Court File No. CV-11-9367-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

INTERNATIONAL FOREST PRODUCTS LLC
(formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)

Applicant

- and -

ST. MARYS PAPER CORP.

Respondent

APPLICATION UNDER SUBSECTION 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

SECOND REPORT OF THE RECEIVER OF ST. MARYS PAPER CORP. DATED MARCH 20, 2012

INTRODUCTION

1. Pursuant to the Order of this Court dated December 29, 2011, effective December 30, 2011, Ernst & Young Inc. ("**EYI**") was appointed as the receiver and receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of St. Marys Paper Corp. ("**St. Marys**" or the "**Company**") acquired for, or used in relation to the Company's business, including all proceeds thereof (the "**Property**") 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 "**Appointment Order**") . A copy of the Appointment Order is attached hereto as Appendix "A".

2. The Appointment Order authorized the Receiver, among other things to:

   a) 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) market the Property, including advertising and soliciting offers in respect of the Property and negotiating terms and conditions that the Receiver deems appropriate;

   c) sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:

      a. without the approval of this Court in respect of any transaction not exceeding $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

      b. with the approval of this Court in respect of any transaction in which the purchase price, or the aggregate purchase price, exceeds the applicable amounts set out above;

   d) settle, extend or compromise any indebtedness owing to St. Marys; and

   e) apply for any vesting order or other orders necessary to convey the Property to a purchaser free and clear of any liens or encumbrances affecting such Property.

3. On January 18, 2012, this Court granted an Order (the "**Sales Process Order**") authorizing the Receiver to conduct a process to market and sell the Property of St. Marys (the "**Sales Process**") as set out in the procedures included in the Sales Process Order (the "**Sales Process Protocol**"). A copy of the Sales Process Order is attached hereto as Appendix "B".

PURPOSE

4. The purpose of this Second Report of the Receiver (the "**Second Report**") is to report to this Court with respect to:

   (i) a summary of the activities of the Receiver to date;

   (ii) the funding of the receivership and a summary of the statement of receipts and disbursements;

   (iii) the status and results of the Sales Process conducted by the Receiver; and;

   (iv) the Receiver's motion for an Order:

      (a) approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between St. Marys, by Ernst & Young Inc., solely in its capacity as court-appointed receiver and receiver and manager and not in its personal or corporate capacity, as Seller and 2319839 Ontario Inc., as Purchaser (the "**Purchaser**") dated March 15, 2012 and appended as Confidential Appendix "I" to this Second Report;

      (b) vesting in the Purchaser the right, title and interest, if any, of the Company and the Receiver in and to the Purchased Assets described in the Sale Agreement (the "**Purchased Assets**");

      (c) authorizing and directing the Receiver to, on the Company's behalf, terminate the employment of all individuals employed by the Company as of and following the date of the Appointment Order (other than any employee that was terminated in writing by the Receiver on the Debtor's behalf following the date of the Appointment Order) including, without limitation, all such employees on lay-off or leave of absence of any kind (the "**Employees**"), effective at 11:59 p.m. on the day immediately preceding the Closing Date (as defined in the Sale Agreement), by sending to each Employee on the Company's behalf written notice of termination by registered mail to the last known address of such Employee based on the books and records of the Company;

(d) declaring that the employment of each Employee be and is hereby deemed to be terminated effective at 11:59 p.m. on the day immediately preceding the Closing Date, whether or not such employee receives written notice of termination before the Closing Date or at all;

(e) if necessary as described below, directing and declaring that the St. Marys Combined Heat and Power (CHP III) Purchase Agreement dated November 5, 2010, made by and between St. Marys Renewable Energy LP and Ontario Power Authority and all rights, benefits and advantages to be derived therefrom (the "**OPA Agreement**") be deemed to be released, quit-claimed, assigned, transferred and set over to the Purchaser by St. Marys Renewable Energy LP (the "**Limited Partnership**") and St. Marys Renewable Energy Corp. (the "**General Partner**"), without compensation, liability or obligation on the part of the Purchaser to the Limited Partnership or the General Partner, but subject to any rights of consent or approval of the Ontario Power Authority set out in the OPA Agreement;

(f) if necessary as described below, directing the General Partner as the general partner of the Limited Partnership to forthwith produce to the Receiver a true copy of all partnership agreement(s) and other constating, management or governing documents and agreement(s) relating to the Limited Partnership, the limited partnership units in the Limited Partnership held by the Debtor, and the general partnership units in the Limited Partnership held by the General Partner, including all amendments to such documents and agreements, any power of attorney granted to the General Partner, the record of limited partners, the record of the General Partner and copies of all minutes of meetings and resolutions of the partners of the Limited Partnership, the General Partner, the board of directors and any committee of the board of directors of the General Partner to the extent pertaining to the Limited Partnership;

(g) directing that Confidential Appendix "I" to this Second Report remain confidential and subject to a protective order of the Court and that it not form part of the permanent court record except by further order of this Court made on notice to the Receiver, International Forest Products LLC (formerly known as International Forest Products Corporation) ("**IFP**"), and the Purchaser; and

(h) approving this Second Report, and the conduct and activities of the Receiver as described herein,

all as discussed in further detail in this Second Report.

TERMS OF REFERENCE

5. In preparing this Second Report, the Receiver has been provided with and in making the comments herein relied upon, unaudited financial information, the Company's books and records, financial information prepared by the Company, and discussions with management of St. Marys. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this Second Report.

6. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

7. Capitalized terms not defined in this Second Report are defined in the Appointment Order.

BACKGROUND

8. St. Marys is a corporation incorporated pursuant to the laws of the Province of Ontario with its head office located in the City of Sault Ste. Marie, Ontario. Prior to March 2011 St. Marys operated a groundwood pulp and super calendar specialty paper mill (the "**Mill**") producing paper grades used mainly by magazine publishers and retailing companies for high quality advertising inserts, flyers and catalogues. St. Marys has been in operation for over 100 years.

9. In March 2011, St. Marys was forced to shut down the Mill as a result of an unexpected mechanical issue on its largest paper machine. This paper machine provides more than half of its annual output capacity. St. Marys has addressed the mechanical issue, however, due to weaker market conditions, St. Marys decided not to restart the Mill until market conditions improved.

10. Due to the shortage of funds, St. Marys management determined that the Mill should be preserved in a 'cold idle' state until market conditions improved. Accordingly, a process was commenced to winterize the Mill and prepare it for a 'cold idle' shutdown.

11. As a result of the shutdown of the Mill, St. Marys experienced financial difficulties and a significant liquidity crisis. In addition, St. Marys was unable to secure insurance coverage for the Mill and its operations resulting in the appointment of the Receiver effective December 30, 2011.

SUMMARY OF THE ACTIVITIES OF THE RECEIVER

12. Since its appointment, among other things, the Receiver obtained insurance coverage for the Property, arranged for security of the Property, froze the Company's bank accounts and opened a Receiver's bank account. The activities of the Receiver since its appointment are more fully described in the First Report of the Receiver dated January 13, 2012 (the "**First Report**"). A copy of the First Report (without the Appendices thereto) is attached hereto as Appendix "C".

13. Pursuant to obtaining the Sales Process Order, the Receiver commenced the Sales Process as described in the First Report. The activities of the Receiver with respect to the Sales Process are described further in this Second Report.

14. In addition to conducting the Sales Process, among other things, since the First Report, the Receiver took the following steps and activities in conjunction with its mandate:

a) the Receiver continued winterization activities to maintain the mill in a cold idle condition for the duration of the winter months;

b) the Receiver continued the security arrangements formerly in place by St. Marys with respect to the security of the Mill;

c) the Receiver requested that its counsel and IFP's counsel review and consider the eligibility of St. Marys' former employees under the *Wage Earner Protection Program Act* ("**WEPPA**"), which review determined that three former employees of

St. Marys were entitled to claims under WEPPA. The Received notified these three employees of their entitlement to claims under WEPPA, has filed the required forms with Human Resources and Skills Development Canada, and is providing further information to St. Marys' union in response to inquiries concerning eligibility for WEPPA claims;

d) the Receiver was advised by a clay supplier to St. Marys that the supplier owned certain rail cars in which clay was supplied to St. Marys while it was operating prior to the receivership proceedings. Further, the Receiver was advised by the clay supplier that due to winter weather conditions, the clay in the rail clay cars was no longer usable and no longer had any value. Based on discussions with St. Marys' employees, the Receiver understands that St. Marys purchased clay in the form of a slurry which hardens in winter conditions and cannot be used. St. Marys' employees also confirmed that the clay cars belonged to the clay supplier. The clay supplier provided proof of ownership of the clay cars which was reviewed by IFP's counsel. Accordingly, with the agreement of IFP, the Receiver requested the clay supplier to take back its clay cars. The clay supplier advised that it would arrange to take back its clay cars once the rail lines were no longer frozen;

e) the Receiver also received a number of other property claims from certain suppliers which are being reviewed by IFP's counsel. Based on that review, in consultation with IFP, the Receiver continues to return the property claimed by such suppliers;

f) the Receiver met with representatives of the City of Sault St. Marie (the "**City**") to discuss the status of St Marys' property taxes and understand the calculation related to the property tax refund received by St. Marys in or about November 2011. The Receiver has been notified by the Assessment Review Board that certain hearings related to St. Marys property taxes are scheduled for late March. Accordingly, the Receiver is working with St. Marys' property tax consultants to determine next steps related to the assessment of St. Marys' property taxes;

g) the Receiver has continued to respond to and address creditor inquiries relating to St. Marys' non-payment of liabilities incurred prior to the Appointment Order;

h) the Receiver invited parties to submit letters of intent to purchase certain wood located in the yard of St. Marys (the "**Mill Yard Wood**"). The Mill Yard Wood was purchased by St. Marys when it was operating, and is subject to a lien in favour of the Ministry of Natural Resources (the "**MNR**");

i) the Receiver prepared updated the cash flow statements (the "**Cash Flow Statement**") to March 24, 2012 in order to secure funding from IFP (through Receiver's Certificates as provided for in the Appointment Order) in order to fund the receivership and the Sales Process;

j) the Receiver attended on calls with the Ontario Ministry of Natural Resources with respect to the receivership proceedings;

k) as discussed further below, in consultation with IFP, the Receiver negotiated the settlement with Superior Land Management Inc. ("**Superior**") in which St. Marys will receive $100,000 from Superior;

l) as discussed further below, in consultation with IFP and Cafo Inc. ("**Cafo**"), certain insurances policies of St. Marys which were no longer required by St. Marys were terminated in order to seek to preserve the value of unearned insurance premiums, financed by Cafo;

m) the Receiver filed a property tax vacancy rebate application with the City for a property tax refund as St. Marys was not operating for the majority of the 2011 property tax year; and

n) the Receiver attended on calls with the Ministry of Environment with respect to activities at St. Marys and worked with St. Marys to provide status reports requested by the Ministry of Environment.

