and 81.4 of the BIA.

As set out in Schedule “A”, as at January 3, 2011 there were normal cost contribution arrears in the Plans totalling \$375,557.

PBA Claims:

The PBA establishes a deemed trust and lien in respect of the wind up deficiency in the Plans by subsection 57(4), which provides as follows:

- (4) Where a pension plan is wound up in whole or in part, an employer who is required to pay contributions to the pension fund shall be deemed to hold in trust for the beneficiaries of the pension plan an amount of money equal to employer contributions accrued to the date of the wind up but not yet due under the plan or regulations. R.S.O. 1990, c. P.8, s. 57 (4).

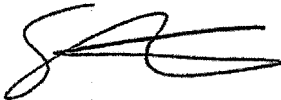
The Court of Appeal's recent decision in *Re Indalex Ltd.* 2011 ONCA 265 has held that the deemed trust under subsection 57(4) applies to wind-up liabilities under paragraph section 75(1)(b) of the PBA. Subsection 57(5) of the PBA further provides that the administrator of a plan has a lien and charge over the assets of the employer in an amount equal to the amounts deemed to be held in trust.

Based upon the Court of Appeal's decision in *Re Indalex*, the Administrator takes the position that all of the assets of Northern are subject to a deemed trust in the amount of the wind up deficiency in the Plans.

As set out in the attached Schedule "B" the wind up deficiency in the Plans totals \$12,384,000 and the Administrator asserts a deemed trust in the assets of Northern in that amount.¹

We would be pleased to meet with you and the Receiver to discuss the contents of this letter.

Yours very truly,



Stuart Brotman

SB/ima

cc: Morneau Shepell

¹ The amount recoverable by the Administrator in respect of the wind up deficiency is to be reduced by any amount recovered under section 81.6 of the BIA.

Schedule A
 Retirement Plan for the Employees of Northern Sawmills Inc.
 Contribution Analysis May 31, 2007 - November 16, 2010

Normal Payment (Current Service) Contribution Record

Period for Required Contributions	Total Contribution Made	Date or Period of Payment	Required Current Service Contribution (before payment)	% Allocation of Total Contribution Made	Current Service Contribution Paid	Unremitted Amount	Balance of Unpaid Contributions (after payment)	Required Special Contribution (before payment)	% Allocation of Total Contribution Made	Special Contribution Paid	Unremitted Amount	Balance of Unpaid Contributions (after payment)	Total Required Contribution (before payment)
FY 08	1,333,000	8/1/07-5/31/08	403,086	18.8944%	248,083	164,025	194,025	1,754,280	81.3155%	1,063,637	670,323	670,323	2,167,348
	78,331	August 08		19.8945%	14,836	139,389	139,389		81.3155%	63,986	806,628	806,628	824,348
	80,853	Sept 08		19.8944%	16,975	122,414	122,414		81.3155%	73,878	532,750	532,750	746,017
	39,941	May 09		19.8945%	7,463	114,951	114,951		81.3155%	32,478	500,272	500,272	655,184
	6,488	Feb 10		18.8944%	1,206	113,742	113,742		81.3155%	5,259	485,013	485,013	616,223
FY 09			118,612			232,354	232,354	2,506,811			2,506,811	3,001,824	606,755
FY 10			76,282			78,282	310,636	2,000,823			2,000,823	5,002,847	3,234,178
FY 11			25,141			25,141	335,777	608,785			608,785	5,611,432	5,313,283
Total	1,548,693		625,123					8,670,878					

Current Service Cost 395,777
 Interest 39,780
 Current Service Cost owed with interest 375,567

Going Concern Interest Rate per Actuarial Report 5.50%
 Settlement Date 1/3/2011

Amount	Date	Period to Settlement Date	Balance at Settlement Date
113,742	11/30/2007	3/08/04	134,245
118,612	11/30/2008	2/09/04	132,694
78,282	11/30/2009	1/09/04	83,011
25,141	9/31/2010	0/34/07	25,807
335,777			375,557

Note:
 FY 08 refers to the period 6/1/07 to 5/31/08
 FY 11 refers to the period 6/1/10 to 11/16/10
 ASSUMPTIONS
 - Payments are first applied to the oldest unpaid required contribution

- Payment is split between current service and special payment proportionally
- We do not have credited service figures for fiscal 2010 and 2011. We used our best judgment to determine a termination date for each active member.
- If the date of termination is not available, we assumed July 6, 2010 for Union employees and November 18, 2010 for Salaries employees, assuming consistency with credited service data we have received.
- If a member did not have credited service in fiscal 2009 we assumed he did not have credited service in fiscal 2010 and fiscal 2011.
- The current service for fiscal years 2008 and 2009 are as per the filed valuation reports. We estimated the current service for fiscal years 2010 and 2011
- The special contributions are as per the filed valuation reports.
- The data and calculations are subject to review by the Union.

SCHEDULE B

**Actuarial Opinion on the Retirement Plan
For Employees of Northern Sawmills Inc.
As at December 31, 2010**

Ontario Registration: 0978270

Purpose

This Actuarial Opinion, as at December 31, 2010 (the "Valuation Date"), is prepared in support of a proof of claim application (the "Application") related to the Retirement Plan For Employees of Northern Sawmills Inc. (the "Plan"). In this Actuarial Opinion, we are providing the information required to support the Application.

On March 11, 2011, Morneau Shepell Ltd. (the "Plan Administrator") was appointed Administrator of the Plan by the Superintendent of Financial Services (the "Superintendent"), pursuant to subsection 71(1) of the Ontario Pension Benefits Act (the "Act"). The Plan was ordered wound up effective January 1, 2008, (the "Wind Up Date") pursuant to Section 69(1) by the Superintendent owing to a failure of Northern Sawmills Inc. to make required contributions to the Plan.

The most recent going-concern actuarial report was prepared as of May 31, 2009, by Ellement & Ellement. The report indicated that the assets would be \$4,966,170 less than the liabilities if the Plan were wound up as of May 31, 2009. The report indicated the Plan had contributions in arrears with interest of \$3,171,989 as of May 31, 2009, and these contributions were never remitted to the Plan. These contributions were counted as part of the assets for the valuation. Excluding these contributions from the assets, the deficit on a wind up basis would have been \$8,138,159 as of May 31, 2009.

Membership Data (Hourly and Salaried Members)

Our wind up valuation of the Plan as at January 1, 2008, is based on data provided by the Plan's previous administrator. The current valuation of the Plan as at December 31, 2010, is based on the wind up valuation data, adjusted for lump sum payments, retirements, and/or deaths that have occurred during the period from January 1, 2008, to December 31, 2010.

The following table outlines the movement of members since January 1, 2008:

	Active Members	Deferred Vested Members	Pensioners & Beneficiaries	Total
As at January 1, 2008	330	49	63	442
Retired	(34)	-	34	-
Paid out from Plan	-	(3)	-	(3)
As at December 31, 2010	298	48	97	439

All members were employed in Ontario.

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The following table contains a summary of information on the members as at January 1, 2008, and as at December 31, 2010:

		December 31, 2010	January 1, 2008
Active members	Number	296	330
	Average age	47.14	48.51
	Average annual Basic pension	\$8,815	\$ 8,983
Deferred Vested members	Number	46	49
	Average age	42.19	41.70
	Average annual Basic pension	\$4,458	\$3,719
Pensioners & Beneficiaries	Number	97	63
	Average age	67.07	70.64
	Average annual Basic pension	\$5,799	\$4,840

Assets

As at the Wind Up Date, the assets of the Plan were held by Manulife. The following table reconciles the assets from January 1, 2008, to December 31, 2010:

Asset Reconciliation	January 1, 2008 to August 31, 2010
Market value of assets at beginning of period	\$ 18,108,800
Receipts:	
• Contributions	360,600
Total receipts	\$ 360,600
Disbursements:	
• Benefit payments	(3,038,000)
• Fees and expenses	(282,200)
Total disbursements	\$ (3,320,200)
Unrealized Gain	\$ 924,600
Market value of assets at end of period	\$ 16,074,800

Wind Up Financial Position

The table below presents the financial position of the Plan as at January 1, 2008, and at December 31, 2010:

	December 31, 2010	January 1, 2008
Basic Wind Up Assets		
Market value of assets	\$ 16,074,800	\$ 18,109,800
Plus: Present value of contributions in-transit	0	353,100
Less: Provisions for wind up expenses	(450,000)	(450,000)
Total Wind Up Assets	\$ 15,624,800	\$ 18,012,900
Basic Wind Up Liabilities		
Active members	\$17,657,600	\$18,304,700
Deferred vested members	1,206,700	1,008,900
Pensioners & beneficiaries	7,159,400	3,742,200
Contingency reserve	780,700	691,700
Provision for adverse deviations	1,143,600	-
Total Wind Up Liabilities	\$ 28,008,000	\$ 23,747,500
Wind Up Deficiency	\$ (12,384,000)	\$ (5,734,600)

Change in Financial Position

As of January 1, 2008, the assets would have been \$5,734,600 less than the liabilities if the Plan was wound up on that date. The Plan had a wind up deficiency of \$12,384,000 at December 31, 2010. The table below reconciles, on an approximate basis, the change in the financial position of the Plan from January 1, 2008, to December 31, 2010:

Wind Up Deficiency as at January 1, 2008	\$ (5,734,600)
Interest on deficiency at 4.32% per annum	(775,200)
Loss due to returns less than 4.32%, net of expenses	(4,969,900)
Inclusion of provision of adverse deviation (PAD)	(1,143,600)
Loss due to change in actuarial basis	26,100
Miscellaneous gain	213,200
Wind Up Deficiency as at December 31, 2010	\$ (12,384,000)

Note: 4.32% is the weighted average interest rate with respect to the liabilities as at January 1, 2008.

Actuarial Assumptions

In determining the assets and liabilities of the Plan, it is necessary to make assumptions with respect to the factors which will affect these amounts in the future. Emerging experience, differing from the assumptions, will result in gains or losses, which will be revealed at the time the assets of the Plan are disbursed.

The factors and assumptions used to develop the financial position at the Wind Up Date of December 31, 2010, are described below:

	December 31, 2010 Wind Up Valuation	January 1, 2008 Wind Up Valuation
Interest rate for members electing lump sums	4.50% per annum	4.50% per annum for 10 years, 5.0% thereafter
Interest rate for deferred vested members	4.53% per annum ¹	4.10% per annum
Interest rate for active members electing annuities and retired members	4.53% per annum ¹	4.50% per annum
Mortality (post-retirement only)	UP1994 generational mortality table sex-distinct	UP1994 projected to 2015 (scale AA) sex-distinct
Retirement	Age that provides the most valuable benefit	Age that provides the most valuable benefit

¹ Calculated in accordance with Section 3800 "Pension Commuted Values" of the Standards of Practice of the Canadian Institute of Actuaries.

The factors and assumptions used to develop the financial position of the Plan as at the Valuation Date of December 31, 2010, are described below. In addition, the assumptions regarding the contingency reserve, provision for adverse deviation, and provision for expenses as at the Wind Up Date are also included below.

Settlement Date

All wind up entitlements are assumed to be settled as at December 31, 2012 (the "Settlement Date").

Nature of Benefits

Where a member's pension has not commenced, such member has the option of choosing either (i) a lump sum transfer or (ii) a life annuity. In estimating the wind up liabilities at the Valuation Date, we assumed that Plan liabilities would be settled through the purchase of annuities from a Canadian insurance company for members described below:

- > active members aged 50 and older at the Wind Up Date;
- > deferred vested members; and
- > pensioners and beneficiaries.

