Court File No. N/M/17/10

**IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK**
**IN BANKRUPTCY AND INSOLVENCY**
**JUDICIAL DISTRICT OF MIRAMICHI**

**IN THE MATTER OF THE RECEIVERSHIP OF:**

**ATCON GROUP INC., ATCON HOLDINGS INC., ATCON PROPERTY HOLDINGS INC., ATCON VENEER PRODUCTS INC., ATCON LOGISTICS INC., ATCON CONSTRUCTION INC., ATCON MANAGEMENT SERVICES INC., ATCON CIVIL LTD., DYCON CONSTRUCTION LTD., ATCON STRUCTURES INC. AND ENVIREM TECHNOLOGIES INC.**

**PURSUANT TO Section 33 of The *Judicature Act,* R.S.N.B. 1973, Ch. J-2, Rule 41, Rules of Court, New Brunswick and Section 243 of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3**

BETWEEN:

**THE BANK OF NOVA SCOTIA, a Canadian chartered bank with a registered office in the City of Saint John, Province of New Brunswick**

**APPLICANT**

- and –

**ATCON GROUP INC., ATCON HOLDINGS INC., ATCON PROPERTY HOLDINGS INC., ATCON VENEER PRODUCTS INC., ATCON LOGISTICS INC., ATCON CONSTRUCTION INC., ATCON MANAGEMENT SERVICES INC., ATCON CIVIL LTD., DYCON CONSTRUCTION LTD., ATCON STRUCTURES INC. AND ENVIREM TECHNOLOGIES INC., all of which are carrying on business in the Province of New Brunswick**

**RESPONDENTS**

# EIGHTEENTH REPORT OF THE RECEIVER
# (VANERPLY)
# May 31, 2011

**INTRODUCTION AND PURPOSE**

1. In connection with the applications of The Bank of Nova Scotia (the "**Bank**") pursuant to section 33 of the *Judicature Act* (New Brunswick), Rule 41 of the *Rules of Court of New Brunswick*, and section 243 of the *Bankruptcy and Insolvency Act* (Canada) that were heard by The Honourable Mr. Justice Riordon of the Court of Queen's Bench of New Brunswick on March 1, 2010 and March 30, 2010, Ernst & Young Inc. was appointed as receiver and receiver manager of the property, assets and undertakings of the following companies (the "**Receiver**"):

   (a) Atcon Group Inc. ("**Atcon Group**"), Atcon Holdings Inc. ("**Atcon Holdings**"), Atcon Property Holdings Inc., Atcon Veneer Products Inc. and Atcon Logistics Inc. pursuant to the Receivership Order dated March 2, 2010 (the "**March 2 Order**"); and

   (b) Atcon Construction Inc., Atcon Management Services Inc., Atcon Civil Ltd., Dycon Construction Ltd., Atcon Structures Inc. and Envirem Technologies Inc. (now known as 058545 N.B. Inc.) pursuant to an Order dated March 30, 2010 (the "**March 30 Order**", and the March 30 Order together with the March 2 Order, the "**Receivership Order**").

2. The Receivership Order, among other things, authorizes and empowers the Receiver to:

   (a) take possession and control of the Property;

   (b) receive, preserve and protect the Property, or any parts thereof;

   (c) 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;

   (d) sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court in respect of any transaction in which the purchase price exceeds $100,000 or the aggregate purchase price of all transactions less than $100,000 exceeds $1,000,000;

(e) exercise any shareholder rights which any of the Respondents may have; and

(f) take any steps reasonably incidental to the exercise of the powers under the Receivership Order.

3. The purpose of this Eighteenth Report is to report to this Honourable Court on matters relating to the Receiver's conduct and activities with respect to OPI (as defined below) and Vanerply (as defined below) and request that this Honourable Court grant an Order:

(a) approving the sale transaction entered into between Vanerply and the Purchaser (as defined below) for the sale of the Vanerply business to the Purchaser (the "**Vanerply Sale Transaction**") pursuant to the APS and the PPA (each capitalized term as defined below);

(b) authorizing and approving the execution by the Receiver of the minutes kept at an extraordinary general meeting of OPI held on May 23, 2011;

(c) authorizing and directing the Receiver to take such steps and execute such additional documents as may be necessary or desirable for the completion of the Vanerply Sale Transaction;