15. The Receiver was advised by St. Marys' employees that, on February 28, 2011, there was a break-in at the Mill resulting in damage to certain photocopiers and computer equipment. The police attended at the premises and a police report has been filed. St. Marys is in the process of assessing the value of the damage, but such damage is not expected to be significant.

SETTLEMENT WITH SUPERIOR

16. The Receiver understands that prior to the Appointment Order St. Marys was negotiating a potential settlement with Superior with respect to a dispute concerning whether St. Marys' was a valid assignee of a profit-a-pendre agreement between St. Mary's Paper Limited and Superior dated August 30, 2002 (the "**PAP Agreement**"), which PAP Agreement was purportedly assigned to St. Marys as part of a 2007 receivership of St. Marys Paper Limited.

17. Superior has taken the position that the PAP Agreement was not validly assigned to St. Marys and that, accordingly, the PAP Agreement does not form part of the property of St. Marys that is capable of being sold pursuant to the Sales Process.

18. With leave of the Court on consent of the Receiver and IFP, Superior commenced an Application seeking a determination of such issues, which Application was reserved to be heard in connection with any motion seeking a sale of the assets of St. Marys. A copy of Superior's Application, along with the Court's Endorsement granting leave to commence the Application, are attached hereto as Appendix "D".

19. The Receiver and Superior have agreed to a settlement of those issues, pursuant to which Superior will pay the Receiver the amount of $100,000 and in exchange the Receiver will not oppose an order (on a no costs basis) granting the relief sought in Superior's Application.

MOTION BY CAFO

20. Cafo Inc. has brought a motion in this receivership proceeding seeking an order entitling Cafo to terminate certain insurance policies of St. Marys financed by Cafo under a Continuous Premium Instalment Contract No. 91-30-129858-9 dated July 27, 2011 (the "**PIC**") and enforce its security over the unearned insurance premiums under such insurance policies.

21. It was Cafo's position that the unearned insurance premiums over which Cafo held security were approximately $14,527.15 as at March 7, 2012 and were depreciating at a daily rate of $127.43.

22. The Receiver determined that the insurance policies at issue in the Cafo motion were no longer required by St. Marys given the insurance coverage put in place by the Receiver following the Appointment Order. As a result, with the agreement of IFP, the Receiver agreed with Cafo that the Receiver would terminate the insurance policies and any unearned insurance premiums refunded by the insurer would be held by the Receiver pending an agreement between IFP and Cafo or a determination by the Court with respect to priority to the unearned insurance premiums.

23. On March 14, 2012, on consent of Cafo and the Receiver, the Court adjourned Cafo's motion, which Cafo and the Receiver will seek to schedule at the next court appearance. A copy of the Court's Endorsement in that regard is attached hereto as Appendix "E".

24. The Receiver has effected a termination of the relevant insurance policies effective December 29, 2011 and is awaiting receipt of the refunded unearned insurance premiums, which the Receiver will hold as noted above.

FUNDING OF THE RECEIVERSHIP

25. As described in the First Report, the Receiver advised Royal Bank to freeze the Company's bank accounts and the Receiver opened a separate bank account, following which the Receiver requested that Royal Bank transfer the funds in the Company's

account to the Receiver's account. As a result of this transfer, the Receiver received approximately $84,600 in Canadian currency and approximately $14,900 in U.S. currency.

26. In order to fund the ongoing holding costs of the Mill (including insurance, security and other staff, electricity, etc.) and to finance the receivership and the Sales Process, the Receiver requested funding from IFP. IFP agreed to provide limited funding to the Receiver while the Receiver carries out the Sales Process. Funding was provided to the Receiver pursuant to Receiver's Certificates issued by the Receiver as described in the Appointment Order.

27. As described in the First Report, the Receiver issued its first Receiver's Certificate in the amount of $470,000 to fund these Receivership proceedings until the end of January 2012, at an annual interest rate of 18% (the "**First Receiver's Certificate**"). In addition, the Receiver issued its second (the "**Second Receiver's Certificate**") and third (the "**Third Receiver's Certificate**") Receiver's Certificates in the amount of $325,000 and $250,000 respectively, to fund these Receivership proceedings until approximately March 24, 2012, at an annual interest rate of 18%. Copies of the Second Receiver's Certificate and Third Receiver's Certificate are attached hereto as Appendix "F" to this Second Report.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

28. Attached hereto as Appendix "G" is the Receiver's Statement of Receipts and Disbursements for the period from December 30, 2011 to March 16, 2012, which reflect remaining Candian funds of approximately $279,000 as of March 16, 2012. Appendix "G" includes further details with respect to the individual receipt and disbursement line items. In addition, the Receiver holds approximately US$14,900 is a U.S. currency account. As of March 16, 2012, the Receiver also holds approximately $1.0 million in a separate escrow account which includes deposits received from bidders with respect to the Sales Process. Deposits from unsuccessful bidders will be returned to such bidders.

OVERVIEW OF THE SALES PROCESS

29. As described in the First Report the Receiver established the Sales Process to market the Property to parties who may wish to operate the Property as a going concern, or to decommission and liquidate the plant and equipment and/or other property of St. Marys. The detailed Sales Process Protocol, as approved by the Court, is attached to the Sales Process Order which is attached as Appendix "B" to this Second Report.

Description of the Mill

30. The Mill is located at the Canadian/U.S. (Michigan) border on the Great Lakes waterway, at Sault Ste. Marie, Ontario. St. Marys is a groundwood pulp and paper mill with an annual capacity of 240,000 tons on three paper machines producing quality super calendar paper grades including a wide range of basis weights in the SCA and SCB grades, used mainly by magazine publishers and retailing companies for high quality advertising inserts, flyers and catalogues.

31. By late 2009 St. Marys suspended operations as a result of poor market conditions caused by supplier overcapacity. The Mill restarted during 2010 but was idled again in April 2011 primarily as a result of weaker market conditions. The Mill is currently winterized in a cold idle state but continues to be supervised by security staff and maintenance staff. The holding costs are approximately $400,000 a month. These holding costs include payroll expenses for the staff at the mill including staff on security shift work, electricity costs for lighting in the Mill and main office building and limited heating in certain areas of the Mill and the main office building, other utility costs, insurance expenses, costs related to winterizing the Mill and repairs and maintenance costs and costs related to the receivership proceedings.

The Sales Process

32. Pursuant to the Sales Process Protocol, the Receiver initiated the Sales Process which included sending a detailed teaser describing the Mill and the cogeneration opportunity available at the Mill, a confidentiality agreement (the "**CA**") for parties interested in obtaining access to the data room and arranging site visits to the Mill. It was hoped that the Sales Process would identify a purchaser for the Mill that would operate the Mill as a paper mill or an alternative wood products facility, and if no such purchaser was identified, then a liquidation purchaser would be identified.

33. A total of 177 parties were contacted, including 15 energy related parties, 75 financial parties, 54 strategic parties, and 33 liquidators and other parties.

34. In addition to contacting the above parties, advertisements were placed in the *Sault Star* and Foresttalk.com on January 20, 2012 and in the national edition of the *Globe and Mail* on January 23, 2012. Further to these advertisements, certain interested parties contacted the Receiver requesting information on the Sales Process. The Receiver also set up an electronic data room which included certain financial information, the teaser, a sales package and information on the capital assets, inventory, timber supply, cogeneration project, land and buildings and employees. The electronic data room also included a template asset purchase agreement for bidders to submit an offer.

35. The Receiver received feedback from certain parties that the costs required to return the Mill to its operating status would likely make it uneconomical to re-start the Mill given the current market conditions in the super calendar paper industry.

36. However, as a result of the Sales Process, 36 parties executed CAs and were provided with access to the electronic data room and offered site visits. Most parties who signed CAs accessed the electronic data room and 14 parties conducted site visits. 15 parties submitted a Letter of Intent ("**LOI**") to the Receiver. Subsequent to receiving the LOIs the Receiver offered each of the parties that submitted an LOI the opportunity to conduct additional due diligence and to submit a final bid (the "**Bid**") that would represent each parties' final offer. Further, each of these parties was advised to use the template asset purchase agreement provided in the electronic data room.

37. Following additional due diligence, on February 10, 2012, nine parties submitted Bids:

a) three of the Bids were from parties interested in operating certain aspects of the Mill or redeveloping the Mill into a bio-mass operation with a cogeneration plant while liquidating some or all of the assets of the Mill operations;

b) three Bids were from auctioneer firms; and

c) three Bids were from demolition firms.

38. As the Bids from certain parties contemplated operating certain aspects of the Mill or redeveloping the Mill into a bio-mass operation with a cogeneration plant while liquidating some or all of the assets of the Mill operations, the Receiver focussed its discussions with these parties in order to preserve at least a portion of the Mill as an operating entity. Although, as described below, there was minimal interest from certain bidders in operating the Mill as a going concern or as a paper Mill, it was the Receiver's view that these parties presented significant closing risks with respect to closing the Transaction in a timely manner.