We assumed active members under the age of 50 at the Wind Up Date would elect to receive their wind up entitlements from the Plan in the form of lump sum transfers.

Calculation of Commuted Values

The liabilities as at the Valuation Date with respect to members who were assumed to have elected lump sum transfers are calculated by increasing the commuted value of their pension entitlements as at the Wind Up Date to the Settlement Date with the interest rates used to calculate the original commuted value, and then discounting back to the Valuation Date at 1.00% per annum. We have assumed the assets for the settlement of commuted values are invested in money market securities for the period from the Valuation Date to the Settlement Date.

Annuity Purchase

The liabilities as at the Valuation Date for pensioners, deferred vested members, and active and transferred members who are assumed to have elected annuities are valued as follows:

- > Pensioners and deferred vested, active and transferred members' pension payments payable on and after the Settlement Date are valued effective on the Settlement Date with an interest rate of 4.53% per annum, using the UP1994 generational mortality table on a sex-distinct basis, and then such annuity costs are discounted back to the Valuation Date at the expected rate of growth of the Plan's assets earmarked for annuity purchase (4.53% per annum), without mortality.
- > Pension payments payable between the Valuation Date and the Settlement Date are discounted back at 1.00% per annum to the Valuation Date, without mortality.
- > Pension payments payable between the member's assumed retirement date and the Valuation Date are summed, without interest, and included at the Valuation Date.

Contingency Reserve

We included a provision equal to 3.0% of the Plan's wind up liabilities as at the Wind-up Date and at the Valuation Date for any additional benefits that might need to be provided to former members who may bring forward a claim for benefits under the Plan.

Provision for Adverse Deviation ("PAD")

We did not include any PAD as at the Wind Up Date.

For the purposes of the calculations performed as at the Valuation Date, we have included a PAD to cover potential losses due to adverse experience. Since the calculations are based on assumptions, experience gains and/or losses are bound to occur.

The PAD is a provision for a 0.5% decrease in annuity interest rates for purchases of immediate and deferred annuities due to reduced competitiveness of the group annuity market in Canada.

Provision for Expenses

The Plan Administrator has maintained the same provision for expenses of \$450,000 (including HST) as at the Wind Up Date. The Plan Administrator has estimated a provision for expenses of \$450,000 (including HST) to be paid from the Plan fund after the Valuation Date.

The estimated wind up expenses relate to the costs involved in preparing the wind up report, preparing the wind up option forms for members, other related administration expenses, and the costs associated with the final distribution of assets subsequent to the receipt of approval from the Superintendent.

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Summary of Plan Provisions

Effective Date

The effective date of the Plan is May 16, 1989.

Eligibility

Employees are eligible and must join the Plan on the first day of the month coinciding with or next following the completion of one year of service.

Employee Contributions

Members are not required to contribute to the Plan.

Amount of Pension

The annual amount of pension payable to a Member who retires on the normal retirement date will be the sum of the following (one completed month of Credited Service shall count as one-twelfth of a year of Credited Service):

- a) \$240 for each year of Credited Service between May 16, 1989 and October 15, 1992,
- b) \$420 for each year of Credited Service between October 16, 1992 and May 15, 1994,
- c) \$480 for each year of Credited Service between May 16, 1994 and May 15, 1995,
- d) \$540 for each year of Credited Service from May 16, 1995 to May 15, 1996,
- e) \$600 for each year of Credited Service from May 16, 1996 to October 7, 1996,
- f) \$660 for each year of Credited Service from October 8, 1996 to May 15, 1997,
- g) \$720 for each year of Credited Service from May 16, 1997 to May 15, 2000,
- h) \$780 for each year of Credited Service from May 16, 2000 to May 15, 2001,
- i) \$840 for each year of Credited Service from May 16, 2001 to May 15, 2002,
- j) \$900 for each year of Credited Service from May 16, 2002 to May 15, 2003,
- k) \$960 for each year of Credited Service on or after May 16, 2003.

Maximum Pension

The annual amount of pension payable under the terms of this Plan shall not exceed the amount permitted under the Income Tax Act. For Credited Service after January 1, 1990, this amount is generally the lesser of:

- (a) \$2,333.33 times the number of years of Credited Service, and
- (b) 2% of the best three consecutive years of compensation times the number of years of Credited Service.

Retirement Dates

A Member's normal retirement date is the first of the month coinciding with or next following the Member's 65th birthday. A member may elect to retire within 10 years preceding the normal retirement date, with the accumulated pension being actuarially reduced to recognize the longer period during which the pension payments can be expected to be paid. Postponed retirement is also allowed, in which case benefit accruals continue to the actual date of retirement.

Termination Benefits

- (a) If the Member has completed less than two years of Continuous Service after May 16, 1989, no termination benefit is payable.
- (b) If the Member has completed at least two years of Continuous Service after May 16, 1989, the Member shall be entitled to receive a deferred pension, payable from the normal retirement date, of the total amount accrued. Alternatively, if the Member is not eligible for early retirement, the Member may elect to transfer the commuted value of the accrued pension to another registered pension plan or to a Locked-In Retirement Account. Otherwise, it is the Company's discretion to permit a transfer after age 55.

Death Benefits**(a) Before Retirement**

If the Member has less than one year of Credited Service, no death benefit is payable. If the Member has one or more years of Credited Service, the death benefit is the commuted value of the pension accrued to the date of death, payable as a lump-sum payment.

(b) After Retirement

The death benefit after retirement is dependent on the form of pension elected. The normal form of pension is a monthly pension payable for life. Optional forms of pension are available on an actuarially equivalent basis.

Actuarial Opinion

In our opinion, as of the Plan's Wind Up Date of January 1, 2008, and as of the Valuation Date of December 31, 2010, the Plan's assets are not sufficient to cover the liabilities of the Plan on a wind up basis. Based on the calculations as at December 31, 2010, the Plan has a deficit of \$12,384,000 on a wind up basis.

Also, in our opinion:

- a) The data on which our opinion is based are sufficient and reliable for the purposes of the Actuarial Opinion.
- b) The assumptions used are appropriate for the purposes of the Actuarial Opinion.
- c) The methods employed are appropriate for the purposes of the Actuarial Opinion.
- d) This Actuarial Opinion has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Morneau Shepell Ltd.

Philip K. Fosu

Phillip K. Fosu, F.C.I.A.

August 31, 2011

Date

TAB I



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November 18, 2011

NORSAW.0002

Mr. Jai Persaud
Coordinator, Insolvencies
Financial Services Commission of Ontario
Pension Plans Branch
4th Floor, 5160 Yonge Street
PO Box 85
North York, ON M2N 6L9

Dear Mr. Persaud:

Re: Retirement Plan for Union Employees of Northern Sawmills Inc. Registration No. 0978270 (the "Hourly Plan") and Retirement Plan for Employees of Northern Sawmills Inc. Registration No. 1192400 (the "Salaried Plan")

We are writing to you in our capacity as the appointed administrator (the "Administrator") of the Hourly Plan and the Salaried Plan. The purpose of this letter is to provide our recommendation for the effective date of the wind up and the class of members and period for the wind up.

In our letter to the Financial Services Commission of Ontario dated July 6th, we recommended that the Hourly Plan and Salaried Plan be combined and wound up as one plan – the Retirement Plan for Employees of Northern Sawmills Inc. (the "Plan"). This continues to be our recommendation. Having one plan would be consistent with the facts, as set out below. Cost savings would also result since only a single valuation report, Pension Benefits Guarantee Fund application and wind up process will be required; and communications to non-unionized employees with service under both "plans" will be simplified.

In addition, given facts concerning the unionized and non-unionized employees' dates of employment and termination and the recent court decision concerning the Wage Earner Protection Program Act ("WEPPA") matter affecting the unionized employees working dates and recall rights, we are also recommending a wind up period for employees of the Company under the Plan that would extend from November 10, 2007, to November 16, 2010.

We recommend the Plan wind up date be November 16, 2010. The recommended date would have the effect of revising an existing order of the Superintendent winding up the Hourly Plan on January 1, 2008. The recommended date would be more consistent and cost effective as a single wind up date, with a single wind up period, for both unionized and non-unionized members. It is more reflective of the facts, and more consistent with the wind up period and class, to have the wind up date at the end of the appropriate period – November 16, 2010.

We request that the Superintendent of Financial Services (the "Superintendent") issue a Notice of Intended Decision to revise the wind up date for the Plan to incorporate our recommendations, pursuant to Section 69 of the Pension Benefits Act, R.S.O. 1990, c.P.8 (the "PBA"). The facts and analysis on which we would base this recommendation are set out below.

Recommended Wind Up Date, Class and Period

We recommend that the Plan be wound up in full effective November 16, 2010, and include the class of Plan members whose employment or Plan membership terminated during the period November 10, 2007 to November 16, 2010.

Events Prior to the Recommended Wind Up Period

1. Effective May 16, 1989, Northern Wood Preservers Inc. established a pension plan for all of its employees. On March 16, 1993, the Plan was amended to change the company name from Northern Wood Preservers to Northern Sawmills Inc. (the "Company"). The Plan included unionized and non-unionized employees.

Summary of Events during the Recommended Wind Up Period

1. On November 10, 2007, 69 unionized employees were laid off indefinitely with recall rights. The termination dates are summarized in Appendix D. A letter from the actuary to the Financial Services Commission of Ontario ("FSCO") dated March 12, 2008, stated that the mill ceased operations in November 2007. According to the terms of the collective bargaining agreement then in effect (sections 5.02 and 5.05), recall rights expired 24 months following the last day worked.
2. Somewhat-regular monthly contributions ceased, for both the Hourly and the Salaried Plans, in January 2008. Additional contributions were made after January 2008, from time to time.
3. February 12, 2008 - The Board of Directors of the Company signed a resolution establishing a defined benefit plan for non-unionized employees to take effect June 1, 2007. On February 25th, 2008, a certificate of amendment was signed by the Company to exclude the 36 non-unionized employees from the Plan effective June 1, 2007.
4. March 3, 2008 - The actuary for the Company filed a request for registration of the Salaried Plan effective June 1, 2007, with the Superintendent and the Canada Revenue Agency ("CRA"). The actuary also filed an amendment renaming the Plan as the Hourly Plan, and excluding the non-unionized employees from the Hourly Plan. It appears that this amendment was never accepted by the Superintendent for filing.
5. March 12, 2008 - The actuary for the Company filed a proposal with the Superintendent for temporary solvency funding relief. In January of 2009, the Superintendent asked a number of questions regarding the proposal. On February 9, 2009, the actuary responded indicating that the Company was actively seeking sources of financing and was hoping to restart operations in the mill in the spring of 2010, but indicated that the economic downturn had likely deferred the start up.
6. March 2008 - The actuary for the Company filed a valuation report for the Hourly Plan with an effective date of May 31, 2007, showing the anticipated impact of the transfer of members and assets

from the Hourly Plan to the Salaried Plan effective June 1, 2007. We have found no record of an application for asset transfer from the Hourly Plan to the Salaried Plan, or for an approval of a transfer by FSCO. The financial statements for the Salaried Plan and Hourly Plan do not show any asset transfer. Therefore, the assets intended to be transferred to the Salaried Plan remained in the Hourly Plan.