(d) seeking the aid and assistance of the courts and administrative or regulatory tribunals or authorities in Sweden in connection with the sale of Vanerply's assets pursuant to the Vanerply Sale Transaction, the subsequent winding-up, liquidation and/or dissolution of Vanerply and OPI in accordance with Swedish law, and the distribution, following satisfaction of all the valid debts, obligations and liabilities of Vanerply and OPI, of the residual property of Vanerply and OPI to the Receiver, for the benefit of the stakeholders of Atcon Group;

(e) authorizing and directing the Receiver to take such steps and execute such documents as may be necessary or desirable to enforce and realize on the rights of Atcon Group as direct or indirect shareholder and creditor of OPI and Vanerply; and

(f) approving the Eighteenth Report and the conduct and activities of the Receiver described herein.

4. In addition to this Eighteenth Report, the Receiver has prepared, and will submit to this Honourable Court on a confidential basis, a supplement to the Eighteenth Report (the "**Supplemental Report**"). In the Supplemental Report, the Receiver provides a detailed overview of the state of Vanerply's business and financial affairs prior to and since the commencement of these proceedings and matters relating to the sale process conducted with respect to the Vanerply business, among other things. The Receiver will be seeking a sealing order from this Honourable Court with respect to the Supplemental Report, on the basis that the Supplemental Report contains sensitive commercial information with respect to Vanerply, the dissemination of which could be prejudicial to the best interests of the stakeholders of Atcon Group, to the ongoing operations of Vanerply, and to the successful completion of a going concern sale of the Vanerply business.

**TERMS OF REFERENCE**

5. In preparing this Eighteenth Report, the Receiver has been provided with and has relied upon unaudited historical financial statements, other unaudited financial information and projections prepared by the Respondents, the books and records of the Respondents, discussions with certain management and former employees of the Respondents, certain members of management and the board of directors of OPI and Vanerply, representatives of Grant Thornton (as defined below), GT Sweden (as defined below), the Bank, the Province of New Brunswick (the "**Province**"), Timwood (as defined below), E&Y Sweden (as defined below) and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. The Receiver did not audit, review or otherwise attempt to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to the information presented in this Eighteenth Report or relied upon by the Receiver in preparing this Eighteenth Report. Further, the nature of the Receiver's work completed in these proceedings will not necessarily disclose errors, misstatements, irregularities or illegal acts, if such exist, on the part of the Respondents, or its officers or employees or in the information.

6. Other than as set out below, all references to monetary amounts in this Eighteenth Report are in Canadian dollars (CDN$). Currency conversions from Swedish krona (SEK) to Canadian dollars were performed using the noon exchange rate obtained from the Bank of Canada website on May 27, 2011, with 1 SEK being equal to CDN$0.157.

7. Capitalized terms not otherwise defined in this Eighteenth Report are as defined in the Receivership Order or previous reports of the Receiver filed with this Honourable Court.

8. Copies of Court materials in these proceedings may be obtained from the Receiver's website established in connection with the Respondents (www.ey.com/ca/atcon).

**OPI and VANERPLY**

**Background**

9. As has been previously reported to this Honourable Court, the Atcon group of companies includes two (2) Swedish subsidiaries, OPI Aktiebolag ("**OPI**") and Vanerply Aktiebolag ("**Vanerply**"). OPI is registered with the Swedish Companies Registration Office with registration number 556159-8078, and Vanerply is registered with the Swedish Companies Registration Office with registration number 556217-0349. Attached hereto as **Appendix "A"** is a copy of a Certificate of Registration obtained from the Swedish Companies Registration Office dated March 22, 2010 for each of OPI and Vanerply.

10. OPI and Vanerply were acquired by the Atcon group of companies when the shares of OPI were purchased by 504040 N.B. Ltd., a predecessor of Atcon Group, from the official receiver of the bankruptcy estate of Fagerlid Industrier AB pursuant to a share purchase agreement dated November 27, 2000. The acquisition price of the OPI shares was approximately CDN$3.07 million.[1] The Receiver understands that since its acquisition by Atcon Group, OPI has been a holding company, with its primary asset being the shares of Vanerply.