39. The following table summarizes the paragraphs above with respect to the parties contacted, the teasers sent, the CAs received, site visits conducted and data room access provided leading to the LOIs and Bids submitted:

Type of Party	Parties Contacted	Teasers Sent	Executed CAs	Site Visits	LOIs Submitted	Offers Submitted
Energy	15	11	6	3	2	2
Financial - Canada / US	75	45	9	1	0	0
Strategic	54	34	4	1	2	1
Total non-liquidators	144	90	19	5	4	3
Liquidators and Others	33	33	17	9	11	6
Total	**177**	**123**	**36**	**14**	**15**	**9**

40. Subsequent to the receipt of the Bids, the Receiver, in consultation with IFP commenced discussions with certain parties to clarify items presented in their Bids and understand certain conditions included in these Bids.

41. None of the Bids received would have generated sufficient proceeds to pay IFP's debt in full as at the closing of the Transaction, which includes IFP's outstanding debt and costs as well as amounts funded by IFP during this receivership proceeding.

42. As described above, in addition to the Purchaser, three of the initial Bids received on February 10, 2012 were from parties interested in operating certain aspects of the Mill or redeveloping the Mill into a bio-mass operation with a cogeneration plant while liquidating the paper Mill operations:

   a) one Bid was received that proposed future payments to be made once the Mill recommenced operations and after the cogeneration plant was in operation. The Bid was also subject to further due diligence. However, this Bid was more in the nature of an expression of interest, was not accompanied by a deposit and did not contemplate any cash payment on closing, which was unacceptable to IFP. The party was requested to include an upfront cash payment, but refused to do so. Accordingly this Bid was not pursued any further.

   b) one Bid was received that proposed to redevelop the Mill as a bio-mass mill with a cogeneration plant. However, this Bid was more in the nature of an expression of interest, was not accompanied by a deposit, and had a low initial cash payment which was unacceptable to IFP. Accordingly this Bid was not pursued further.

   c) one Bid was received that proposed to redevelop the Mill as a bio-mass mill with a cogeneration plant. However, this Bid was more in the nature of an expression of interest. Further, this Bid was submitted jointly by two companies and, in the Receiver and IFP's view, contained conditions that would have made the transaction difficult to close in a timely manner. This Bid included a deposit of $250,000, however, soon after the Bid was submitted, the party that provided the deposit advised the Receiver that it was no longer willing to partner with its co-bidder and was withdrawing from the Sales Process. The Receiver was subsequently advised that the other party would continue to pursue an acquisition of the Property. An offer was subsequently submitted that contained several conditions that, in the Receiver and IFP's view, would have made the transaction difficult to close in a timely manner. In addition, this party did not submit its revised offer on the template asset purchase agreement, and the party did not provide satisfactory evidence that it had the financing to complete the sale transaction despite several requests from the Receiver for such evidence. Accordingly, based on the criteria described further in this Second Report, this Bid was not selected as the final Bid.

43. As a result of the foregoing, the Receiver engaged in further discussions with a select group of demolition and auctioneering firms, and two such parties were selected for further negotiations on a transaction in parallel to discussions with one party interested in operating certain aspects of the Mill or redeveloping the Mill into a bio-mass operation, while liquidating certain assets of the Mill.

44. Those three parties with whom discussions continued were provided with opportunities to conduct further due diligence including opportunities to revisit the Mill. Each of those parties submitted a Bid to the Receiver. One of the auctioneer firms selected amended its Bid to include certain additional assets and included the possibility of redeveloping the Mill into a bio-mass operation.

45. In addition to the above three bids, a further Bid was subsequently received from a party who had not previously submitted an LOI or submitted an offer on February 10, 2012.

46. The Receiver ultimately assessed those four Bids based on the following primary considerations:

a) the amount of consideration proposed in the transaction;

b) the level of due diligence required to be completed prior to closing;

c) the conditions precedent to the closing of a sale transaction; and

d) the ability to close the transaction as soon as possible.

47. Based on the criteria described above, the Purchaser (2319839 Ontario Inc.) was selected as the final party with which to enter into a purchase and sale agreement, and the Receiver, in consultation with IFP, proceeded to negotiate the Sale Agreement with the Purchaser, which was finalized and signed as of March 15, 2012.

48. A confidential summary of the Bids received will be provided to the Court on the return of the Receiver's motion with respect to the approval of the Transaction.

OVERVIEW OF THE SALE AGREEMENT

49. A copy of the Sale Agreement, with the cash purchase price redacted, is attached hereto as Appendix "H".

50. An unredated copy of the Sale Agreement is attached hereto as Confidential Appendix "I", which shall be excluded from the publicly available version of this Second Report but will be provided to the Court on a confidential basis subject to a request by the Receiver for a protective order with respect to Confidential Appendix "I", as discussed further below.

51. The Purchaser is a consortium of companies including an auctioneer, a real estate redevelopment company, a metals recycling company and a forest products company. The Receiver understands that the Purchaser may potentially seek to redevelop the Mill into a bio-mass facility with a cogeneration plant while liquidating the Mill assets.

52. The purchase price for the Purchased Assets is set out in section 3.1 of the Sale Agreement. The Receiver received a deposit of $250,000 from the Purchaser and the remaining purchase price is to be paid to the Receiver on closing. The closing will be 10 business days after this Court grants the Approval and Vesting Order or such other date as the Parties agree.

53. The Purchased Assets are being sold on an "as is, where is" basis and include:

a) the inventory, machinery, equipment and furniture;

b) the real property, including the improvements and fixtures;

c) the Seller's interest in certain assignable permits, contracts, leases and leased property;

d) all intellectual property;

e) all documents related to the Purchased Assets;

f) at the option of the Purchaser to be exercised prior to Closing, St. Marys' limited partnership units in the Limited Partnership (defined above);

g) the rights of the Seller to timber or wood supply relating to the operation of the Mill subject to the Purchaser's negotiations with the MNR; and

h) all other personal property on the real property,

all as detailed further in the Sale Agreement

54. As detailed further in the Sale Agreement, the excluded assets ("**Excluded Assets**") include, *inter alia*:

a) cash and cash equivalents, bank accounts and marketable securities;

b) books and records of the Company;

c) capital stock of the Company;

d) tax refunds including income tax refunds, property or realty tax refunds related to the Company and the Receiver;

e) the Mill Yard Wood;

f) the rights pursuant to the agreements with Superior or the proceeds of the settlement with Superior noted above;

g) accounts receivable;

h) causes of action arising prior to the closing, including certain particular rights and claims of St. Marys;

i) St. Marys' limited partnership units in the Limited Partnership if the Purchaser does not exercise its option to include the limited partnership units as part of the Purchased Assets;

j) the employee collective agreements and memorandums of settlement and other benefit, retirement or pension plans; and

k) all deposits made by the Company.

55. Other significant aspects in the Sale Agreement include:

a) the Purchaser requires that the Receiver request each supplier of certain hazardous substances stored or located on the Purchased Assets to remove such substances at such suppliers' own risk and cost and at no cost to the Receiver. Any hazardous substances removed prior to the Closing Date are deemed to be Excluded Assets and any hazardous substances remaining as of the Closing Date are deemed to be Purchased Assets;

b) the Purchaser requires that the Seller terminate the employment of all employees of the Company effective the day immediately preceding the Closing Date, and to provide to the Purchaser evidence of termination of employees. The Receiver intends to send, on St. Marys' behalf, termination letters to each of the employees of St. Marys (other than those employees previously terminated) by registered mail to the last known address of such employee based on the records of the Company terminating the employees effective as at 11:59 p.m. on the day immediately preceding to the Closing Date. However, given that the Purchaser requires assurance that all employees of the Company are effectively terminated prior to the Closing Date but that the majority of the employees had been on lay-off for in excess of six months prior to the Appointment Order, it is possible that the Company's record of the addresses of employees may be out of date. As such, the Receiver is also requesting an order of this Court deeming the termination of employment effective as at 11:59 p.m. on the day immediately preceding the Closing Date irrespective of whether an employee actually receives the termination letter;

c) if from the date of the signing of the Sale Agreement until the closing of the Transaction, any of the Purchased Assets are destroyed or rendered inoperable, the Purchaser shall still acquire the Purchased Assets and take an assignment from the Seller of all insurance proceeds payable to the Seller in respect of the damages to the Purchased Assets. If the damages exceed $650,000 or are not covered by insurance for full replacement value, then the Purchaser shall have the option of (i) terminating the Sale Agreement; or, (ii) where insurance proceeds are payable, accepting such proceeds and proceeding with the transactions contemplated by the Sale Agreement with no reduction to the Purchase Price; or, (iii) where no insurance proceeds are payable, proceeding with the transactions contemplated by the Sale Agreement with a reduction to the Purchase Price in an amount equal to the value of such damages;

d) following closing, the Purchaser and Seller agree to permit their representatives to have access, at reasonable times to the books and records of the company to enable the Purchaser and Seller to prepare tax, financial, court and employee related filings;

e) the Seller shall cooperate with and assist the Purchaser in estimating and calculating the amount of any payments or obligations required to be paid, performed or discharged to effect assignment of certain contracts, leases or permits;

f) As discussed below, if the partnership agreements or other constating documents or agreements relating to the limited partnership units held by St. Marys as limited partner of the Limited Partnership have not been obtained before the time the Receiver serves the materials in support of the motion for the Approval and

Vesting Order, the Receiver is required to request in its motion, on notice to the Limited Partnership and the General Partner, that this Court make an order requiring the General Partner to forthwith produce to the Receiver a copy of such documents and agreements;

g) pursuant to the Sale Agreement, the Receiver shall use reasonable efforts to obtain an assignment by the Limited Partnership of the OPA Agreement to the Purchaser (subject to any consent or approvals rights of the Ontario Power Authority under the OPA Agreement) and a release of the Limited Partnership and the General Partner's right, title and interest in the OPA Agreement, and in the event that such an assignment and release of interest does not appear to be forthcoming from the Limited Partnership and the General Partner, the Sale Agreement requires that the Receiver bring a motion seeking an order assigning the OPA Agreement to the Purchaser, subject to any consent or approval of the Ontario Power Authority required under the OPA Agreement, and an order releasing and quitclaiming any interest of Limited Partnership and the General Partner in the OPA Agreement;

h) for a period of 45 days after the closing of the Transaction, the Seller shall, without payment of funds, use reasonable efforts to obtain the consent of persons under contracts, leases or permits that were not assigned at the closing of the transaction. Upon receipt of such consents, the Seller agrees to assign such contracts, leases or permits to the Purchaser; and

i) the Seller shall deliver a closing certificate executed by the Seller, in a form satisfactory to the Purchaser, acting reasonably, certifying that all of the representations and warranties of the Seller hereunder remain true and correct in all material respects as of the closing date.