7. Several contributions were made by the Company to the Salaried Plan subsequent to its intended registration date as follows: \$78,331 in August 2008, \$39,941 in May 2009 and \$6,468 in February 2010. The Company also contributed \$90,853 to the Hourly Plan in September 2008.
8. May 2009 – The actuary for the Company filed a valuation report for the Hourly Plan with an effective date of May 31, 2008, showing the anticipated impact of the transfer of members and assets from the Hourly Plan to the Salaried Plan effective June 1, 2007. The Hourly Plan valuation report shows contributions in arrears with interest of \$714,615.
9. February 2010 - The actuary for the Company filed valuation reports with an effective date of May 31, 2009, for both the Hourly and Salaried Plans. The Salaried Plan valuation report shows assets having been received from the Hourly Plan and contributions in arrears with interest of \$77,010. The Hourly Plan valuation shows assets having been transferred to the Salaried Plan and contributions in arrears with interest of \$3,171,989. However, as noted above, the financial statements for the Salaried Plan and Hourly Plan confirm that no assets were actually transferred.
10. March 29, 2010 – The Superintendent issued a Notice of Proposal under sections 69(1)(a) and (b) of the PBA that the Hourly Plan be wound up effective as at January 1, 2008.
11. March 29, 2010 – The Superintendent issued a Notice of Proposal under section 18(1)(a) of the PBA to refuse to register the Salaried Plan.
12. April 28, 2010 – The Company filed a request for a hearing in front of the Financial Services Tribunal (the “FST”), in respect of both Notices of Proposal (refer to the September 2, 2010 Orders of the Superintendent).
13. May 11, 2010 – CRA wrote to the Company accepting the Salaried Plan for registration effective January 1, 2008. The Plan could not be registered by CRA effective June 1, 2007, since the application for registration was received by CRA subsequent to December 31, 2007.
14. Unionized employees of the Company continued employment until the expiry of their recall rights on July 6, 2010 (according to a Court Order dated July 25, 2011).
15. August 18, 2010 –The Company withdrew its requests for FST hearings (refer to the September 2, 2010 Orders of the Superintendent).
16. August 20, 2010 –The FST closed its files regarding the Company requests (refer to the September 2, 2010 Orders of the Superintendent).
17. September 2, 2010 – Pursuant to the Notice of Proposal dated March 29, 2010, the Superintendent ordered that the Hourly Plan be wound up effective as at January 1, 2008.

18. September 2, 2010 – Pursuant to the Notice of Proposal dated March 29, 2010, the Superintendent ordered that the Salaried Plan registration be revoked. However, it appears that the Salaried Plan was never registered.
19. November 16, 2010, is the latest termination date for non-unionized employees recorded in the data received. This is the final date of termination of employment for all members of the Plans, based on available data. We note that paragraph 13 of the Receiver's appointment Order (Receiver is defined immediately below) states that employees remain employees of the Company until terminated by the Receiver on the Company's behalf.

Summary of Events after the Recommended Wind Up Date

1. January 4, 2011 – PricewaterhouseCoopers Inc. was appointed the receiver of the Company (the "Receiver")
2. March 11, 2011 – Morneau Shepell Ltd. ("Morneau") was appointed the administrator of the Hourly Plan pursuant to section 71(1) of the PBA.
3. July 25, 2011 – Perell, J. of the Ontario Superior Court of Justice, by Court Order, ruled that the recall rights of 232 unionized employees of the Company expired effective July 6, 2010, pursuant to a Memorandum of Settlement between the Company and the union, and the formal employment of these employees continued until that date.
4. August 3, 2011 - Morneau was appointed the administrator of the Salaried Plan pursuant to section 71(1) of the PBA.

Plan Provisions Affecting Wind Up

Plan provisions affecting the wind up are found in Appendix A.

Reasons for Plan Wind Up

In light of the facts above, the following are reasons for the Plan wind up under the PBA:

1. The Company ceased making contributions to the pension fund within the meaning of clause 69(1)(a) of the PBA.
2. The Company failed to make contributions to the pension fund as required by the PBA or the regulations within the meaning of clause 69(1)(b) of the PBA.
3. A significant number of members of the Plan ceased to be employed by the Company as a result of the discontinuance of all or part of the business of the Company within the meaning of clause 69(1)(d) of the PBA.
4. A significant portion of the business carried on by the Company at a specific location was discontinued within the meaning of clause 69(1)(e) of the PBA.

Applicable legislative provisions for a Superintendent ordered wind up under the PBA are enumerated in Appendix B.

Recommendation and Reasons for Recommended Wind Up Date, Class and Period

November 16, 2010, the date the employment of the last remaining employees was terminated according to our data, is the recommended wind up date for the Plan. Any Plan member in the class of employees whose employment or Plan membership was terminated during the period November 10, 2007 (the date of lay off for 69 unionized members) to November 16, 2010 (the final date of termination) should be included in the wind up. Please refer to Appendix E for the Administrator's Checklist – Notice of Proposal to Order Plan Wind Up. November 16, 2010, is recommended as the date for Plan wind up for the following reasons:

1. November 16, 2010, is the last date in a sequence of events that commenced on November 10, 2007, involving the application of PBA clauses 69(1)(a), (b), (d), and (e).
2. A significant event occurred on November 10, 2007. We have been advised by the prior actuary and the Receiver that the mill ceased operations in November 2007. It was subsequently reopened. Some Plan members were recalled during the summer of 2008, but were laid off again in September 2008. Other Plan members continued to work until November 16, 2010.
3. The recommended period includes all Plan members affected by the wind up, beginning with the first lay off as a result of the mill closure, to the date of termination of employment of the last remaining Plan members on November 16, 2010, and would protect pension benefit entitlements of Plan members affected by the wind up.
4. The recommended date and period is more equitable to all Plan members, since it covers the Plan members' periods of employment and the Plan was an integral benefit of their employment.
5. The recommended date and period is equitable in reflecting the fact that Plan contributions did not cease entirely during the employment of Plan members with the Company.
6. For unionized employees, the recommended date and period is most appropriate, reasonable and required to give effect to the collective agreement and the Court Order dated July 25, 2011, by Perell, J. of the Ontario Superior Court, where it was confirmed that the formal employment of unionized employees continued until July 6, 2010.
7. For non-unionized employees, the recommended date and period is most appropriate, reasonable and equitable given the facts and duration of their employment.
8. The inclusion of non-unionized employees under the Plan is proper and reasonable, since failure to include them might, contrary to their employment terms, unfairly exclude registered plan coverage during the period from June 1, 2007, to December 31, 2007, based on technical failures of plan registration that were beyond their control and contrary to their employment relationship.

Alternatives Considered

We considered and rejected a number of alternative dates and wind up periods for the Plan.

We considered using the date of the receivership, January 4, 2011. However, according to the termination dates that we have been given from the Company and the prior actuary, the employment of the last employee terminated on November 16, 2010. Therefore a wind up period ending November 16, 2010, is

more reasonable because our records indicate all of the members of the Plan had ceased to be employed by the Company by that date as a result of the discontinuance of the business of the Company.

We considered the possibility of proceeding with the January 1, 2008 wind up date ordered on September 2, 2010, but rejected this due to the following:

1. The Company made several contributions to the Salaried Plan after its formal registration by CRA on January 1, 2008, as follows: \$78,331 in August, 2008, \$39,941 in May 2009 and \$6,468 in February 2010. The Company also contributed \$90,853 to the Hourly Plan in September, 2008.
2. Salaried employees continued to be employed by the Company until at least November 16, 2010.
3. For unionized employees, the January 1, 2008 date would be contrary to the July 25, 2011 Court Order. The Court Order provided that unionized employees continued to be employed until at least July 6, 2010. That was the date that recall rights ended for the members, pursuant to the Memorandum of Settlement between the Company and the union.
4. Terminations of unionized employees occurred in most of the months between January 2008 and July 2010. More than half of the months in that period had multiple terminations of unionized people. The employment of 206 members (unionized and non-unionized) terminated after January 1, 2008. Refer to Appendix D.
5. According to section 18(3) of the PBA, refusal to register or revocation of registration of a pension plan operates to terminate the pension plan as of a date specified by the Superintendent. No termination date was specified in the Superintendent's order revoking registration of the Salaried Plan and the Superintendent retains authority to order a date.
6. The Notice of Proposal to wind up the Hourly Plan and the January 1, 2008 wind up date could not reasonably apply to the non-unionized employees. The non-unionized employees may not have had notice of, and had no legitimate opportunity to challenge, the wind up date proposed in the March 29, 2010 Notice of Proposal to Wind Up the Hourly Plan.
7. The January 1, 2008 date would not be reasonable, consistent with the facts or applicable law (including a Court Order), or in the best interests of members. The January 1, 2008 wind up date would disenfranchise Plan members in respect of significant periods of service subsequent to this date. Employment and contributions under both the Hourly Plan and the Salaried Plan continued after January 1, 2008. The Company continued to administer the Plan after that date. The last contribution to the Hourly Plan was made as late of February 2010 and our data indicates that 206 members terminated after January 1, 2008. In addition, among other things, the Company filed materials with FSCO and CRA subsequent to January 1, 2008, in an attempt to establish the Salaried Plan, and requested solvency relief after that date.

Summary and Conclusion

Considering the above facts, we recommend that unionized and non-unionized employees of the Company be covered by one plan and that the wind up date of the Plan be November 16, 2010, by order of the Superintendent pursuant to Section 69 of the PBA. We recommend that the wind up include

the class of Plan members whose employment or Plan membership ended during the period from November 10, 2007, to November 16, 2010.

A wind up date of November 16, 2010, and a wind up period applicable to the class of employees whose employment or Plan membership terminated from November 10, 2007, to November 16, 2010, would ensure that all members affected by the closure of this business would be granted rights under the PBA that are applicable in full plan wind up circumstances, and an equitable distribution of Plan funds could occur. We look forward to the Superintendent's approval.

Yours truly,

MORNEAU SHEPELL LTD.

In its capacity as Administrator for the
Retirement Plan for Employees of Northern
Sawmills Inc. and not in its personal capacity



Per: B. Bethune A. Whiston
Partner

c. Mark Bailey, Counsel, Financial Service Commission of Ontario

Attachments:

Appendix A – Plan Provisions for Wind Up

Appendix B – PBA Provisions

Appendix C – Plan History Summary

Appendix D – Membership Termination Details

Appendix E – Administrator's Checklist – Notice of Proposal to Order Plan Wind Up

Appendix A

Plan Provisions for Wind Up

The following provisions reproduced verbatim from Section 13 – Future of the Plan, from the Plan text:

“13.1 Continuation of the Plan

While it is the present intention of the Company to maintain the Plan in force indefinitely, the Company necessarily reserves the right to amend or discontinue the Plan in whole or in part at any time in such a manner and to such and extent as the Company may deem advisable. In such event the liability of the Company shall be limited to its obligations as prescribed the Applicable Legislation up to the date of such amendment or discontinuance.

13.3 Termination of the Plan

In the event that the Plan is terminated at any time or contributions thereunder discontinued, all Members (excluding Former Members at the date of the Plan termination) shall be immediately fully vested. The Earned Benefit shall be applied for the benefit of Members in accordance with Applicable Legislation, in such a manner and order of priority as may be recommended by the Actuary, approved by the Company and subject to Maximum Pension as described in Section 6 hereof and the prior approval of the applicable provincial authorities. A member whose age plus Employment or Plan membership equals at least 55, at the effective date of the Plan termination shall have the right to receive a pension as outlined in the Ontario Pension Benefits Act, R.S.O. 1990. A Member who is entitled to a pension benefit shall also be entitled to the portability of benefits outlined in Section 8. The Company also reserves the right to purchase through the policy fund, established pursuant to the terms of the Plan, annuity contracts from an insurance company licensed to do business in Canada, in respect of Members, former Members, Retired Members, their respective estates, Spouses and Beneficiaries in accordance with their respective shares.