11. As has previously been disclosed to this Honourable Court, the Atcon group of companies were primarily in the business of providing construction services (road,

[1] The acquisition price of the OPI shares, using the average SEK-CDN$ exchange rate of 0.1534 for the week of November 13-19, 2000, was approximately CDN$3.07 million.

highway, bridge and dam construction), earth-moving services to mining and ore extraction businesses, machining and fabrication services, forest product manufacturing services and environmental remediation services, to third parties primarily located in Canada. The Receiver understands that the business of Vanerply, as a manufacturer and distributer of plywood, including flooring plywood, roofing plywood and drywall plywood, for the domestic Swedish market as well as the export market, was a stand-alone business located in Sweden that was not involved in the businesses carried on by the other Atcon companies.

12. Vanerply operates a manufacturing facility in Otterbacken, Sweden that manufactures a variety of different types of plywood varying in size, thickness, finish and treatment, including product for flooring, roofing and drywall uses. The Otterbacken facility sits on 235 hectares of land in rural Sweden, and its factory and warehouse comprise approximately 22,000 square meters of building area.

13. As of May 27, 2011, Vanerply employed approximately 166 employees, which was comprised of 150 mill workers and 16 administrative staff. Vanerply's employees are employed pursuant to union contracts, with the mill workers' union contract set to expire on January 31, 2012, and the administrative staff's union contract set to expire on March 31, 2012. OPI has no employees, but has two members of its board of directors.

**<u>Capital Structure</u>**

14. As has been previously reported to this Honourable Court in the Twelfth Report of the Receiver dated November 17, 2010 ("**Twelfth Report**"), the Receiver understands that OPI is the owner of all of the issued and outstanding shares of Vanerply, and thus Vanerply is a wholly-owned direct subsidiary of OPI. With respect to the capital structure of OPI, as previously reported, the Receiver has been unable to locate the OPI share register, notwithstanding the efforts of the Receiver and a number of other parties. A copy of the Twelfth Report, without appendices, is attached hereto as **Appendix "B"**.

15. Based on the information and documentation available to the Receiver, it appears that there are 2,000 issued and outstanding shares of OPI, all of which, according to the

Swedish Companies Registrations Office, have been issued to Atcon Group. Additionally, pursuant to the Order of Justice Riordon granted in these proceedings on March 18, 2011, this Honourable Court has ordered and declared that Atcon Group is the owner of all of the issued and outstanding shares of OPI. Attached hereto as **Appendix "C"** is a copy of the Order dated March 18, 2011.

**Corporate Governance**

16. As reported in the Twelfth Report, following the Receiver's appointment on March 1, 2010, the Receiver was contacted by representatives of Vanerply management and a member of the OPI board of directors, along with representatives of Grant Thornton LLP ("**Grant Thornton**"), OPI and Vanerply's Swedish auditor, to discuss the status of Atcon Group, being the ultimate parent company of OPI and Vanerply.

17. As is further detailed in the Twelfth Report, following consultations with the Bank and the Province, being the stakeholders with the likely interest in Atcon Group's ownership of OPI and Vanerply, and with Grant Thornton and the boards of directors of OPI and Vanerply and the management of Vanerply, the Receiver determined that it was preferable for certain changes to occur on the boards of directors of OPI and Vanerply so as to ensure that OPI and Vanerply had functioning and operating boards of directors that were solely focused on preserving and enhancing the value of the Vanerply business and were separate and apart from Atcon Group, this receivership proceeding, and the Atcon CCAA proceeding that was underway at that time.

18. Since the corporate governance steps taken by the Receiver in March 2010, as detailed in the Twelfth Report, there have been additional changes to the Vanerply board due to voluntary resignations of certain board members. As a result of such resignations, additional directors have been added to the Vanerply board of directors. Such additions were completed in consultation with the Bank, the Province, the board of directors of OPI and Vanerply management.

19. The Receiver reports to this Honourable Court that it has had, and continues to have, good communications with the directors of OPI and the management and board of

directors of Vanerply concerning the operations of the business and ongoing sale efforts, as described below.

**OPI and Vanerply Sale Process**

20. The Receiver understands that, as part of its restructuring plan, the Atcon group of companies began in October 2009 to consider and to explore the prospect of the sale of Vanerply through the disposition by Atcon Group of its shareholdings in OPI. With respect thereto, on October 19, 2009, Atcon Holdings engaged Grant Thornton Sweden AB ("**GT Sweden**") to undertake a marketing and sale process for the sale of Vanerply as a going concern. Attached hereto as **Appendix "D"** is a copy of the engagement letter dated October 19, 2009.