MATTERS RELATING TO THE LIMITED PARTNERSHIP

56. The Receiver understands that St. Marys holds 99.99% of the limited partnership units of the Limited Partnership (defined above), of which the General Partner (defined above) is the general partner.

57. The Purchaser has requested copies of any partnership agreements or other constating documents and agreements or other documents in respect of the Limited Partnership and upon receipt of such agreements the Purchaser has the option under the Sale Agreement, if approved by the Court, to include St. Marys' limited partnership units as part of the Purchased Assets.

58. The Receiver has made several requests of Mr. Gordon Acton (the principal of the General Partner and one of the former principals of St Marys) for a copy of such documents, including by way of letter from counsel to the Receiver dated Marcy 14, 2012 (the "**March 14 Letter**"), a copy of which is attached hereto as Appendix "J". While Mr. Acton has advised that he is searching for any such documents, the Receiver has not been provided with any of them as of the date of this Second Report. Accordingly, the Receiver seeks an order of the Court, if necessary, compelling production of such agreements and documents in the event that they are not provided prior to the hearing of this motion.

59. The Limited Partnership is a party to the OPA Agreement with the Ontario Power Authority.

60. As noted above, pursuant to the Sale Agreement, the Receiver is required to use reasonable efforts to obtain an assignment by the Limited Partnership of the OPA Agreement to the Purchaser (subject to any consent or approvals rights of the Ontario Power Authority under the OPA Agreement) and a release of the Limited Partnership and the General Partner's right, title and interest in the OPA Agreement. In the March 14 Letter, the Receiver further requested of Mr. Acton that the Limited Partnership, by the General Partner, provide a written release, quit-claim and assignment to an in favour of a

purchaser of all of the Limited Partnership's right, title and interest in and to the OPA Agreement.

61. In the event that such an assignment and release of interest does not appear to be forthcoming from Limited Partnership and the General Partner, the Sale Agreement requires that the Receiver bring a motion seeking an order assigning the OPA Agreement to the Purchaser, subject to any consent or approval of the Ontario Power Authority required under the OPA Agreement, and an order releasing and quitclaiming any interest of Limited Partnership and the General Partner in the OPA Agreement.

62. Accordingly, in the event such agreement and cooperation is not obtained prior to the hearing of this motion, the Receiver respectfully requests an order of the Court assigning the OPA Agreement to the Purchaser, subject to any consent or approval of the Ontario Power Authority required under the OPA Agreement, and an order releasing and quitclaiming any interest of the Limited Partnership and the General Partner in the OPA Agreement.

63. As the 99.99% limited partner in the Limited Partnership, it appears to the Receiver that St. Marys is the party with the real economic interest in the Limited Partnership and thus the real economic interest in the OPA Agreement of which the Limited Partnership is a party.

64. However, particularly given that the Receiver and the Purchaser do not have a copy of any partnership agreements or other constating agreements or documents which would address the rights and powers of St. Marys in relation to the Limited Partnership, the Receiver either requires the General Partner to cooperate to effect an assignment of the interest in the OPA Agreement to the Purchaser or requires an order of this Court effecting the assignment.

REQUEST FOR A PROTECTIVE ORDER

65. As noted above, an unredated copy of the Sale Agreement is attached hereto as Confidential Appendix "I", which shall be excluded from the publicly available version of this Second Report but will be provided to the Court on a confidential basis subject to a request by the Receiver for a protective order with respect to Confidential Appendix "I" as discussed further below.

66. The Purchaser has requested that the Cash Purchase Price not be disclosed publicly because it will be selling certain of the Purchased Assets.

67. The Receiver believes that the public non-disclosure of the Cash Purchase Price is reasonable and appropriate in order to protect the legitimate business interests of the Purchaser and to also protect the integrity of any further marketing of the Purchased Assets in the event that the Sale Agreement does not close as anticipated.

SERVICE

68. On March 19, 2012, by letter from the Receiver's counsel, the Receiver served the parties on the Service List (a copy of which is attached hereto as Appendix "K") (the "**Service List**") with a copy of the Receiver's Notice of Motion (including a draft form of Approval and Vesting Order) seeking the relief being sought by the Receiver as outlined in this Second Report (the "**Receiver's Notice of Motion**"). The Receiver is advised by its counsel that (i) for parties (or their counsel) on the Service List for which email addresses are known to the Receiver's counsel, the Receiver's Notice of Motion was sent to those parties (or their counsel) by email transmission at the email address indicated on the Service List; (ii) for parties (or their counsel) on the Service List for which facsimile numbers are known to the Receiver's counsel, the Receiver's Notice of Motion was sent to those parties (or their counsel) by facsimile transmission at the facsimile number indicated on the Service List; and (iii) for parties (or their counsel) on the Service List for which no email addresses or facsimile numbers are known to the Receiver's counsel, the Receiver's Notice of Motion was sent to those parties (or their counsel) by courier

delivery at the address indicated on the Service List.

69. The Receiver has instructed its counsel to serve the Receiver's Motion Record (including a copy of this Second Report) to the parties (or their counsel) on the Service List in the same manner as the Receiver's counsel served a copy of the Receiver's Notice of Motion.

RECOMMENDATIONS

70. It is the Receiver's view that the Sales Process was conducted in a fair and structured manner, and comprised a reasonably comprehensive marketing of the assets, property and undertaking of St. Marys having regard to the limited time frame in order to solicit potential purchasers for the Mill given the financial constraints and limitations facing the receivership estate, and that the Sales Process resulted in reasonable effort to solicit a transaction with a strategic party that would operate certain aspects of the Mill or redevelop the Mill into a bio-mass facility with a cogeneration plant.

71. However, as set out above, interested parties provided feedback that, in their view, the Mill was uncompetitive in the current market and the cost to return it to operating status would make a re-start of the Mill uneconomical for the purposes of manufacturing paper.

72. It is the Receiver's view that, particularly given the results of the Sales Process summarized above and the fact that no strategic party was able to credibly demonstrate the capacity to purchase the Mill and operate it as a going concern, the sale to the Purchaser is the transaction which will realize the highest amount of proceeds from the Mill and its real property in a timely manner, as supported by the Sales Process.

73. The Receiver also notes that none of the Bids received by the Receiver pursuant to the Sales Process would have been sufficient to discharge the debt owing to IFP in full at the closing of the Transaction, and IFP is supportive of the Transaction entered into with the Purchaser and supports the Receiver's motion seeking, *inter alia*, approval of the Sale Agreement.

74. Additionally, the Receiver notes that IFP is currently funding holding costs of approximately $400,000 a month which include all professional fees associated with the receivership, but that IFP is not willing to continue to provide funding for further holding costs for any continued marketing of the assets or business of the Company.

75. Based on the above, the Receiver recommends the Transaction with the Purchaser for the following reasons:

a) the Transaction will generate cash proceeds from the sale in an amount acceptable to IFP the first secured creditor of St. Marys;

b) approval of the Transaction ceases funding of costs by IFP caused by the ongoing payment of the Mill operating costs; and

c) the Transaction includes the sale of the real estate which the Receiver understands may potentially be redeveloped into a bio-mass facility which will not only potentially benefit the community but will avoid a potential abandonment of the real property.

76. The Receiver will continue to pursue the sale of the Excluded Assets, including certain capital stock and the Mill Yard Wood, and will continue to pursue available property tax refunds or other tax refunds and potentially pursue other claims of the estate.

77. For the foregoing reasons, the Receiver respectfully recommends that this Court grant an order:

(a) approving the Transaction contemplated by the Sale Agreement;

(b) vesting in the Purchaser the right, title and interest, if any, of the Company and the Receiver in and to the Purchased Assets described in the Sale Agreement;

(c) authorizing and directing the Receiver to, on the Company's behalf, terminate the employment of the Employees effective at 11:59 p.m. on the day immediately preceding the Closing Date, by sending to each Employee on the Company's behalf written notice of termination by registered mail to the last known address of such Employee based on the books and records of the Company;

(d) declaring that the employment of each Employee be and is hereby deemed to be terminated effective at 11:59 p.m. on the day immediately preceding the Closing Date, whether or not such employee receives written notice of termination before the Closing Date or at all;

(e) if necessary, directing and declaring that the OPA Agreement be deemed to be released, quit-claimed, assigned, transferred and set over to the Purchaser by the Limited Partnership and the General Partner, without compensation, liability or obligation on the part of the Purchaser to the Limited Partnership or the General Partner, but subject to any rights of consent or approval of the Ontario Power Authority set out in the OPA Agreement;

(f) if necessary as described below, directing the General Partner as the general partner of the Limited Partnership to forthwith produce to the Receiver a true copy of all partnership agreement(s) and other constating, management or governing documents and agreement(s) relating to the Limited Partnership, the limited partnership units in the Limited Partnership held by the Debtor, and the general partnership units in the Limited Partnership held by the General Partner, including all amendments to such documents and agreements, any power of attorney granted to the General Partner, the record of limited partners, the record of the General Partner and copies of all minutes of meetings and resolutions of the partners of the Limited Partnership, the General Partner, the board of directors and any committee of the board of directors of the General Partner to the extent pertaining to the Limited Partnership;

(g) directing that Confidential Appendix "I" to this Second Report remain confidential and subject to a protective order of the Court and that it not form part of the permanent court record except by further order of this Court made on notice to the Receiver, IFP, and the Purchaser; and

(h) approving this Second Report, and the conduct and activities of the Receiver as described herein,

all substantially in the form of the draft orders included with the Receiver's Motion Record.