Any surplus remaining after the satisfaction of all liabilities to members shall be refunded to the Company subject to the prior written approval of the applicable provincial authorities.

In the event that the Plan is terminated in part only, the rights of the Members and their beneficiaries affected shall not be less than what they would have been if the whole of the Plan had been terminated on the same date as the partial termination.”

Appendix B

PBA Provisions

The following PBA provisions affect the wind up of the Plan:

a. Wind Up Definition

Section 1 of the PBA defines the term “wind up” as follows:

“wind up” means the termination of a pension plan and the distribution of the assets of the pension fund;

b. Superintendent’s Wind Up Order

Subsection 69(1) of the PBA provides as follows:

The Superintendent by order may require the wind up of a pension plan in whole or in part if,

- a) there is a cessation or suspension of employer contributions to the pension fund;*
- b) the employer fails to make contributions to the pension fund as required by this Act or the regulations;*
- c) the employer is bankrupt within the meaning of the Bankruptcy and Insolvency Act (Canada);*
- d) a significant number of members of the pension plan cease to be employed by the employer as a result of the discontinuance of all or part of the business of the employer or as a result of the reorganization of the business of the employer;*
- e) all or a significant portion of the business carried on by the employer at a specific location is discontinued;*
- f) all or part of the employer’s business or all or part of the assets of the employer’s business are sold, assigned or otherwise disposed of and the person who acquires the business or assets does not provide a pension plan for the members of the employer’s pension plan who become employees of the person;*
- g) the liability of the Guarantee Fund is likely to be substantially increased unless the pension plan is wound up in whole or in part;*
- h) in the case of a multi-employer pension plan,*
 - (i) there is a significant reduction in the number of members, or*
 - (ii) there is a cessation of contributions under the pension plan or a significant reduction in such contributions; or*
- i) any other prescribed event or prescribed circumstance occurs.*

c. Date for Wind Up

Subsection 69(2) of the PBA provides as follows:

In an order under subsection (1), the Superintendent shall specify the effective date of the wind up, the persons or class or classes of persons to whom the administrator shall give notice of the order and the information that shall be given in the notice.

Appendix C

Pension Plan for Employees of Northern Sawmills Inc. Plan History Summary

Effective May 16, 1989, Northern Wood Preservers Inc. established a pension plan for all of its employees. On March 16, 1993 the pension plan was amended to change the company name from Northern Wood Preservers to Northern Sawmills Inc. (the "Company"). The Plan included unionized and non-unionized employees.

A number of amendments were made to the Plan to upgrade benefits and incorporate changes to the Income Tax Act and effective January 1, 2001, the Plan was restated to incorporate all amendments to date.

In February 2008, the Company filed an amendment to the Plan to cease participation of the non-unionized employees and attempted to establish a separate plan for the non-unionized employees effective June 1, 2007.

On March 29, 2010, the Superintendent of Financial Services (the "Superintendent"), issued a Notice of Proposal to wind up the Hourly Plan effective January 1, 2008. On September 2, 2010, the Superintendent ordered that the Hourly Plan be wound up effective January 1, 2008. On March 29, 2010, the Superintendent issued a Notice of Proposal under section 18(1)(a) of the PBA to refuse to register the Salaried Plan. On May 11, 2010, CRA wrote to the Company accepting the Salaried Plan for registration effective January 1, 2008. The Salaried Plan could not be registered effective June 1, 2007, since the application for registration was received by CRA subsequent to December 31, 2007. On September 2, 2010, pursuant to the Notice of Proposal dated March 29, 2010, the Superintendent ordered that the Salaried Plan registration be revoked.

On March 11, 2011 Morneau Shepell Ltd. ("Morneau") was appointed the administrator of the Hourly Plan pursuant to section 71(1) of the PBA.

On August 3, 2011 Morneau was appointed the administrator of the Salaried Plan pursuant to section 71(1) of the PBA.

Appendix D
Pension Plan for Employees of Northern Sawmills Inc
Membership Termination Details since May 31, 2007

Date of Terminations	Number of Terminations	Comments
2007		
June	7	
July	17	
August	24	
September	6	
October	2	
November	70	69 on November 10, 2009
December	4	
2008		
January to June	7	
July	29	
August	10	
September	20	
October	1	
November	9	
December	1	
2009		
January	3	
February	2	
March	2	
April	5	
May	2	
June	1	
July	2	

August	2	
September	6	
October	1	
November	7	
December	6	
2010		
January	2	
February	2	
March	1	
April	1	
May	1	
June	0	
July	64	All remaining unionized employees (July 6 is from the WEPPA decision applicable to unionized employees and has been applied where no other data was available)
August - October	0	
November	19	All remaining non-unionized employees (Nov. 16 is the last date where data was available for non-unionized employees)
Total Terminations	336	

APPENDIX E

Financial Services Commission of Ontario
5160 Yonge Street, P.O. Box 85
Toronto, Ontario M2N 6L9

**ADMINISTRATOR'S CHECKLIST
NOTICE OF PROPOSAL TO ORDER PLAN WIND UP**

Please complete the following and submit it to the Insolvency Coordinator for the plan:

I. PLAN / EMPLOYER INFORMATION

1. LEGAL NAME OF PLAN (*As defined in plan text*):
Retirement Plan for the Employees of Northern Sawmills Inc.

2. REGISTRATION NUMBER: **00978270**

3. LEGAL NAME AND ADDRESS OF EMPLOYER:

Name: **Northern Sawmills Inc.**

Address: **1 Maureen Street
P.O. Box 29039
Thunder Bay, ON P7B 6P9**

Contact: **H. D. Mercer** Title: **Secretary Treasurer**

Telephone: **(807) 343-6530** Fax: **(807) 344-4158**

4. ARE THERE ANY PARTICIPATING EMPLOYERS? No () Yes ()
If YES,

5. DO PLAN MEMBERS BELONG TO A UNION? No () Yes () If YES:

Name: **Communications, Energy and
Paperworkers Union of Canada ("CEP")
Local 38X**

Address: **516 South High Street, Thunder
Bay, ON P6B 3M3**

Contact: **Jesse Kugler, Counsel to CEP,
Caley Wray, 1600 65 Queen St. West, Toronto,
ON M5H 2M5**

Title:

Telephone: **(416) 775-4677**

Fax: **(416) 366-3293**

6. IS (ARE) THE EMPLOYER(S) IN RECEIVERSHIP? No () Yes ().

If YES, attach Appointment(s) of Receiver(s). If more than one Receiver, please provide the following information with respect to each one (if space provided is insufficient, please attach a separate sheet of paper):

Name: **PricewaterhouseCoopers**

Address: **18 York Street, Suite 2600,
Toronto ON M5J 0B2**

Contact: **Greg Prince**

Title:

Telephone: **(416) 814-5752**

Fax: **(416) 814-3210**

Date of Receiver appointment: **January 4, 2011**

Has the Receiver been discharged? No Yes

7. IS (ARE) THE EMPLOYER(S) BANKRUPT? No Yes

A. If YES, attach Receiving Order or Assignment in Bankruptcy with respect to each Employer, and provide the following information with respect to each Trustee (if space provided is insufficient, please attach a separate sheet of paper):

Name:

Address:

Contact:

Title:

Telephone: (

Fax:

Has the Trustee in Bankruptcy been discharged?: No Yes N/A

If Yes, attaché Order of Wind Up and provide:

Full Name and address of Provisional Liquidator: N/A

Name:

Address:

Contact:

Title:

Telephone:

Fax:

Date of Employer wind up:

II. PLANS WIND UP DATE

8. GROUND(S) FOR ORDERING WIND UP: *Please check appropriate ground(s):*

- Cessation or suspension of employer contributions to the pension fund;
- Failure of employer to make contributions to the pension fund as required by the Act or the regulations;
- The employer is bankrupt within the meaning of the *Bankruptcy Act*;
- A significant number of members have ceased to be employed by the employer as the result of the discontinuance or reorganization of all or part of business of the employer;
- All or a significant part of the business has been discontinued at a specific location;
- All or part of the business has been sold and the successor employer does not provide a pension plan for the employees acquired.

9. DATE OF TERMINATION OF LAST MEMBER OF THE PLAN: **2010 / 11 / 16** YYYY/ MM/ DD

10. DATE OF TERMINATION OF THE FIRST MEMBER OF THE PLAN DUE TO A REASON STATED IN 8. ABOVE: 2007 / 11 / 10
11. DATE OF BANKRUPTCY: / /
12. STATUS OF CONTRIBUTIONS:
- Employee contributions were deducted for the period ending: N/A
- Employee contributions were remitted for the period ending: N/A
- Employer contributions were remitted for the period ending: 2010/ 02/ 28
13. PROPOSED DATE OF WIND UP: 2010/ 11/ 16
14. PRIOR TO THE PROPOSED WIND UP DATE, DID ANY OF THE EVENTS LISTED IN QUESTION 8 OCCUR WITH RESPECT TO PART OF THE PENSION PLAN?
No (X) Yes ()
- If YES, please specify the event(s):*
- IF YES, HAS THERE BEEN A PARTIAL WIND UP OF THE PLAN? NO () YES ()
15. PERSONS TO BE INCLUDED IN PROPOSED WIND UP:
- (X) Members, former members and others with an entitlement under the plan at the proposed wind up date
- (X) Members, former members and others with an entitlement under the plan during the period 2007/ 11/ 10 to 2010/ 11/ 16
- () Other (please describe)
16. HAVE ANY SUBMISSIONS OR LEGAL OPINIONS BEEN PROVIDED TO THE PLAN ADMINISTRATOR WITH RESPECT TO THE WIND UP DATE OR THE PERSONS TO BE INCLUDED IN THE WIND UP? No (X) Yes ()
- If YES, please attach copies of all the documents.*

ADDITIONAL COMMENTS:

III. DECLARATION OF PENSION PLAN ADMINISTRATOR

I certify that:

- a) I am the duly appointed Administrator of this pension plan
- b) The information shown on this checklist is, to the best of my knowledge and belief, complete, true and correct

*Morneau Shepell Ltd. in its capacity
 as Administrator for The Retirement Plan
 for Employees of Northern Sawmills Inc. and not in its personal capacity*

Signature	Date		
<i>Per: [Handwritten Signature]</i>	Year 2011/	Month 11/	Day 18
Name (Please Print) Bethune Whiston	Title/Firm Partner, Morneau Shepell		



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.

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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

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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;

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- (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*

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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

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- (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.

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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.

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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,

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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

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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,

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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

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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.

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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.

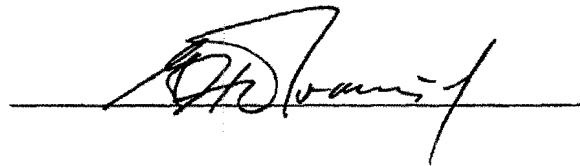
27. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized 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

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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:

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.