21. As set out in the engagement letter, Atcon Holdings engaged GT Sweden to assist in and act as a financial advisor with respect to the sale of the shares of Vanerply held by OPI. The Receiver notes that GT Sweden is an affiliate of Grant Thornton, which served as the Swedish auditors for OPI and Vanerply and the Canadian auditors for the Atcon group of companies.

22. The GT Sweden engagement letter contemplated five phases to the sale process, which are as follows:

    (a) preliminary sale activities (preparation of teaser and compilation of potential buyers list);

    (b) written business presentation (information memorandum);

    (c) determination of and follow-up on short list of candidates;

    (d) presentation and sales process; and

    (e) implementation (i.e., negotiation, documentation and closing).

23. The Receiver understands that it was contemplated that GT Sweden would work closely with the board and management of Atcon Holdings and Vanerply in completing its financial advisory mandate.

24. Following its appointment on March 1, 2010, the Receiver contacted GT Sweden to obtain a report on the status of the Vanerply sale process. GT Sweden advised the Receiver that phases (a), (b) and (c) listed above had been completed, and that there were a number of qualified potential buyers engaged in phase (d) site visits and management meetings in contemplation of submitting expressions of interest.

25. The Receiver was advised that GT Sweden, working with Vanerply management, had identified and contacted 43 potential purchasers, based on its assessment of the market of likely buyers of the Vanerply business. GT Sweden prepared a 37-page information memorandum dated February 2010 that the Receiver understands was provided to prospective purchasers. A copy of the information memorandum will be attached as an appendix to the Supplemental Report.

26. The Receiver was advised by GT Sweden that it had issued letters to the interested prospective purchasers who had completed site tours and conducted management meetings and informed them that April 6, 2010 was the deadline for submission of expressions of interest to acquire the shares of Vanerply held by OPI. On April 6, 2010, GT Sweden received two qualifying expressions of interest.

27. Based on its discussions with GT Sweden regarding the sale process and its review of the sale process documents, the Receiver concluded that GT Sweden, in accordance with the terms of its engagement letter, was conducting a fair, reasonable and appropriate sale process that had included a significant number of *bona fide* potential purchasers for the Vanerply business. As a result, the Receiver determined that it was prudent and reasonable for GT Sweden to continue the sale process initiated prior to the Receiver's appointment, given the costs and risks of starting a new sale process, including any resultant delays.

28. In the spring of 2010, in connection with the GT Sweden sale process and the submission of expressions of interest, representatives of the Receiver met with:

    (a) Vanerply's management and board of directors and Grant Thornton as auditors of Vanerply;

(b) GT Sweden, to review the expressions of interest received, discuss the sale process generally, and discuss the electronic data room created by GT Sweden with respect to Vanerply, to which the Receiver had access; and

(c) the two bidders in person to understand their respective interest in the Vanerply business, to explain the sale process and the impact of the receivership of Atcon Group, and to observe the ongoing due diligence being performed by these two interested parties.

29. Throughout the period of these discussion and negotiations, the Receiver consulted with representatives of the Bank and the Province concerning material developments and decisions in order to consider the views of the stakeholders of Atcon Group with a likely interest in any proceeds ultimately received for the shares of OPI held by Atcon Group.

**<u>Ongoing Review of Business and Options</u>**

30. During the course of the discussions and negotiations with potential purchasers, the Receiver and the boards of directors of OPI and Vanerply determined that they required additional detailed information concerning Vanerply and its supply and customer markets so as to be better equipped in negotiations with potential purchasers and to determine the parameters for Vanerply, as an alternative to a going concern sale, developing and implementing a business plan for continued future operations. The additional information sought by the Receiver and the boards of directors of OPI and Vanerply included the following:

(a) an up-to-date analysis of the Vanerply business and its proposed future business plan; and

(b) an up-to-date analysis of Vanerply's industry and its regional environment.

31. As well, during the course of the negotiations it became apparent to the Receiver that a number of issues were outstanding that needed to be considered prior to Vanerply being in a position to complete a sale of its business on a going concern basis, including the

proposed structure of any sale transaction (i.e. a share transaction vs. an asset transaction).

32. As a result, in October 2010, the Receiver determined, after consultation with the Bank, the Province, OPI and Vanerply, that it was appropriate to take a pause in the active pursuit of the sale process, so that such additional relevant information could be gathered and such issues considered.