All of which is respectfully submitted this 20th day of March, 2012.

ERNST & YOUNG INC.
in its capacity as Court Appointed Receiver and
Receiver and Manager of St. Mary's Paper Corp.

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

TAB A

Court File No. CV-11-9367-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE MR.	)	THURSDAY, THE 29th DAY
	)	
JUSTICE C. CAMPBELL	)	OF DECEMBER, 2011

INTERNATIONAL FOREST PRODUCTS CORPORATION

Applicant

- and -

ST. MARYS PAPER CORP.

Respondent

APPLICATION UNDER SUBSECTION 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

ORDER

THIS APPLICATION 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 Ernst & Young Inc. as receiver and receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of St. Marys Paper Corp. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Daniel J. Moore sworn August 31, 2011; September 27, 2011; October 6, 2011; and October 14, 2011 and the Exhibits thereto, all filed, and on hearing the submissions of counsel for the Applicant and the Debtor, no other parties appearing although duly served as appears from the affidavits of service filed with the Court, and on reading the consent of the Debtor dated October 24, 2011, and on reading the consent of Ernst & Young Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application 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, Ernst & Young Inc. 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 the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

(c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

(d) to engage brokers, consultants, appraisers, agents (including listing agents for commercial real property), experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

(e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;

(f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

(g) to settle, extend or compromise any indebtedness owing to the Debtor;

(h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

(i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;

(j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

(k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate, including the listing of the Property with such broker or listing agent as the Receiver may deem appropriate and at such listing price as the Receiver 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 $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

(m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;

(q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

(r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and

(s) 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 its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or

affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien. Notwithstanding any other provision in this Order or these proceedings, the rights and remedies of Her Majesty the Queen in Right of the Province of Ontario, as Represented by the Minister of Northern Development, Mines and Forestry ("Ontario"), under the Crown Forest Sustainability Act, 1994, S.O. 1994, c. 25 (the "CFSA"), with respect to the Wood in the Mill Yard (as defined in the Affidavit of David Hayhurst sworn October 7, 2011) are not stayed, suspended, or otherwise limited, without prejudice to the right of any party to take any position contrary to Ontario and, in addition, the Receiver has a right to inspect the Wood in the Mill Yard within 30 days from the date of this Order, during which period the Wood will not be removed, disposed or otherwise used.

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 computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

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

PIPEDA

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

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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, at the request of any creditor of the Debtor, pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed $1,500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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

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

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

GENERAL

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

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

26. THIS COURT ORDERS that the Applicants and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time.

27. 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.

28. 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.

29. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff'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.

30. 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

31. THIS COURT ORDERS that unless proof of sufficient insurance coverage is provided by the Debtor to Ernst & Young Inc. and the Applicant by 9:00 a.m. (Toronto time) on December 30, 2011, this Order shall become immediately effective.

Giuseppe Dipietro
Registrar

DEC 2 9 2011

NB

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. ______________

AMOUNT $_____________________

1. THIS IS TO CERTIFY that Ernst & Young Inc., the receiver and receiver and manager (the "Receiver") of the assets, undertakings and properties of St. Marys Paper Corp. (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 ___ day of ______, 20__ (the "Order") made in an action having Court file number CV-11-9367-00CL, 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 [daily][monthly not in advance on the _______ day of each month] after the date hereof at a notional rate per annum equal to the rate of ______ per cent above the prime commercial lending rate of Bank of _________ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of ______________, 20__.

Ernst & Young Inc., solely in its capacity
as Receiver of the Property, and not in its
personal or corporate capacity

Per: ____________________________________

Name:

Title:

Court File No.: CV-11-9367-00CL

INTERNATIONAL FOREST PRODUCTS CORPORATION
Applicant

- and -

ST.MARY'S PAPER CORP.
Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding Commenced at Toronto

RECEIVERSHIP ORDER

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 40, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Michael McGraw LSUC#: 46679C
Tel: (416) 863-4247
Fax: (416) 863-2653

Marc Flynn LSUC# 52831B
Tel: (416) 863-2685
Fax: (416) 863-2653

Lawyers for the Applicants

12502638.5

TAB B

Court File No. CV-11-9367-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR	)	WEDNESDAY, THE 18TH DAY
	)	
JUSTICE CAMPBELL	)	OF JANUARY, 2012

BETWEEN:

INTERNATIONAL FOREST PRODUCTS LLC (formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)

Applicant

- and -

ST. MARYS PAPER CORP.

Respondent

APPLICATION UNDER SUBSECTION 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

ORDER

THIS MOTION, made by Ernst & Young Inc., in its capacity as Court-appointed receiver and receiver and manager pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* and section 101 of the *Courts of Justice Act* (Ontario) (jointly and collectively, the "Receiver"), without security, of all of the assets, undertakings and properties of St. Marys Paper Corp. ("St. Marys") was heard this day, at 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated January 13, 2012 (the "First Report"), filed, and on hearing the submissions of counsel for the Receiver and the Applicant, International Forest Products LLC (formerly known as International Forest Products Corporation), no other parties appearing, although duly served as appears from the affidavits of service filed with the Court,

1. **THIS COURT ORDERS AND DECLARES** that service of the Notice of Motion and the Motion Record in accordance with the affidavits of service, including the method and timing of

notice, and service to the service list, shall be and is hereby abridged and validated, so that this Motion is properly returnable today and any further service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

2. **THIS COURT ORDERS** that the Applicant in these proceedings be amended from "International Forest Products Corporation" to "International Forest Products LLC (formerly known as International Forest Products Corporation)".

3. **THIS COURT ORDERS** that the Sales Process Protocol, substantially in the form attached hereto as Schedule "A" (the "Sales Process Protocol") and the Sales Process described therein and in the First Report (the "Sales Process") be and is hereby approved.

4. **THIS COURT ORDERS** that the Receiver is hereby authorized to commence and carry out the Sales Process substantially in accordance with the Sales Process Protocol and to take such steps as are considered necessary or desirable in carrying out the terms of the Sales Process Protocol.

5. **THIS COURT ORDERS** that the Receiver may seek advice and directions from the Court in respect of any aspect of the Sales Process Protocol.

6. **THIS COURT ORDERS** that the First Report, and the conduct and activities of the Receiver as described therein, be and are hereby approved.

7. **THIS COURT ORDERS** that the KERP Agreements (as defined and described in the First Report and as set out at confidential Appendix "E" to the First Report) be and are hereby approved.

8. **THIS COURT ORDERS** that the KERP Agreements at confidential Appendix "E" to the First Report shall remain confidential and subject to a protective order of this Court and shall not form part of the permanent Court record except by further order of this Court made on notice to the Receiver and IFP.

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

JAN 1 8 2012

SCHEDULE "A"

SALES PROCESS PROTOCOL

Overview

On December 29, 2011, on the application of International Forest Products Corporation, now known as International Forest Products LLC ("**IFP**"), the Ontario Superior Court of Justice (the "**Court**") granted an Order (the "**Appointment Order**") appointing Ernst & Young Inc. as receiver and receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of St. Marys Paper Corp. ("**St. Marys**") effective December 30, 2011.

Pursuant to the terms of the Appointment Order, the Receiver will be commencing a process (the "**Sales Process**") to market the Property (as defined below) to parties who may wish to operate the Property as a going concern, or to decommission and liquidate the plant and equipment and/or other property of St. Marys. The Receiver will seek an Order of the Court approving the Sales Process and authorizing the Receiver to commence and carry out the Sales Process (the "**Sales Process Order**").

Set out herein are the procedures, terms and protocol (the "**Sales Process Protocol**") with respect to the solicitation, review and approval of offers to purchase the Property.

All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Appointment Order.

Property to Be Sold and Terms of Sale

The assets to be offered for sale pursuant to this Sales Process shall include all of the properties, undertakings, and assets of St. Marys and any liabilities required to be assumed in connection with the purchase of the business of St. Marys (the "**Property**").

The sale of the Property shall be on an "as is, where is" basis and without surviving representations and warranties of any kind, nature or description by the Receiver or any of its respective directors, officers, employees, agents, estates, advisors, professionals or otherwise.

Subject to an Order of the Court, all of the rights, title and interests of the Receiver and St. Marys in and to the Property will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests of any kind thereon (collectively, the "**Claims**") and such Claims shall attach to the net proceeds of sale (without prejudice to any claims or entitlements regarding priority, validity and enforceability), except to the extent otherwise expressly set forth in the relevant sale agreement or by Order of the Court.

Role of the Receiver

The Receiver shall conduct the Sales Process, subject to the Court's overriding supervision. This shall include facilitating the delivery of all mailings, contacting prospective purchasers and providing them with an initial offering summary (the "**Teaser Letter**") and confidential sales package (the "**Sales Package**"), coordinating execution of confidentiality agreements, facilitating any requests for tours of the facilities, managing the process of answering all inquiries from Interested Parties (as defined below) and coordinating any presentations that may be requested by prospective purchasers.

All requests for additional information shall be made through the Receiver, who shall coordinate responses to such requests with the appropriate parties.

The Receiver shall report to the Court on the outcome of the Sales Process and shall seek Court approval of any final sale agreement or agreements arising out of the Sales Process.

Identification of Potential Interested Parties

No later than three (3) business days following the issuance of the Sales Process Order, the Receiver shall cause a notice of Sale Process contemplated by this Sales Process Protocol and such other relevant information which the Receiver considers appropriate (the "**Sale Notice**") to be published in *The Globe and Mail* (National Edition), the Sault Ste Marie Star and Foresttalk.com.

The Receiver shall develop a list of strategic and financial parties, as well as decommissioning and liquidation parties, who may be interested in purchasing the Property (the "**Interested Parties**").