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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

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TAB J

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BY EMAIL & COURIER

September 6, 2012

Mr. Larry Falconer
Insolvency Coordinator
Financial Services Commission of Ontario
Pension Plans Branch
4th Floor, 5160 Yonge Street
Toronto, Ontario, M2N 6L9

Dear Mr. Falconer:

Re: Retirement Plan for Union Employees of Northern Sawmills Inc. (Registration Number 0978270 (the "Hourly Plan") and Retirement Plan for Employees of Northern Sawmills Inc. Registration Number 1192400) (the "Salaried Plan")

We are in receipt of your letter dated November 29th, 2011. In it you invite written submissions on behalf of the Superintendent from our client, GE Canada Equipment Financing G.P. ("GE"), the principle secured creditor of Northern Sawmills Inc. ("Northern"), and others on a November 18, 2011 letter from Bethune Whiston of Morneau Shepell Ltd. to Jai Persuad (the "Morneau Letter"). The Morneau Letter recommends, *inter alia*, that the Superintendent (i) amend the final order he issued on September 2, 2010 (the "Superintendent's Order") to move the wind-up date of the Hourly Plan from January 1, 2008 to November 16, 2010 and (ii) "merge" the Salaried Plan and Hourly Plan.

We thank you for the opportunity to make these submissions; however, we are of the view that the process initiated by the Superintendent in response to the Morneau Letter is a "Proceeding" within the meaning of paragraph 7 of the Order appointing the Receiver in respect of Northern dated January 4, 2011 (the "Receivership Order") and that such Proceeding is stayed pursuant to paragraph 8 of the Receivership Order.

As we view this Proceeding as being stayed, we do not think it necessary at this time to make submissions on the particulars of the Morneau Letter; however, without prejudice to our above noted view and any other position we may take in the future, at a high level we note the following:

1. With respect to the Hourly Plan, we are somewhat troubled that the Superintendent would entertain the recommendations contained in the Morneau Letter that request the Superintendent to, in essence, rescind or amend a final order issued by him over

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a year earlier. This was an order that was made after a Notice of Proposal ("NOP") was issued and the appeal procedure set out in the *Pension Benefits Act* (the "PBA") was followed.¹ The certainty that accompanies an order issued by the Superintendent particularly after the appeal mechanism under the PBA was utilized should be respected. We see no provision of the PBA authorizing the Superintendent to revisit final orders, nor does any other provision of the PBA permit the Superintendent to change the wind-up date of a pension plan in these circumstances.² Absent the express statutory authority to amend a final order, the longstanding common law principle that final orders may not be altered in all but the most blatant cases of mistake or fraud, and the doctrine of *functus officio* should apply to prevent the Superintendent from revisiting an order. As the Morneau Letter does not allege any sort of mistake or fraud, nor is there any evidence of any mistake or fraud, in our view the Superintendent is without the authority to rescind or amend the Superintendent's Order.

2. In the alternative, even if the Superintendent does have the authority to change an order issued by him, in our view the Superintendent should not do so in this case for the following reasons:
 - a. We view the rescinding or amending of an order issued by the Superintendent as an extraordinary request that should only be entertained in the most extraordinary of circumstances where, by virtue of facts or circumstances that were unknown to the Superintendent at the time of the original order being issued, the Superintendent's order is rendered unreasonable. In the present circumstances, no new information has come to light since September 2, 2010 that would render the Superintendent's Order unreasonable. The facts as we understand them are as follows:
 - i. The Superintendent's Order was made pursuant to ss.69(1)(a) and (b) of the PBA (cessation or suspension of employer contributions, and employer failure to make contributions as required by the PBA and regulations, respectively).
 - ii. As of January 1, 2008, Northern had, in fact, suspended its contributions to the Hourly Plan and had, in fact, not been contributing to the Hourly Plan as required by the PBA and regulations.

¹ On April 28, 2010 Northern Sawmills filed a request for a hearing before the FST. This request was then withdrawn on August 18, 2010.

² Subsection 68(6) permits the Superintendent to change the wind-up date of a pension plan only in such circumstances where the employer has set a wind-up date and the Superintendent is of the view that there are reasonable grounds for it to be changed. It does not authorize the Superintendent to rescind or amend an order issued pursuant to subsection 69(1) or to change the date contained in such order as provided for in subsection 69(2).

- iii. At no point after January 1, 2008, or indeed after September 2, 2010, did Northern correct its contribution deficiency or become current with its contributions to the Hourly Plan.
 - iv. The Morneau Letter does not present any information that would contradict the findings of fact made by the Superintendent in the Superintendent's Order.
- b. Morneau's objection to the January 1, 2008 wind-up date appears to be grounded in the fact that some employees continued to work during the period from January 1, 2008 to November 16, 2010. This is not a new fact. Ample evidence that employees continued to work post-January 1, 2008 was before the Superintendent when the original order was made.³ Further, as the reasons contained in the Superintendent's Order were not based in any part on employees having ceased to be employed by Northern, we do not consider the fact that employees continued to work post-January 1, 2008 relevant for this purpose.
 - c. We note the precedent that would be set with respect to the Superintendent's authority should the Superintendent accept the recommendations contained in the Morneau Letter. Specifically, point 7 on page 6 of the Morneau Letter implies that the Superintendent's decision to wind-up the Hourly Plan effective January 1, 2008 was unreasonable because employees continued to work post-January 1, 2008 notwithstanding that Northern had, in fact, suspended contributions to the Hourly Plan on several occasions and had not been making contributions as required by the PBA. If this proposition is accepted, the ability of the Superintendent to make orders with retroactive wind-up dates pursuant to ss. 69(1)(a) or (b), or indeed ss. 69(1)(g), would be called into question where members of a pension plan continue to work; subsections 69(1)(a), (b) and (g) would essentially be meaningless.
3. One of the consequences of granting Morneau's request to move the wind-up date of the Hourly Plan from January 1, 2008 to November 16, 2010 would be to increase the amount of normal cost arrears owing to the Hourly Plan, thus increasing the quantum of the claim we understand Morneau intends make pursuant to s.81.6 of the *Bankruptcy and Insolvency Act* (the "BIA"). Without commenting on the validity of any such claim, we recognize that it may be tempting for Morneau to seek additional funding for the Hourly Plan; however, additional funding gained as a result of the Superintendent amending or rescinding a final order would have serious consequences in terms of the integrity and reliability of every order made by the Superintendent. Employers, administrators, plan members, and creditors should be entitled to rely on an order made by the Superintendent without concern that it will be amended or rescinded months or years after the fact. GE, an arm's length third party lender to Northern, advanced funds to Northern following the

³ The May 1, 2009 actuarial valuations indicated that some employees continued to accrue service under the Hourly Plan after January 1, 2008.

Receivership Order based on a set of facts, one of which was that the Hourly Plan had been wound-up effective as of January 1, 2008 by order of the Superintendent. GE should be entitled to rely on the Superintendent's Order. We are unaware of any other instance where the Superintendent has revisited a final order and trust that the Superintendent is mindful of the precedent that would be set in doing so here.

4. With respect to the Salaried Plan, it is not entirely clear to us what the Morneau Letter is proposing. The recommendation that "the Hourly Plan and Salaried Plan be wound-up as one plan" ignores the reality that that are, in fact, two separate pension plans that were, if not at least temporarily, registered with FSCO and CRA. Moreover, assets relating to each plan are separately held. In order to achieve the result implicit in the recommendation in the Morneau Letter in addition to having rescinded the Salaried Plan's registration effective June 1, 2007, the Superintendent would have to (i) refuse to register or revoke the registration of the amendment to the Hourly Plan that caused the members of the Salaried Plan to cease to participate in the Hourly Plan, (ii) credit service accrued under the Salaried Plan to the Hourly Plan, and (iii) transfer the funds held in connection with the Salaried Plan to the Hourly Plan. We have several difficulties with respect to this recommendation:
 - a. It is not clear to us on what grounds the Superintendent would refuse or revoke the registration of the amendment to the Hourly Plan causing the Salaried Plan members to cease to participate in the Hourly Plan. Salaried Plan members did, in fact, cease to participate in the Hourly Plan and, in fact, commenced participation in the Salaried Plan.
 - b. It is also not clear to us what the tax status of the funds held in connection with the Salaried Plan would be, nor is it clear to us how a transfer of those funds would be effected in accordance with the *Income Tax Act*. There is an argument that such funds are ultimately funds of Northern and are thus available to Northern's creditors. In any event, it is not obvious to us that tax and other rules have been considered as they are not mentioned in the Morneau Letter.
 - c. We note that currently, PBGF coverage is not available in respect of benefits accrued under the Salaried Plan as it is not registered under the PBA (see section 83(2)(a)). It is not clear to us that it would be possible to circumvent section 83(2)(a) of the PBA merely by transferring the liabilities under the Salaried Plan to the Hourly Plan.

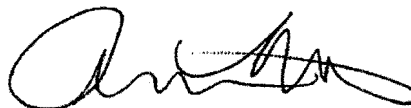
In any event, should the Superintendent (and presumably CRA) ultimately agree to treat the Hourly Plan and Salaried Plan as one pension plan, we note that all amounts contributed to the Salaried Plan fund were contributed in respect of normal cost and should be characterized as such for the purposes of any claim made pursuant to s. 81.6 of the BIA.

5. Finally, we have not been privy to any analysis as to what the effects of implementing the recommendations contained in the Morneau Letter might be on all

members of both the Hourly Plan and Salaried Plan. Given Morneau's dual role and as the administrator of each of the Hourly Plan and Salaried Plan, we would expect that an analysis has been undertaken of whether (a) the members of the Hourly Plan are better off with the Salaried Plan members being reintroduced into the Hourly Plan, (b) the Salaried Plan members are better off being reassigned to the Hourly Plan, and (c) some members of the Hourly Plan are "winners" and "losers" as a result of moving the wind-up date out nearly 3 years and crediting additional service to those individuals who worked during the period from January 1, 2008 to November 16, 2010 (thus adding liabilities to the Hourly Plan and changing the date on which plan liabilities are measured).

We trust the foregoing is of some assistance to you and to the Superintendent. Should you have any questions or comments on the above, please do not hesitate to contact me.

Yours truly,



Andrea Boctor

cc. Liz Pillon, *Stikeman Elliott LLP*
Jennifer Guerard, *GE Capital, Canada*
Michael Pisani, *GE Capital, Canada*
Greg Prince, *PricewaterhouseCoopers LLP*
Mark Bailey, *Financial Services Commission of Ontario*
Bethune Whiston, *Morneau Shepell Ltd.*
Tracy Sandler, *Osler, Hoskin & Harcourt LLP*
Tony Devir, *Osler, Hoskin & Harcourt LLP*

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 416.862.6666 FACSIMILE

OSLER

Toronto

September 6, 2012

Montréal

Anthony Devir
 Direct Dial: 416.862.4221
 adevir@osler.com
 Our Matter Number: 1127320

Ottawa

SENT BY ORDINARY MAIL AND E-MAIL

Calgary

Superintendent of Financial Services
 Financial Services Commission of Ontario
 Pension Plans Branch
 4th Floor, 5160 Yonge Street
 Toronto, ON M2N 6L9

New York

Dear Sirs/Mesdames:

Retirement Plan for Union Employees of Northern Sawmills Inc., Registration No. 0978270 (the "Hourly Plan") and Retirement Plan for Employees of Northern Sawmills Inc., Registration No. 1192400 (the "Salaried Plan")

We write in response to the letter from Larry Falconer, Insolvency Co-ordinator at FSCO, dated November 29, 2011 inviting written submissions on the recommendations made by Morneau Shepell, the administrator of the Hourly Plan and the Salaried Plan (collectively the "Plans") in their letter dated November 18, 2011 to Jai Persaud, Co-ordinator Insolvencies at FSCO, and Mr. Persaud's further letter dated August 21, 2012 to Mr. Gregory Prince, Senior Vice President, PricewaterhouseCoopers Inc. extending the deadline for submissions to September 6, 2012.