33. In October 2010, following the Receiver's consultation with the Bank, the Province, and the board of directors of Vanerply, the Vanerply board of directors engaged Ernst & Young AB (Sweden) ("**E&Y Sweden**") to conduct a limited review of the business affairs of Vanerply, so as to assist the Vanerply board and the Receiver in assessing the financial position and future prospects of the Vanerply business. E&Y Sweden's report was issued to Vanerply on November 22, 2010. A description of the contents of the report is set out in the Supplemental Report, and a copy of the report is attached as an appendix thereto.

34. In addition, the Vanerply board engaged Timwood AB ("**Timwood**"), a consultant specializing in, among other things, the plywood industry, to conduct an assessment of Vanerply's future market strategy and to advise on the log supply situation, which was a critical factor in the operations and profitability of Vanerply. Timwood's market and supply assessment was issued on November 26, 2010. A description of the contents of the report is set out in the Supplemental Report, and a copy of the report is attached as an appendix thereto.

**Vanerply Sale Transaction**

35. Based on the matters identified in the two reports, Vanerply management formulated a business plan and was in discussions with the Receiver, along with third parties, regarding the ability of Vanerply to obtain capital and financing to implement certain operational improvements designed to produce production efficiencies that would improve profitability should a decision be made to continue on in business rather than

selling the business to a third party. A copy of Vanerply's business plan will be attached as an appendix to the Supplemental Report.

36. However, in March 2011, Mr. Knape, the chairman of the board of Vanerply, advised the Receiver that Vanerply had received a renewed and revised written offer to purchase the majority of the assets of Vanerply from one of the potential buyers who had participated extensively in the sale process in 2010, being Moelven Wood AB ("**Moelven**"), a Norweigan company that the Receiver understands supplies a wide range of wood-based products for trade and industry. As noted above, Moelven had stayed in touch with the Receiver and Vanerply throughout the fall and winter 2010 and 2011, had already conducted its due diligence earlier in the sale process, and was willing to rely on that earlier due diligence in order to enable a timely closing of a sale transaction.

37. Since the receipt of the Moelven revised offer, the Receiver has consulted with the Bank and the Province regarding the revised offer and the Vanerply business plan. The Bank and the Province confirmed to the Receiver their views that Vanerply should resume discussions with Moelven regarding a potential going concern sale transaction.

38. The Receiver understands that when the sale process was first conceived and began to be implemented it was in the expectation that the transaction would take the form of a sale of the shares of OPI or the shares of Vanerply, but, as with many sale processes, it was also compatible with an *en bloc* asset sale transaction. Moelven had expressed a strong preference for an asset sale transaction.

39. From the perspective of the Atcon Group receivership proceeding and the creditors of Atcon Group, a sale of OPI shares would, if possible, be preferable, as it would see the value of the equity in OPI paid directly to the Receiver for distribution to the creditors of Atcon Group. The Receiver understands that in the context of an asset sale transaction, steps can be taken to determine valid creditor claims at the Vanerply and OPI levels, steps can be taken to deal with such creditor claims (including amounts owing to Atcon Group or the Receiver) and steps can be taken for the distribution of the surplus to the Receiver on account of Atcon Group's debts due from Vanerply or OPI and its sole shareholdings in OPI following a liquidation, or winding-up, of both OPI and Vanerply.

40. As a result, Vanerply and its solicitors, in consultation with the Receiver and Mannheimer Swartling Advokatbyrå AB, the Receiver's Swedish counsel, among others, have negotiated and entered into purchase agreements with Moelven for the sale of the Vanerply business, being the Agreement of Purchase and Sale between Vanerply and Startplattan 158421 AB, 556851-5026, pending name change to Moelven Vänerply AB, a Moelven affiliate (the "**Purchaser**") executed on May 23, 2011 (the "**APS**") and the Property Purchase Agreement between Vanerply and the Purchaser executed on May 23, 2011 for the sale of certain real property owned by Vanerply in Otterbacken, Sweden (the "**PPA**"). Redacted copies of the APS and the PPA are attached hereto respectively as **Appendix "E"** and **"F"**. Unredacted copies of the APS and PPA are attached as appendices to the Supplemental Report.