As soon as possible following the issuance of the Sales Process Order, the Receiver will begin to contact the Interested Parties to determine if they are interested in acquiring the Property. The Receiver shall distribute the Teaser Letter to all Interested Parties and any other party who requests same.

Within five (5) business days following the issuance of the Sales Process Order, the Receiver shall ensure that a data room (the "**Data Room**") is operational and that a template Asset Purchase Agreement (the "**Agreement Template**") is available in the Data Room.

Solicitation Process

Any parties who wish to conduct due diligence shall sign a confidentiality agreement, which shall be in form and substance acceptable to the Receiver and which shall inure to the benefit of any purchaser of the Property (the "**Confidentiality Agreement**").

Any party that executes a Confidentiality Agreement (each, a "**Potential Bidder**") shall be provided with the following by the Receiver:

- a copy of this Sales Process Protocol;
- the Sales Package;
- a copy of the Agreement Template; and
- access to the Data Room, where preliminary data will be available.

Phase I - Non-Binding LOIs

In order to be considered, each Potential Bidder shall be required to submit a non-binding letter of intent ("**LOI**") to the Notice Parties (as defined below) on or before **5:00 p.m. EST on January 30, 2012** which, among other things desired by the Potential Bidder, must outline:

- identification of the specific parties and proposed sponsoring entities to participate in the acquisition;
- the purchase price to be paid and form of consideration;
- overview of remaining due diligence activities;
- the assets to be purchased;
- the liabilities to be assumed;
- any conditions precedent; and
- any other material terms of the offer.

In addition, in order to be considered, each LOI must be accompanied by the most recent audited financial statements and the most recent unaudited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Property, the most recent audited financial statements and the most recent unaudited financial statements of the equity holders or sponsors of the Potential Bidder who will guarantee the obligations of the Potential Bidder, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Receiver to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the sale of the Property.

The Receiver shall evaluate the LOIs based on, among other things, the ability of the potential interested parties to complete due diligence and consummate a transaction on a timely basis as well as other buyer or investor selection criteria that may be developed by the Receiver in its discretion and in consultation with IFP. The Receiver will then, in its discretion, identify parties ("**Qualified Bidders**") who, based on their LOIs ("**Qualifying LOIs**") will be invited to participate in Phase II.

Phase II - Qualifying Bidders and Further Due Diligence

Qualified Bidders shall be advised by the Receiver on or before January 31, 2012, and will thereafter be provided with access to additional information to compete their due diligence, which will be coordinated with the Receiver.

Site visits and in-depth meetings with management of St. Marys shall only be permitted once a Qualifying LOI has been received from a Qualified Bidder. Further, upon request and subject to the discretion of the Receiver, the Receiver may seek to facilitate and supervise direct meetings between Qualified Bidders and the key stakeholders of St. Marys or other parties, as necessary.

Phase III - Submission of Offers

Qualified Bidders shall have until **5:00 p.m. EST on February 10, 2012** to submit to the Notice Parties (as defined below) offers in the form of the Agreement Template for the purchase of the Property (an "**Offer**"). Each Offer must be accompanied by:

- a $250,000 cash deposit or letter of credit issued by a Schedule 1 Canadian chartered bank or other amount specified by the Receiver if the Offer is for less than all of the Property;
- a projected timeline for closing the transaction; and
- a detailed list of all conditions precedent to closing.

An Offer shall be an offer for all or part of the Property and, without limitation:

- clearly identify the potential purchaser and sponsoring entities by name and confirm corporate or other authorization to enter into a transaction;
- shall be in the form of the Agreement Template and include a blackline against the Agreement Template;
- shall not include any material conditions to closing other than those already included in the Agreement Template;
- shall not be conditional upon financing and shall include proof of financial ability to close a transaction;
- shall provide that any other conditions to the offer must be satisfied, waived or completed on or before February 21, 2012;
- shall be, in the reasonable opinion and discretion of the Receiver, likely to close on or prior to March 2, 2012; and
- shall not request or entitle the Qualifying Bidder to any break-fee, termination fee, expense reimbursement or other type of compensation or payment.

All Offers must be capable of acceptance and must be irrevocable until **11:59 pm EST on February 22, 2012** and shall be subject to Court approval. The Receiver may seek clarifications with respect to any of the Offers, and may grant reasonable extensions.

The Receiver may seek clarifications with respect to any Offers.

Each Offer shall be considered by the Receiver, in consultation with IFP.

On or before February 14, 2012, following review by the Receiver, in consultation with IFP, the Receiver shall notify the successful Qualified Bidder(s) that they shall be entitled to participate in Phase IV: negotiations in respect of the Agreement Template and satisfaction of conditions therein. Deposits shall be returned to all other Qualifying Bidders.

Phase IV - Negotiation of Conditions

The Receiver shall negotiate with the remaining Qualified Bidder(s) the final terms of the Offer(s) to reach a form of mutually agreeable purchase agreement (the "**Agreement**").

The remaining Qualified Bidder(s) shall then be entitled to meet with necessary parties to seek to finalize negotiations and satisfaction of existing conditions to the Agreement. The Receiver shall seek to facilitate and supervise direct meetings between the remaining Qualified Bidder(s) and such other necessary parties.

The remaining Qualified Bidder(s) shall have until **5:00 p.m. EST on February 21, 2012** to confirm or waive all remaining conditions.

Acceptance of Offers, Court Approval and Closing

The Receiver shall notify the successful Qualified Bidder that its offer is accepted (the "**Accepted Offer**") on or before February 22, 2012.

The Receiver shall take such steps as may be necessary to facilitate the closing of the Accepted Offer as soon as practical, including, without limitation, seeking Court approval of the Accepted Offer on or before February 29, 2012.

Closing of the Accepted Offer shall be completed as soon as possible after all required approvals are received, but in any event on or before March 2, 2012 unless otherwise agreed to by the Receiver in its discretion.

Notice Parties

Any documents to be sent to the Receiver under this Sales Process Protocol shall be sent by courier, facsimile transmission or e-mail. For the purposes of this Sales Process Protocol, the term Notice Parties shall mean:

ERNST & YOUNG INC.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto ON M5K 1J7

Attention: Alex Morrison
Facsimile: 416 943 3300
Email: alex.f.morrison@ca.ey.com

With a copy to:
Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Joseph Bellissimo
Facsimile: 416 642 7150
Email: jbellissimo@casselsbrock.com

And a copy to:
Blake Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Attention: Michael McGraw
Facsimile: 416 863 2653
Email: michael.mcgraw@blakes.com

Miscellaneous

The Receiver may, in its discretion: (a) amend this Sales Process Protocol, including the right to extend, abridge or otherwise amend any timelines described herein as considered necessary by the Receiver or by further order of the Court; (b) reject, at any time, pursuant to this Sales Process Protocol, any bid that is inadequate or insufficient, not in conformity with the Sales Process Order or any other orders made in the proceedings or is contrary to the best interests of St. Marys and its stakeholders as determined by the Receiver; (c) impose additional terms, conditions or requirements and otherwise modify this Sales Process Protocol; (d) accept bids not in conformity with this Sales Process Protocol to the extent that the Receiver determines that doing so would benefit the estate and (e) reject all bids or Offers including the highest and best bid in respect of the Property if the Receiver determines that doing so would benefit the estate, but shall be entitled to recommend to the Court a transaction that, in the Receiver's discretion, among other things, maximizes value for all stakeholders and minimizes closing risk.

This Sales Process Protocol does not, and shall not be interpreted to, create any contractual or other legal relationship between any Interested Party, Potential Bidder or Qualified Bidder and St. Marys (or any of its subsidiaries or affiliates), the Receiver or any of their respective directors, officers, employees, agents, estates, advisors or professionals, other than as expressly set forth in definitive agreements signed by Receiver.

None of the Receiver or any of its directors, officers, employees, agents, estates, advisors or professionals, make any representation or warranty as to the information contained in any Teaser

Letter, Sales Package or information provided through due diligence or otherwise in this Sales Process, except as expressly set forth in definitive written agreements signed by the Receiver.

At any time during this Sales Process, the Receiver may, following consultation with IFP, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

St. Mary's Paper Corp.

Sales Process Outline and Timelines

	Timeline
▶ Discuss Sale Process with Secured Creditors	Jan 6 – 10
▶ Approach potential bidders to facilitate coordination pre-court approval of Sale Process	Jan 6 - 17
▶ Development of Marketing Materials ✓ Form of Confidentiality Agreement ✓ Teaser Letter ✓ Sales Package (short form CIM)	Jan 15
▶ Develop Buyer List ✓ Strategic ✓ Distressed Private Equity Funds ✓ Decommissioning / Scrap dealers / Liquidators	Jan 15
▶ Proposed Court approval of Sale Process Protocol	Jan 18
▶ Newspaper advertisements in the Globe & Mail, Sault Star and Foresttalk.com	Jan 23
▶ Data Room finalized	Jan 20
▶ Contact prospective purchasers ("Interested Parties")	Jan 18 - 23
▶ Template APA made available in the data room	Jan 23
▶ Site visits	Jan 18 – Jan 27
▶ Submission of non-binding LOI's	Jan 30
▶ Qualifying LOI's selected	Jan 31
▶ Further site visits and in depth management meetings for Qualified Bidders	Jan 31 – Feb 9
▶ Direct meetings between Qualified Bidders and key stakeholders	Jan 31 – Feb 9
▶ Submission of Offers	Feb 10
▶ Selection of final bidder(s)	Feb 14
▶ Qualified Bidder to waive all remaining conditions	Feb 21
▶ Successful bidder notified that offer is accepted (the "Accepted Offer")	Feb 22
▶ Court Approval of Accepted Offer	Feb 29
▶ Closing	Mar 2

Court File No.: CV-11-9367-00CL

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INTERNATIONAL FOREST PRODUCTS LLC (formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)
Applicant

- and -

ST.MARYS PAPER CORP.
Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding Commenced at Toronto

ORDER

BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 40, Commerce Court West
199 Bay Street, Suite 2800
Toronto, Ontario M5L 1A9

Michael McGraw LSUC#: 46679C
Tel: (416) 863-4247
Fax: (416) 863-2653

Lawyers for the Applicants

CASSELS BROCK & BLACKWELL
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Joseph J. Bellissimo
Tel: (416) 860-6572
Fax: (416)-642-7150
E-mail: jbellissimo@casselsbrock.com

Lawyers for Ernst & Young Inc., in its capacity as Receiver

TAB C

Court File No. CV-11-9367-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

INTERNATIONAL FOREST PRODUCTS LLC
(formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)

Applicant

- and -

ST. MARYS PAPER CORP.