We are counsel to PricewaterhouseCoopers Inc., the Court-appointed receiver of Northern Sawmills Inc. (the "Receiver"). The Receiver was appointed as such pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on January 4, 2011 (the "Receivership Order"). In such capacity, we set out below submissions made on behalf of the Receiver.

At the outset we note that we have had an opportunity to review the submissions made on behalf of GE Canada Equipment Financing G.P. ("GE"), the principal secured creditor of Northern Sawmills Inc. and we endorse and adopt the points made in those submissions (the "GE Submissions"). To supplement those points we have the following comments, which are made without prejudice to any other position that the Receiver may take, or the rights and remedies that the Receiver may have in this matter.

Stay of Proceedings

On a preliminary basis, we note that if the Superintendent was to issue an order changing the wind-up date for the Hourly Plan, as recommended by Morneau, such action may be a "proceeding" as contemplated by paragraphs 7 and 8 of the Receivership Order, and

OSLER

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FSCO could be caught by the stay of proceedings created therein. Indeed Morneau's actions in starting the process by recommending that the Superintendent issue such an order and the Superintendent inviting submissions on the point, may also constitute a "proceeding" caught by the stay of proceedings contained in the Receivership Order, in which case, Morneau would be presently in breach of the Receivership Order. Prior to taking any further steps, including issuing an order, it is the Receiver's position that Morneau (or alternatively, the Superintendent) must seek the leave of the Court in the existing receivership proceedings to regularize the FSCO proceeding.

Without prejudice basis to our position that the Superintendent and Morneau are stayed from pursuing Morneau's request for an order changing the wind-up date or taking any further action in this regard without first seeking an order from the Court to lift the stay of proceedings, we make the following submissions:

1. The Superintendent Has No Jurisdiction

The PBA sets out a clear legislative scheme regarding the Superintendent's role with respect to plan wind-ups initiated by employers (dealt with in section 68 of the PBA) and those ordered by the Superintendent (dealt with in section 69 of the PBA). With respect to setting the wind-up date, where the wind-up is initiated by the employer, the Superintendent is granted the power to change the wind-up date (section 68(2) of the PBA), subject to the notice and appeal process set out in section 89 of the PBA.

Where the Superintendent orders the wind-up of a plan, the legislation requires the Superintendent to specify the effective date of the wind-up (section 69(2) of the PBA). Before ordering a wind-up, the Superintendent is required to provide notice before the proposed action can be carried out and an appeal process is provided for (see section 89 of the PBA). Indeed, in this case in response to the Notice of Proposal to order the wind-up of the Hourly Plan effective January 1, 2008, Northern Sawmills (the employer and administrator of the plan at the relevant time) availed itself of the appeal process and requested a hearing before the Financial Services Tribunal. That appeal process was concluded when Northern Sawmills withdrew its request for a hearing.

We note that the appeal process under the PBA is a pre-emptive appeal process – the appeal takes place before the decision is made rather than after the decision is made. That appeal process encompasses the date chosen by the Superintendent for the effective date of the wind-up. The PBA does not provide for any appeal from a decision of the Superintendent once the decision has been made – the decision once made is final.

Unlike with respect to wind-ups initiated by the employer, the legislative scheme does not confer on the Superintendent the power to *change* the effective date of a wind-up ordered by the Superintendent. Notably, not only is there no legislative provision conferring on the Superintendent the power to change the effective date of wind-up

OSLER

Page 3

which he originally set, but the notice and appeal mechanisms under section 89 do not provide for the possibility of an appeal in such a situation. It is inconceivable that the Superintendent would have the power to change a wind-up date he set himself without any notice or appeal mechanism. This reinforces the conclusion that the Superintendent ought not to change the effective date of wind-up which he originally set.

2. The Need for Certainty and Finality

The interests of justice require that all parties affected by a decision must be able to treat the decision as final (once appeals, if any, have been dealt with). If the Superintendent was able to change the effective date of the wind-up of the Hourly Plan which the Superintendent had originally ordered, this would set a precedent and call into question the finality of decisions made by the Superintendent. The lack of certainty regarding the finality of decisions made by the Superintendent will place an unreasonable burden on any third parties who need to, or wish to, act in accordance with decisions of the Superintendent.

Moreover if the Superintendent's decision is never final this will encourage perpetual litigation on any contentious issues. A direct (or collateral) attack could be launched against any decision of the Superintendent (even after the appeal process provided for under the PBA has been undertaken and completed) simply by requesting the Superintendent to make an order that changed either the entire previous decision or a component of that decision.

In addition, Morneau's request for a changed wind-up date is being made in the context of a receivership. The date that the Receivership Order was made by the Court is the critical date in the administration of the receivership estate. That date is relied on by the Receiver, as well as by stakeholders. It is necessary to have a 'date certain' in a receivership. This ensures a level playing field for all participants including secured and unsecured creditors, employees, taxing authorities, regulators, and even prospective purchasers. The Receiver requires certainty in order to assess claims, determine reserves, and effect distributions to creditors.

As such, in particular, the Receiver must know that the Orders of the Superintendent are final in order to carry out its duties and administer the receivership estate. We note that at the time of the making of the Receivership Order, the Receiver and the key stakeholders knew that the wind up order had been issued, that the debtor had withdrawn its appeal and that no mechanism remained to change the dates. We understand that this information was taken into account by GE when it determined to fund the receivership. To change the wind up date so many months later would be to create an intolerable and detrimental uncertainty in this estate and every other receivership in which a pension plan was being wound up before the Receiver was appointed.

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3. Plan Members Affected Differently

We note that changing the wind-up date for the Hourly Plan to a date that is almost 3 years later than the date originally specified by the Superintendent will have an impact on all plan members. Specifically, we note:

- Plan members who continued in employment beyond the current wind-up date will accrue additional benefits thereby increasing the liabilities under the Hourly Plan.¹
- An extension of the wind-up date could also allow more plan members to qualify for “grow-in” benefits. The associated additional liabilities would, however, not be covered by any current service cost payments.
- Retirees as of the current wind-up date will continue to receive pension payments for another 35 months with no reduction to take into account the underfunded status of the pension plan adjustments that would otherwise be made effective from the current wind-up date.
- For all plan members, there may be a difference in the prescribed assumptions to be used as of the current wind-up date and the proposed wind-up date.

It is inevitable that the combined effect of those changes will produce the result that some members of the Hourly Plan would be better off with a change in the wind-up date and some would be worse off. It follows that even if the Superintendent had the power to change the wind-up date, the Superintendent would be faced with a situation where there would be competing interests of different groups of members of the Hourly Plan. In our submission, principles of equity and fairness would require the Superintendent to consider the impact on each group of plan members before issuing any notice of intended decision to change the effective date of the wind-up.

Furthermore, in our submission, even if the Superintendent has the power to change the wind-up date for the Hourly Plan, the Superintendent should not do so and thereby give preferential treatment to one group of members over another group, without a full


¹ The super priority claim relating to current service costs will not necessarily cover the additional benefits created. It is not clear that any such super priority claim would cover interest on current service costs, particularly where the current service cost obligations do not exist until the Superintendent changes the wind-up date. Moreover, after the current service costs are paid into the Plan the earnings on plan assets will inevitably be less than the rate assumed in the current service cost calculation, leading to an actuarial loss to the Hourly Plan.

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analysis of how the change will impact each group and without a strong justification being provided for doing so (neither of which to our knowledge have been provided).

Yours very truly,



Anthony Devir
Partner
AD:TS:vc

c: Larry Falconer, *Financial Services Commission of Ontario*
Mark Bailey, *Financial Services Commission of Ontario*
Greg Prince, *PricewaterhouseCoopers LLP*
Bethune Whiston, *Morneau Shepell Ltd.*
Andrea Boctor, *Stikeman Elliott LLP*
Elizabeth Pillon, *Stikeman Elliott LLP*
Tracy Sandler, *Osler, Hoskin & Harcourt LLP*

TAB L

Paterson, Mary

From: Brotman_Stuart [sbrotman@fasken.com]
Sent: Tuesday, November 06, 2012 9:22 AM
To: Sandler, Tracy
Cc: gregory.n.prince@ca.pwc.com; Young, Shireen; Paterson, Mary; Devir, Tony; Bethune Whiston (bwhiston@morneaushepell.com); Lawrence J. Swartz (lswartz@morneausobeco.com)
Subject: RE: Northern

Tracy,

We provide the following responses to the questions posed in your below email. Note that the information is being provided solely in response to your questions and that the position of Morneau Shepell as administrator with respect to the wind up of the hourly and salaried pension plans continues to be that they should be wound up as one as of November 16, 2010.

Hourly Plan

With respect to the question 1) related to the Hourly Plan, if January 1, 2008, is the wind-up date, the Morneau Shepell actuaries have determined that there were no unpaid normal cost contributions with respect to the period prior to January 2008 for Hourly members. Question 2), and we assume Question 3), do not require answers based on our answer for Question 1).

Salaried Plan

4) The latest termination date for non-unionized employees was November 16, 2010, based on the fact that November 16, 2010, was the last date where data was available to us in respect of non-unionized employees. If you have additional information, we would appreciate receiving it.

5) Total unpaid normal cost contributions for the non-unionized employees at November 16, 2010, has been calculated by the Morneau Shepell actuaries to be \$147,732 (\$135,615 plus interest).

6) Total contributions made by Northern Sawmills for non-unionized employees:

August 2008	\$78,331
May 2009	39,941
February 2010	6,468
Total	\$124,740

Of the above, contributions of \$30,563 were attributed to normal cost contributions.

7) The interest rate used to calculate the interest owing on the Salaried Normal Cost Deficiency was 5.5% for Fiscal 2008 and 5.0% per annum thereafter. These rates were applied, respectively, from the middle of the period in respect of which the various amounts were owing, up to January 3, 2011, the day before the company went into Receivership. The amount of interest claimed is \$12,117.

We would be pleased to discuss the foregoing if you wish.

Stuart

Stuart Brotman | Partner

T. +1 416 865 5419 | M. +1 416 457 5226 | F. +1 416 364 7813
sbrotman@fasken.com | <http://www.fasken.com/en/stuart-brotman>

Fasken Martineau DuMoulin LLP
 333 Bay Street, Suite 2400, Toronto, Ontario M5H 2T6



VANCOUVER CALGARY TORONTO OTTAWA MONTREAL QUÉBEC CITY LONDON PARIS JOHANNESBURG

From: Sandler, Tracy [mailto:TSandler@osler.com]
Sent: October-22-12 5:53 PM
To: Brotman_Stuart
Cc: gregory.n.prince@ca.pwc.com; Young, Shireen; Paterson, Mary; Devir, Tony
Subject: Northern

Stuart,

Further to our discussion earlier today, I confirm we are seeking to adjourn our motion scheduled for October 31 to November 19th. We are waiting for confirmation from the Court. We are hoping to provide you with the draft materials this week.

Meanwhile, the Receiver is seeking certain information from Morneau in advance of the motion (and preferably in advance of finalizing its materials).