41. Pursuant to the terms of the APS and the PPA, in the event this Honourable Court approves the Vanerply Sale Transaction, which is a condition to the closing of the transaction, the Purchaser will:

(a) acquire all business related assets of Vanerply, including the Vanerply plant at Otterbäcken (i.e. real estate, buildings, machinery, inventories, etc), except stock and work in progress, free from encumbrances,;

(b) acquire all stock and work in progress as of the completion date of the transaction for a purchase amount corresponding to the book value of such assets (according to generally accepted accounting principles previously adopted by Vanerply), free from encumbrances;

(c) acquire certain prepaid assets as of the completion date of the transaction for a purchase amount corresponding to the book value of the assets;

(d) acquire all spare parts inventory; and

(e) assume liability for certain Vanerply's debts attributable to the staff employed as of the completion date of the transaction (such as provisions for their accrued holiday pay claims, etc.), the amount of which shall be deducted from the purchase price.

42. The Receiver understands that the Purchaser intends to offer employment to all of the current employees of Vanerply, including all unionized, non-unionized and managerial employees, in the event the Vanerply Sale Transaction is completed. The Receiver understands from Mr. Knape that the Otterbäcken area has experienced difficult times and that the Vanerply Sale Transaction, which will maintain employment for 166 employees, is extremely beneficial to the local economy.

43. The Receiver understands that, if completed, the Vanerply board estimates that the sale will generate cash proceeds which, along with the remaining assets of Vanerply to be collected and/or disposed of, will potentially result in property being available for distribution to OPI, as shareholder of Vanerply, and Atcon Group, as shareholder of OPI, following the wind-up, liquidation and/or dissolution of Vanerply and OPI and satisfaction of Vanerply and OPI's debts, liabilities and obligations to Atcon Group and to third parties in accordance with Swedish law.

44. The Receiver understands that, during any liquidation process under Swedish law, it will be open to the Receiver, on behalf of Atcon Group, to submit claims that Atcon Group may have against Vanerply for unpaid management fess and capital advances. Other creditors and stakeholders of Vanerply and OPI will also have the ability to submit their alleged claims to any liquidator appointed over OPI and Vanerply for adjudication in the event that the Vanerply Sale Transaction is approved by this Honourable Court and completed.

45. The Receiver reports to this Honourable Court that Vanerply management, being Mr. Persson as managing director, fully supports the completion of the Vanerply Sale Transaction, and has provided to the Receiver a letter dated May 23, 2011 confirming such support, a copy of which is attached hereto as **Appendix "G"**. Mr. Knape, as chairman of OPI and Vanerply, and the Vanerply and OPI boards of directors also support the completion of the Vanerply Sale Transaction.

**RECEIVER'S ANALYSIS AND RECOMMENDATIONS**

46. The Receiver is of the view that the Vanerply Sale Transaction represents a reasonable realization on the assets and operations of Vanerply.

47. The Receiver has observed the process initiated by GT Sweden and more recently continued by the Vanerply board in arriving at the proposed transaction and is of the view that:

   (a) GT Sweden and the Vanerply board and management have made a considerable effort to achieve the best price for the Vanerply assets;

   (b) the interests of all parties, including Vanerply's local stakeholders (i.e. its employees, suppliers and customers) and those of the Bank and the Province have been appropriately considered and should benefit from the Vanerply Sale Transaction; and

   (c) the Vanerply Sale Transaction is the result of a fair, reasonable, and appropriate sale process, with due care taken to maintain the integrity of the process.

48. The Bank and the Province have informed the Receiver that they support the Vanerply Sale Transaction.

49. Vanerply has asked the Receiver, in its capacity as Receiver of Atcon Group, the ultimate shareholder of Vanerply, to provide its consent to the contemplated transaction, which itself is subject to the approval of this Honourable Court, such that Moelven could begin to take the necessary steps to obtain Norwegian competition approval for the transaction. With respect thereto, an extraordinary general meeting of OPI was held on May 23, 2011, wherein the Receiver, on behalf of Atcon Group, consented to the Vanerply Sale Transaction, such consent being subject to the approval of this Honourable Court. Attached hereto as **Appendix "H"** is an executed copy of the minutes of the meeting.

50. For the reasons noted above, the Receiver recommends that this Honourable Court approve the Vanerply Sale Transaction.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 31st day of May, 2011

**ERNST & YOUNG INC.**
**in its capacity as the Court-appointed**
**Receiver of the Respondents and not in its**
**personal or corporate capacity**

By:

Paul D. Hickey, CA•CIRP
Senior Vice President

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