Respondent

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

FIRST REPORT OF THE RECEIVER OF ST. MARYS PAPER CORP.
DATED JANUARY 13, 2012

INTRODUCTION

1. Pursuant to the Order of this Court dated December 29, 2011, upon the application of International Forest Products LLC (formerly known as International Forest Products Corporation) (“**IFP**”), on December 30, 2011 Ernst & Young Inc. (“**EYI**”) was appointed as the receiver and receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties of St. Marys Paper Corp. (“**St. Marys**” or the “**Company**”) acquired for, or used in relation to the Company's business, including all proceeds thereof (the “**Property**”) 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 “**Appointment Order**”) . A copy of the Appointment Order is attached hereto as Appendix “A”.

2. The Appointment Order authorized the Receiver to, among other things to:

i) take possession of and exercise control over the Property and any and all proceeds, receipts, and disbursements arising out of, or from, the Property;

ii) market the Property, including advertising and soliciting offers in respect of the Property and negotiating terms and conditions that the Receiver deems appropriate;

iii) sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business:

a. without the approval of this Court in respect of any transaction not exceeding $250,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

b. with the approval of this Court in respect of any transaction in which the purchase price, or the aggregate purchase price, exceeds the applicable amounts set out above; and

iv) apply for any vesting order or other orders necessary to convey the Property to a purchaser free and clear of any liens or encumbrances affecting such Property.

3. On January 1, 2012, International Forest Products Corporation changed its name to International Forest Products LLC.

PURPOSE

4. The purpose of this First Report of the Receiver (the "**First Report**") is to report to this Court with respect to:

i) a summary of the activities of the Receiver to date;

ii) the funding of the receivership; and

iii) the Receiver's motion for an Order:

a. approving a sales process proposed by the Receiver (the "**Sales Process**") as set out in Schedule "A" to the draft Order (the "**Sales Process Protocol**");

b. authorizing the Receiver to commence and carry out the Sales Process substantially in accordance with the Sales Process Protocol and to take such steps as are considered necessary or desirable in carrying out the terms of the Sales Process Protocol;

c. directing that the Receiver may seek advice and directions from the Court in respect of any aspect of the Sales Process Protocol;

d. approving the proposed Key Employee Retention Program (the "**KERP**") with respect to two key individuals of the Company which the Receiver requests remain confidential and, subject to a protective order of this Court, and shall not form part of the permanent Court record except by further order of this Court made on notice to the Receiver and IFP; and

e. approving the First Report, and the conduct and activities of the Receiver as described herein.

TERMS OF REFERENCE

5. In preparing this First Report, the Receiver has been provided with and in making the comments herein relied upon, unaudited financial information, the Company's books and records, financial information prepared by the Company, and discussions with management of St. Marys. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of such information contained in this First Report.

6. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars.

7. Capitalized terms not defined in this First Report are defined in the Appointment Order.

BACKGROUND

8. St. Marys is a corporation incorporated pursuant to the laws of the Province of Ontario with its head office located in the City of Sault Ste. Marie, Ontario. Prior to March 2011 St. Marys operated a groundwood pulp and super calendar specialty paper mill (the "**Mill**") producing paper grades used mainly by magazine publishers and retailing companies for high quality advertising inserts, flyers and catalogues. St. Marys has been in operation for over 100 years.

9. In March 2011, St. Marys was forced to shut down the Mill as a result of an unexpected mechanical issue on its largest paper machine. This paper machine provides more than half of its annual output capacity. St. Marys has addressed the mechanical issue, however, due to weaker market conditions, St. Marys decided not to restart the Mill until market conditions improved.

10. Due to the shortage of funds, St. Marys management determined that the Mill should be preserved in a 'cold idle' state until market conditions improved. Accordingly, a process was commenced to winterize the Mill and prepare it for a 'cold idle' shutdown.

11. As a result of the shutdown of the Mill, St. Marys experienced financial difficulties and a significant liquidity crisis. In addition, St. Marys was unable to secure insurance coverage for the Mill and its operations resulting in the appointment of the Receiver effective December 30, 2011.

12. Further background with respect to these proceedings and IFP's application for the appointment of the Receiver is set out in the affidavits of Daniel Moore of IFP which were filed with the Court and are attached (without the Exhibits thereto) at Appendix "B" to this First Report. As noted below, copies of the full affidavits are available on the website maintained by the Receiver for these proceedings, www.ey.com/ca/smp.

SUMMARY OF THE ACTIVITIES OF THE RECEIVER

13. As described above, the Mill is currently not operating primarily due to weak market conditions.

14. Among other things, since its appointment the Receiver took the following steps in conjunction with its mandate:

a) advised the Company of the appointment of the Receiver and its impact on the Company's operations;

b) notified Royal Bank to freeze the Company's bank accounts and opened a Receiver's bank account;

c) obtained insurance coverage for the Mill given that the Company's insurance coverage terminated on December 31, 2011. The Receiver obtained insurance commencing on the date of the Receivership for the Mill located at 75 Huron Street and the Company's warehouse located at 488 Gran Street (the "**Warehouse**") at a monthly premium cost of approximately $18,400. The insurance coverage limits for the Mill and Warehouse include property insurance coverage of $20 million after a deductible for direct damage of $500,000 for the Mill and property insurance coverage of $3 million after a deductible for direct damage of $25,000 for the Warehouse, boiler and machinery combined coverage of $25 million after a deductible of $2,500 (excluding production machinery), and liability limits of $10 million per occurrence and $28 million in aggregate;

d) photographed certain items at the Mill and changed the locks at the Mill and the Warehouse;

e) worked with certain employees of St. Marys to assess the status of the winterization of the Mill and understand the remaining activities and costs to complete the winterization of the Mill;

f) prepared and provided to all known St. Marys creditors a copy of the Receiver's Section 245 and 246 reports pursuant to the requirements of the BIA;

g) posted the Appointment Order and other court documents on a website, www.ey.com/ca/smp maintained by the Receiver;

h) set up a toll-free number, 1-855-294-9737, for creditors and other interested parties to contact the Receiver;

i) dealt with creditor inquiries relating to St. Marys non-payment of liabilities incurred prior to the Appointment Order;

j) prepared a preliminary cash flow statement (the "**Cash Flow Statement**") to March 2, 2012 in support of securing the amount of funding required from IFP in order to continue operations and conduct a sales process for the Property;

k) developed the Sales Process Protocol as discussed further below;

l) developed the KERP Agreements as discussed below;

m) attended calls with the Ontario Ministry of Natural Resources with respect to the Receivership proceedings; and

n) toured the Mill with the Ministry of the Environment (the "**MOE**") and the City of Sault Ste. Marie (the "**City**").

15. The Receiver is working towards compiling information required for the Sales Process. The Receiver has been contacted by a number of parties interested in purchasing all or some of the Property. These parties will be included in a potential buyers' list that the Receiver is compiling as contemplated in the Sales Process Protocol.

FUNDING OF THE RECEIVERSHIP

16. As described above, the Receiver advised Royal Bank to freeze the Company's bank accounts and the Receiver opened a separate bank account, following which the Receiver

requested that Royal Bank transfer the funds in the Company's account to the Receiver's account. As a result of this transfer, the Receiver received approximately $84,600 in Canadian currency and approximately $14,900 in U.S. currency.

17. In order to fund the ongoing holding costs of the Mill (including insurance, security and other staff, electricity, etc) and to finance the receivership and the Sales Process, the Receiver requested funding from IFP. IFP has agreed to provide limited funding to the Receiver while the Receiver carries out the proposed Sales Process. Funding will be provided to the Receiver pursuant to Receiver's Certificates issued by the Receiver as described in the Appointment Order.

18. To date, the Receiver has issued its first Receiver's Certificate in the amount of $470,000 to fund these Receivership proceedings until the end of January 2012, at an annual interest rate of 18% (the "**First Receiver's Certificate**"). A copy of the First Receiver's Certificate is attached as Appendix "C" to this First Report.

THE SALES PROCESS

19. Prior to the appointment of the Receiver, the Company was in the process of attempting to secure an investor in St. Marys or a buyer of the Mill.

20. The Receiver is hopeful that a going concern buyer can be found for the Mill. However, given the limited funding, the limited financial resources in the estate and the challenges of the industry, the Receiver will canvass both going concern and liquidation offers for the Property. As such, the Receiver has developed a proposed Sales Process to market the Property to parties who may wish to operate the Property as a going concern, or to decommission and liquidate the plant and equipment and/or other property of St. Marys. The detailed Sales Process Protocol is attached both as Appendix "A" to the draft order and Appendix "D" to this First Report.

21. As described above, the Receiver has been contacted by a number of parties who have expressed an interest in acquiring some or all of the Property. The Receiver is compiling

a list of potential interested parties including parties who have made similar acquisitions and known parties in the industry as well as decommissioning and liquidating companies.

22. Certain significant proposed timelines related to the Sales Process are noted below:

Activity	**Timeline**
Newspaper advertisements	January 23, 2012
Data room established	January 20, 2012
Submission of non-binding letters of intent	January 30, 2012
Submission of offers	February 10, 2012
Waiving of all conditions related to the sale	February 21, 2012
Court approval of the accepted offer	February 29, 2012
Closing of the sale	March 2, 2012

23. Due to the relatively short timeline contemplated in the Sales Process Protocol, the Receiver is responding to questions and inquiries from interested parties who contacted the Receiver. Further, the Receiver is approaching parties who may be interested in purchasing all or some of the Property.