The information provided by Morneau in support of the claim under section 81.6 of the BIA appears to be predicated on the assumption that the Superintendent will change the wind-up date for the Hourly Plan to November 16, 2010 and will combine the Hourly Plan and Salaried Plan. Accordingly it appears that the information provided amalgamates the information relating to the Hourly Plan and the Salaried Plan and does not separate out the information into amounts payable before the current wind-up date for the hourly Plan and amounts payable after that date. The Receiver requests further information from Morneau, namely:

Hourly Plan

- 1) What amount of normal cost (within the meaning of section 2(1) of the Pension Benefits Standards Regulations) was Northern required to pay with respect to the Hourly Plan for the period before January 1, 2008 that had not been paid as of January 1, 2008 (the "Hourly Normal Cost Deficiency")? Morneau had previously advised that there was no unpaid normal cost with respect to the period prior to January 2008 but we would like confirmation.
- 2) If any normal cost for any period prior to January 1, 2008 is owing and if Northern made any contributions to the Hourly Plan after the date such normal cost contributions were due, what total contributions did Northern make to the Hourly Plan after the date such normal cost contributions were due and when were such contributions made, whether before or after January 1, 2008? Of the amount so contributed if such amount was allocated between normal cost required contributions and required special payments what is the basis for such allocation and with respect to any amounts contributed to the hourly Plan after January 1, 2008, how is the amount so contributed allocated towards amounts owing prior to January 1, 2008?

- 3) If Morneau alleges that interest is owing on the Hourly Normal Cost Deficiency, what rate of interest is used, to what period is that interest rate applied, and what quantum does Morneau claim?

Salaried Plan

- 4) What is the latest possible termination date that the Superintendent can select for the Salaried Plan based on the last date on which a beneficiary of the Salaried Plan worked for Northern (the "Latest Possible Salaried Termination Date")? We believe based on Appendix D to Morneau's November 18, 2011 submission to FSCO that this date is November 16, 2010 but we would like confirmation.
- 5) What amount of normal cost (within the meaning of section 2(1) of the Pension Benefits Standards Regulations) was Northern required to pay with respect to the Salaried Plan for the period before the Latest Possible Salaried Termination Date that had not been paid as of the Latest Possible Salaried Termination Date (the "Salaried Normal Cost Deficiency"), taking into account the contributions to the Salaried Plan made in August 08, May/09 and February/10 previously reported by Morneau?
- 6) What total contributions did Northern make to the Salaried Plan? Morneau has previously reported that contributions to the Salaried Plan were made in August 08, May/09 and February/10 but we would like confirmation of the amounts and timing of payments. Of this amount, how much does Morneau deduct from the amount of normal cost Northern was required to pay when Morneau is calculating the Salaried Normal Cost Deficiency?
- 7) If Morneau alleges that interest is owing on the Salaried Normal Cost Deficiency, what rate of interest is used, to what period is that interest rate applied, and what quantum does Morneau claim?

It is our understanding that because Morneau completed detailed calculations on its proposed approach to the Pension Plans already, it should not require too much time or effort to provide the information requested. Please let us know when your client will be able to provide the requested information.

We look forward to hearing from you and to receiving the additional information requested.

Best regards, Tracy

OSLER

Tracy C. Sandler
Partner & Chair, Insolvency & Restructuring

416.862.5890 DIRECT
416.560.6523 MOBILE
416.862.6666 FACSIMILE
tsandler@osler.com

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8

TAB M

PROOF OF CLAIM
(see reverse for instructions)

IN THE MATTER OF THE BANKRUPTCY (OR THE PROPOSAL OR RECEIVERSHIP) OF

Northern Sawmills Inc. (referred to in this form as "the debtor")
and the claim of Morneau Shepell Ltd. in its capacity as the administrator of the Retirement Plan for Northern Sawmills Inc., # 0978270 (referred to in this form as "the creditor") Employees of

All notices or correspondence regarding this claim to be forwarded to the creditor at the following address:
Morneau Shepell Ltd., 895 Don Mills Rd., Suite 700, One Morneau Square Centre, Toronto, ON M3C 1W3 Attn: Bethune Whiston

Telephone: 416-383-6436 Fax: 416-445-7989

I, Bethune Whiston (name of person signing claim) residing in the City of Toronto (city, town, etc.) in the Province of Ontario

Do hereby certify that:

If an officer of the company, state position or title.

We are I am the creditor or I am of the creditor (state position or title)

The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.

1. I have knowledge of all the circumstances connected with the claim referred to below.
2. The debtor was, at the date of bankruptcy (or the date of the receivership, or in the case of a proposal, the date of the notice of intention or of the proposal, if no notice of intention was filed), namely the 4th day of January, 2011, and still is, indebted to the creditor in the sum of \$ 12,384,000 as specified in the statement of account (or affidavit) attached hereto and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled.

Check and complete appropriate category. Other than as a customer contemplated by Section 262 of the Act

Check appropriate description. Set out as attached sheet details to support priority claim.

Give full particulars of the claim, including the calculations upon which the claim is based.

Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.

Attach a copy of sales agreement and delivery receipts.

Give full particulars of any wage earner's claim, including the calculations upon which the claim is based.

To be completed when a proposal provides for the compromise of claims against directors. Give full particulars of the claim, including the calculations upon which the claim is based.

To be completed when a proposal provides for the compromise of claims against directors. Give full particulars of the claim, including the calculations upon which the claim is based.

Give full particulars of the claim, including the calculations upon which the claim is based.

Strike out "is" or "is not"

Provide details of payments, credits and transfers at undervalue.

Applicable only in the case of the bankruptcy of an individual

- 4. A Unsecured claim of \$ In respect to the said debt, the creditor does not hold any assets of the debtor as security and (i) Regarding the amount of \$ does not claim a right to a priority or (ii) Regarding the amount of \$ claims a right to a priority under section 136 of the Bankruptcy and Insolvency Act (the "Act").
B Claim of lessor for disclaimer of a lease of \$ I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
C Secured claim of \$ 12,384,000 In respect of this debt, I hold assets of the debtor valued at \$ 12,384,000 as security, particulars of which are as follows: Jan 4, 2011 Pension plan unfunded liability subject to deemed trust and lien and charge under s. 57 of Pension Benefits Act (Ontario)
D Claim by farmer, fisherman, or aquaculturist of \$ I hereby claim under subsection 81.2(1) of the Act for the unpaid amount of \$
E Claim by wage earner of \$ (i) I hereby claim under subsection 81.3(3) of the Act in the amount of \$ or (ii) I hereby claim under subsection 81.4(3) of the Act in the amount of \$
F Claim by employee for unpaid amount regarding pension plan of \$ (i) I hereby claim under subsection 81.5 of the Act in the amount of \$ or (ii) I hereby claim under subsection 81.6 of the Act in the amount of \$
G Claim against director \$ I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
H Claim of a customer of a bankrupt securities firm \$ I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
5. To the best of my knowledge, the creditor is/is not related to the debtor within the meaning of section 4 of the Act, and has/has not dealt with the debtor in a non-arm's-length manner.
6. The following are the payments that the creditor has received from the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to as a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of section 2(1) of the Act:

7. I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

8. Dated at Toronto this 19th day of August, 2011

Must be signed and witnessed

Signature of Bethune Whiston and Witness Andrew Zur (signature of individual completing this form) B. Bethune A. Whiston

Notes: All references to "the Act" refer to the Bankruptcy and Insolvency Act. If an affidavit or solemn declaration is attached, it must have been made before a person qualified to take affidavits or solemn declarations. If a copy of this Form is sent electronically by means such as email, the name and contact information of the sender, prescribed in Form 1.1, must be added at the end of the document.

Warning: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor. Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

See General Proxy on reverse

TAB N

Appendix N

List of security agreement and security registration dates

The following is an extract from the Security Opinion setting out all the dates of security agreements, security registration and/or intercreditor agreements associated with the GE Entities, RBC, Lucky Star and Buchanan Sales.

In Connection with the GE Entities

1. Equipment Loan and Security Agreement, No. 150010293079, dated March 22, 2007 (the "**Initial Northern ELSA**"), as amended by New Contract No. 150011169673, dated March 25, 2009 (the "**First Northern ELSA Amendment**"), and as amended by New Contract No. 150011236877, dated June 18, 2009 between Northern and GE (the "**Northern ELSA**");
2. General Security Agreement (the "**GE/Northern GSA**") dated March 21, 2007 granted by Northern in favour of GE, GE Leasing, General Electric, GE Holding and GE Technology;
3. Charge/Mortgage for a principal amount of \$13,500,000.00 in favour of GE Real Estate incorporating Standard Charge Terms No. 200612 (the "**Standard Charge Terms**") registered against the title to the real property more particularly described in Schedule "B" hereto (the "**Northern Real Property**") on March 22, 2007 as Instrument No. TY42208 (the "**Northern Charge**") and an agreement amending charge dated March 16, 2009 (the "**Northern Charge Amendment**") between Northern and GE Real Estate, as nominee for GE, notice of which was registered against the title to the Northern Real Property on March 30, 2009 as Instrument No. TY80063;
4. Acknowledgement of Standard Charge Terms to GE Real Estate and GE dated March 21, 2007 from Northern (the "**Northern Acknowledgement**") acknowledging receipt of the Standard Charge Terms;
5. Guarantee and Indemnity, No. 150010292870, as amended to No. 150011169878, dated March 25, 2009, granted by Northern in favour of GE relating to certain obligations on Atikokan to GE (the "**Northern Guarantee**"); and
6. Equipment Security Agreement, No. 150011169673, dated March 25, 2009 granted by Northern in favour of GE (the "**Northern ESA**");

In Connection with RBC

1. Cash Collateral Agreement dated July 7, 2008 between Northern and RBC (the "**RBC Cash Collateral Agreement**");

In Connection with Lucky Star

1. Demand Debenture in the principal amount of \$15,000,000.00 dated November 29, 2001 granted by Northern in favour of Lucky Star (the "**Lucky Star/Northern 2001 Debenture**");
2. General Security Agreement dated March 22, 2007 granted by Northern in favour of Lucky Star (the "**Lucky Star/Northern GSA**");
3. Charge/Mortgage for a principal amount of \$15,000,000.00 in favour of Lucky Star registered against the title to the lands described therein on January 11, 2002 as Instrument No. F108142 and as Instrument No. TBR421827 (collectively, the "**First LS Northern Charge**");

4. Demand Debenture in the principal amount of \$5,000,000.00 dated November 27, 2008 granted by Northern in favour of Lucky Star (the "**Lucky Star/Northern 2008 Debenture**"); and
5. Charge/Mortgage for a principal amount of \$5,000,000.00 in favour of Lucky Star registered against the title to the Northern Real Property on November 28, 2008 as Instrument No. TY74960 (the "**Second LS Northern Charge**");

In Connection with Buchanan Sales

6. Demand Debenture in the principal amount of \$5,000,000.00 dated January 18, 2008 granted by Northern in favour of Buchanan Sales (the "**Buchanan Sales/Northern Debenture**"); and
7. Charge/Mortgage for a principal amount of \$5,000,000.00 in favour of Buchanan Lumber Sales Inc. registered against the title to the Northern Real Property on January 22, 2008 as Instrument No. TY58262 (the "**Buchanan Northern Charge**") and an Application to Change Name – Instrument registered on March 31, 2008 as Instrument No. TY60980 to reflect the change in name from Buchanan Lumber Sales Inc. to Buchanan Sales;

In Connection with Intercreditor Arrangements

1. Letter of Postponement dated July 2, 2008 between RBC and Lucky Star (the "**RBC/Lucky Star Postponement Agreement**");
2. Letter of Postponement dated July 23, 2008 between RBC and GE (the "**RBC/GE Postponement Agreement**");
3. Letter of Postponement dated March 21, 2009 between RBC and Buchanan Lumber Sales Inc. (now known as Buchanan Sales Inc.) (the "**RBC/Buchanan Lumber Sales Postponement Agreement**");
4. Letter of Postponement dated March 23, 2009 between RBC and Buchanan Sales (the "**RBC/Buchanan Sales Postponement Agreement**", and collectively with the RBC/Lucky Star Postponement Agreement, the RBC/GE Postponement Agreement and the RBC/Buchanan Lumber Sales Postponement Agreement, the "**Cash Collateral Postponement Agreements**");
5. Priority and Intercreditor Agreement made effective as of March 22, 2007 among GE and GE Real Estate, Lucky Star and Northern (the "**Northern Intercreditor Agreement**");
6. Postponement Agreement dated March 22, 2007 granted by Lucky Star in favour of GE and GE Leasing and acknowledged and accepted by Northern (the "**Lucky Star Postponement Agreement**");
7. Waiver dated March 25, 2009 (the "**Lucky Star Waiver**") granted by Lucky Star in favour of GE, GE Leasing, General Electric, GE Holding, GE Technology and GE VFS Canada Limited Partnership ("**GE VFS**");
8. Waiver dated March 25, 2009 (the "**Buchanan Sales re Northern Waiver**") granted by Buchanan Sales in favour of GE, GE Leasing, General Electric, GE Holding and GE Technology and GE VFS;
9. Postponement of Interest registered on March 22, 2007 as Instrument No. TY42210 in the Land Registry Office for the District of Thunder Bay (LRO#55) and Postponement of Interest registered on March 22, 2007 as Instrument No. TY42212 pursuant to which the rights under the First LS Northern Charge are postponed to the rights under the Northern Charge;
10. Postponement of Interest registered on March 30, 2009 as Instrument No. TY80064 and Postponement of Interest registered on April 30, 2009 as Instrument No. TY80067 pursuant

to which the rights under the First LS Northern Charge are postponed to the rights under the Northern Charge;

11. Postponement of Interest registered on March 30, 2009 as Instrument No. TY80066 pursuant to which the rights under the Second LS Northern Charge are postponed to the rights under the Northern Charge; and
12. Postponement of Interest registered on March 30, 2009 as Instrument No. TY80065 pursuant to which the rights under the Buchanan Northern Charge are postponed to the rights under the Northern Charge.

TAB O

Northern Sawmills Inc.

Summary of Invoices rendered by Osler, Hoskin & Harcourt LLP

Invoice Date	Fees	Disbursements	Fees & Disbursements	HST	Total
February 2011	105,795.50	1,150.10	106,945.60	13,902.93	120,848.53
March 2011	66,311.00	246.19	66,557.19	8,652.43	75,209.62
April and May 2011	19,986.50	16.35	20,002.85	2,600.38	22,603.23
June 2011	35,749.50	184.68	35,934.18	4,671.45	40,605.63
July 2011	12,909.50	0.15	12,909.65	1,678.26	14,587.91
August 2011	43,300.00	875.25	44,175.25	5,726.27	49,901.52
November, 2011	84,343.50	200.86	84,544.36	10,990.77	95,535.13
December, 2011	7,483.00	35.32	7,518.32	977.38	8,495.70
January, 2012	8,101.00	3.60	8,104.60	1,053.60	9,158.20
February, 2012	7,041.00	42.42	7,083.42	920.84	8,004.26
March, 2012	15,006.00	40.50	15,046.50	1,956.05	17,002.55
April, 2012	3,403.50	57.60	3,461.10	449.95	3,911.05
May, 2012	318.00	0.45	318.45	41.40	359.85
June, 2012	79.50	10.00	89.50	11.64	101.14
August, 2012	159.00	-	159.00	20.67	179.67
October, 2012	33,604.00	724.60	34,328.60	4,462.72	38,791.32
	443,590.50	3,588.07	447,178.57	58,116.74	505,295.31

Northern Sawmills Inc.

Summary of Invoices rendered by

Invoice Date	Paid by Estate	HST Paid by Estate	Included in PwC (invoice)	HST PwC (invoice)	Paid by GE	HST Paid by GE	
February 2011	11314389				106,945.60	13,902.93	
March 2011	11323615				66,557.19	8,652.43	
April and May 2011	11330479				20,002.85	2,600.38	
June 2011	11345951				35,934.18	4,671.45	
July 2011	11355351				12,909.65	1,678.26	
August 2011	11363221				44,175.25	5,726.27	
November, 2011	11386928	84,544.36	10,990.77		-	0.00	
December, 2011	11394279				7,518.32	977.38	
January, 2012	11402284		8,104.60	1,053.60	-	0.00	
February, 2012	11409373		7,083.42	920.84	-	0.00	
March, 2012	11417370	15,046.50	1,956.05		-	0.00	
April, 2012	11426280		3,461.10	449.95	-	0.00	
May, 2012	11432419		318.45	41.40	-	0.00	
June, 2012	11445541	89.50	11.64		-	0.00	
August, 2012	11462699		159.00	20.67	-	0.00	
October, 2012	11483076				34,328.60	4,462.72	
		99,680.36	12,958.46	19,126.57	328,371.64	42,671.82	
		Total Estate \$	112,638.82	Total PwC \$	21,613.03	Total GE \$	371,043.46

PricewaterhouseCoopers Inc. as Receiver of Northern Sawmills Inc.
Statement of Fees Summary for the period from December 21, 2010 to September 30, 2012

Invoice	Period	Fees	Discount	Amount Fees	Disbursements	Fees & Disbursements
TR132701920	August 18 to September 30, 2012	14,855.50	(2,228.33)	12,627.17	811.03	13,438.20
TR132701675	July 1 to August 17, 2012	4,481.50	-	4,481.50	224.08	4,705.58
TR132701466	June 1 to June 30, 2012	976.50	-	976.50	48.83	1,025.33
TR132701124	May 1 to May 31, 2012	4,582.50	(687.38)	3,895.12	513.21	4,408.33
TR132700907	March 1 to April 30, 2012	20,154.50	(3,023.18)	17,131.32	4,317.67	21,448.99
TR132700668	February 1 to February 29, 2012	14,834.00	(2,225.10)	12,608.90	7,724.57	20,333.47
TR132700251	January 1 to January 31, 2012	16,285.50	(3,257.10)	13,028.40	8,756.02	21,784.42
TR132700055	December 1 to December 31, 2011	24,710.50	(2,471.05)	22,239.45	1,111.97	23,351.42
TR131702447	November 1 to November 30, 2011	23,658.50	(2,365.85)	21,292.65	1,064.64	22,357.29
TR131702256	October 1 to October 31, 2011	18,428.00	(1,842.80)	16,585.20	829.26	17,414.46
TR131702122	August 16 to September 30, 2011	50,023.50	(5,002.35)	45,021.15	4,586.30	49,607.45
TR131701851	July 16 to August 15, 2011	26,118.50	(2,611.85)	23,506.65	1,175.34	24,681.99
TR131701588	June 25 to July 15, 2011	10,812.00	-	10,812.00	540.60	11,352.60
TR131701473	June 1 to June 24, 2011	11,815.00	-	11,815.00	590.75	12,405.75
TR131701410	May 1 to May 31, 2011	11,879.50	-	11,879.50	593.98	12,473.48
TR131701142	April 1 to April 30, 2011	26,058.00	(5,000.00)	21,058.00	1,052.90	22,110.90
TR131700992	March 1 to March 31, 2011	36,320.50	(5,000.00)	31,320.50	1,566.02	32,886.52
TR131700652	January 16 to February 28, 2011	105,091.50	(15,000.00)	90,091.50	5,548.55	95,640.05
TR131700241	December 21, 2010 to January 15, 2011	53,358.00	-	53,358.00	3,789.74	57,147.74
Total		474,443.50	(50,714.99)	423,728.51	44,845.46	468,573.97

Fees	474,443.50
Discount	(50,714.99)
Disbursements	44,845.46
Sub-total	468,573.97
Legal Fees included in PwC's invoices	-
Total	468,573.97

PricewaterhouseCoopers Inc. as Receiver of Northern Sawmills Inc.
 Statement of Fees Summary for the period from December 21, 2010 to September 30, 2012

Invoice	Period	GST/HST	Total	Paid by		HST		Paid by	
				Estate Funds	GE	Paid by Estate	GE	HST Paid by Estate	HST Paid by GE
TR132701920	August 18 to September 30, 2012	1,746.96	15,185.16		13,438.20				1,746.96
TR132701675	July 1 to August 17, 2012	611.74	5,317.32		4,705.58				611.74
TR132701466	June 1 to June 30, 2012	133.30	1,158.63		1,025.33				133.30
TR132701124	May 1 to May 31, 2012	573.08	4,981.41		4,408.33				573.08
TR132700907	March 1 to April 30, 2012	2,788.37	24,237.36		21,448.99				2,788.37
TR132700668	February 1 to February 29, 2012	2,643.34	22,976.81	20,333.47	-	2,643.34			-
TR132700251	January 1 to January 31, 2012	2,831.97	24,616.39		21,784.42				2,831.97
TR132700055	December 1 to December 31, 2011	3,035.69	26,387.11		23,351.42				3,035.69
TR131702447	November 1 to November 30, 2011	2,906.46	25,263.75		22,357.29				2,906.46
TR131702256	October 1 to October 31, 2011	2,263.89	19,678.35	17,414.46	-	2,263.89			-
TR131702122	August 16 to September 30, 2011	6,448.97	56,056.42		49,607.45				6,448.97
TR131701851	July 16 to August 15, 2011	3,208.67	27,890.66	24,681.99	-	3,208.67			-
TR131701588	June 25 to July 15, 2011	1,475.84	12,828.44		11,352.60				1,475.84
TR131701473	June 1 to June 24, 2011	1,612.75	14,018.50		12,405.75				1,612.75
TR131701410	May 1 to May 31, 2011	1,621.57	14,095.05		12,473.48				1,621.57
TR131701142	April 1 to April 30, 2011	2,874.40	24,985.30		22,110.90				2,874.40
TR131700992	March 1 to March 31, 2011	4,275.26	37,161.78		32,886.52				4,275.26
TR131700652	January 16 to February 28, 2011	12,433.22	108,073.27		95,640.05				12,433.22
TR131700241	December 21, 2010 to January 15, 2011	7,429.23	64,576.97		57,147.74				7,429.23
Total		60,914.70	529,488.67	62,429.92	406,144.05	8,115.90	458,942.85	70,545.82	458,942.85

Estate Total \$ 70,545.82 GE Total \$ 458,942.85

G.E. Canada Equipment Financing G.P.

Northern Sawmills Inc.

Court File No. CV10-9042-00CL

and

Applicant

Respondent

<p><i>Ontario</i> SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)</p> <p>Proceeding commenced at TORONTO</p>	
<p>MOTION RECORD VOLUME I</p>	
<p>OSLER, HOSKIN & HARCOURT LLP P.O. Box 50, First Canadian Place Toronto, ON M5X 1B8</p> <p>Tracy C. Sandler (LSUC # 32443N) (416) 862-4908 (416) 862-6666 (fax)</p> <p>Mary Paterson (LSUC # 51572P) (416) 862-4924 (416) 862-6666 (fax)</p> <p>Solicitors for PricewaterhouseCoopers Inc., in its capacity as Receiver of Northern Sawmills Inc.</p>	