24. The Receiver shall report to this Court with respect to the outcome of the Sales Process and shall seek the approval of this Court of any final sale agreement or agreements arising out of the Sales Process. If necessary, the Receiver will also seek the advice and direction of this Court with respect to the Sales Process.

THE KEY EMPLOYEE RETENTION PLAN

25. As described above, the Receiver is contemplating a Sales Process with a relatively short timeline in order to sell the Property. Further, the Receiver, with the assistance of certain employees, is working towards assessing the status of the winterization of the Mill and determining the remaining activities and costs to complete the process of winterizing the Mill. In order to effectively manage the Sales Process and the winterization of the Mill, the Receiver requires the assistance of two key employees (the "**Key Employees**") of the Company who previously worked on winterization activities and previous attempts to sell the Mill.

26. In order to retain the Key Employees as employees of the Company until the completion of the Sales Process, the Receiver is proposing the payment of an incentive bonus to the Key Employees based on the achievement of a pre-determined outcome related to the Sales Process. The incentive bonus will be paid to each of the Key Employees in the event that IFP is paid all amounts owing to it by the Receiver and St. Marys. Further, the incentive bonus will be paid only if the Key Employees agree to remain employees of St. Marys until a week after the completion of the Sales Process and certain other terms which will be set out in the Key Employee Retention Program Agreements (the "**KERP Agreements**"). The Receiver is in the process of finalizing the terms of the KERP with the Key Employees, which will be brought forward to the Court in advance of the hearing once finalized.

27. A copy of the proposed KERP Agreements will be brought forward to the Court in confidential Appendix "E" to this First Report. Due to the personal and confidential nature of the information contained in the KERP Agreements, the Receiver is seeking a protective order with respect to Appendix "E" to this First Report such that they remain confidential and not form part of the permanent Court record except by further Order of this Court made on notice to the Receiver and IFP. Accordingly, Appendix "E" is not attached to this First Report and has been filed with the Court in a separate sealed envelope.

28. The Receiver has discussed the proposed KERP with IFP who had indicated that it is not opposed to the KERP.

RECOMMENDATIONS

29. The Receiver respectfully recommends that this Court grant an order:

   i) approving the Sales Process and the Sales Process Protocol as set out in Schedule "A" to the draft Order;

   ii) approving the KERP Agreements subject to a protective order with respect to confidential Appendix "E" to this First Report; and

   iii) approving this First Report and the conduct and activities of the Receiver as described herein,

all substantially in the form of the draft Order attached at Schedule "A" to the Receiver's Notice of Motion.

All of which is respectfully submitted this 13th day of January, 2012.

ERNST & YOUNG INC.
In its capacity as Court Appointed Receiver and Receiver and Manager of St. Mary's Paper Corp.

Per:

Alex Morrison
Senior Vice President

Simone Carvalho
Vice President

TAB D

CV12-9638-00CL

Court File No.

\- 100

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

(Court seal)

SUPERIOR LAND MANAGEMENT INC.

Applicant

\- and -

ST. MARYS PAPER CORP.
and ERNST & YOUNG INC., in its capacity as receiver and receiver and manager of St. Marys Paper Corp.

Respondents

APPLICATION UNDER Rules 14.05(3)(d) and 14.05(3)(e) of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194, as am.

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on a date to be set by the Commercial List Office at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date *Mar 8, 2012* Issued by ______________________
Local registrar

Address of court office: 330 University Ave., 7th Fl.
Toronto, ON M5G 1E6

AND TO: **ST. MARYS PAPER CORP.**
75 Huron St.
Sault Ste. Marie, ON P6A 5P9

AND TO: **ERNST & YOUNG INC., in its capacity as receiver and receiver and manager of St. Marys Paper Corp.**
Ernst & Young Tower
222 Bay St., P.O. Box 251
Toronto, ON M5K 1J7

Alex Morrison
Fax: 416.943.3300

Respondent

AND TO: **CASSELS BROCK & BLACKWELL LLP**
2100 Scotia Plaza
40 King St. W.
Toronto, ON M5H 3C2

Joseph Bellissimo
Fax: 416.642.7150

Lawyers for the Respondent, Ernst & Young Inc., in its capacity as receiver and receiver and manager of St. Marys Paper Corp.

APPLICATION

1. The applicant Superior Land Management Inc. ("Superior") makes application for:

   (a) a declaration that a profit-a-prendre agreement between St. Mary's Paper Limited ("SMPL") and Superior dated August 30, 2002 (the "PAP Agreement"), notice of which is registered as Instrument No. LT241891 (the "Notice") against lands municipally known as Running Township in the District of Algoma and more particularly described in PIN 31227-0001 (LT) (the "Lands"), was not validly assigned by RSM Richter Inc. to St. Marys Paper Corp. ("St. Marys Corp.");

   (b) a declaration that the PAP Agreement does not form part of St. Marys Corp.'s Property (as that term is defined in Schedule "A" to the Order of Campbell J. dated January 18, 2012 in Commercial List court file no. CV-11-9367-00CL (the "Receivership Application"));

   (c) a declaration that St. Marys Corp. has no rights under the PAP Agreement;

   (d) an order directing that the registration of the Notice against title to the Lands be vacated and/or deleted;

   (e) an order granting leave to Superior to cause a certificate of pending litigation to be issued in respect of the Lands and to register same against title to the Lands;

   (f) costs of this application; and

   (g) such further and other relief as to this Honourable Court may seem just.

2. The grounds for the application are:

The PAP Agreement

(a) Superior entered into the PAP Agreement with SMPL on August 30, 2002. Notice of the PAP Agreement was registered against title on or about November 11, 2002;

(b) Pursuant to the PAP Agreement, Superior and SMPL agreed, *inter alia*, that:

(i) Superior granted SMPL a right during the term of the PAP Agreement "*to enter upon the [Lands] with a sufficient force of men and equipment..*" to harvest pulpwood and timber having a stumpage value of $1,000,000.00;

(ii) SMPL appointed Superior as its agent to harvest the pulpwood;

(iii) SMPL committed to accept delivery of a minimum of 15,000 cubic metres of pulpwood annually for the term of the PAP Agreement; and

(iv) the PAP Agreement "*may not be assigned by any parties (except to a Affiliate of such party) without the written consent of the other parties hereto, save and except for such assignments as may be required as security by Superior Land's lender*";

SMPL's Failed Restructuring and Subsequent Bankruptcy

(c) on October 25, 2006, SMPL commenced proceedings under the *Companies' Creditors Arrangement Act* (Canada);

(d) on March 20, 2007, the Ontario Superior Court of Justice granted an order approving a wind-down plan for SMPL, which plan included a process for the sale of SMPL's capital assets (the "Sale Process");

(e) in connection with the Sale Process, Deloitte & Touche Inc., in its capacity as monitor of SMPL, prepared and circulated a tender package for the sale of SMPL's business and assets;

(f) following a failed restructuring process, SMPL's operations were terminated on or about April 21, 2007;

(g) on April 27, 2007, the Court issued orders:

  (i) terminating the CCAA Proceedings;

  (ii) appointing RSM Richter Inc. ("Richter") the vendor as receiver of all of SMPL's assets to continue and complete the Sale Process; and

  (iii) adjudging SMPL bankrupt;

Purported Assignment of the PAP Agreement to St. Marys Corp.

(h) on May 4, 2007, St. Marys Corp. submitted a bid to Richter to purchase SMPL's assets en bloc and operate SMPL on a going concern basis;

(i) under an asset purchase agreement dated May 25, 2007 (the "Asset Sale Agreement"), Richter finalized a sale of SMPL's assets to St. Marys Corp., which assets purported to include any right, title and interest of SMPL in the PAP Agreement;

(j) the Asset Sale Agreement states, in part, that the Asset Sale Agreement "*and any document delivered under [the Asset Sale Agreement] shall not constitute an assignment or an attempted assignment of any Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third party if such consent has not been obtained and such* *assignment or attempt of assignment which constitute a breach of such Contract.*";

(k) Superior did not consent to the assignment of the PAP Agreement nor is any order vesting interest in the PAP Agreement to St. Marys Corp. registered against title to the Lands;

Receivership of St. Marys Corp.

(l) On or about September 7, 2011, International Forest Products Corporation (now known as International Forest Products LLC) (collectively, "IFP") commenced the Receivership Application;

(m) Pursuant to the order of Campbell J. dated December 29, 2011, Ernst & Young Inc. was appointed receiver and receiver and manager (the "Receiver") without security, of all of the Property of St. Marys Corp.;

(n) the Receiver's proposed Sales Process Protocol for the sale of the Property was approved pursuant to the order of Campbell J. dated January 18, 2012 (the "Sales Process Order");

(o) under the Sales Process Order, it was contemplated that a sale of the Property would be approved by the court or on about February 29, 2012;

General

(p) on or about February 22, 2012, the Honourable Mr. Justice Campbell granted Superior leave to commence and serve this application;

(q) sections 81 and 215 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as am.;

(r) sections 25 and 69 of the *Land Titles Act*, R.S.O. 1990, c. L.5, as am.;

(s) section 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as am.;

(t) rules 14.05(3)(d), 14.05(3)(e) and 42.01 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194, as am.; and

(u) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) Affidavit of Geoffrey K. Meakin, to be sworn;

(b) Affidavit of Ian M. Frazier, to be sworn; and

(c) such further and evidence as counsel may advise and this Honourable Court may permit.

March 8, 2012

SHIBLEY RIGHTON LLP
Barristers & Solicitors
700 - 250 University Avenue
Toronto, ON M5H 3E5

Thomas McRae (32375U) 416-214-5206
thomas.mcrae@shibleyrighton.com
Megan Marrie (54351P) 416-214-5219
megan.marrie@shibleyrighton.com
Tel: 416.214.5200
Fax: 416.214.5400

Lawyers for the Applicant, Superior Land Management Inc.

SUPERIOR LAND MANAGEMENT INC.
Applicant

- and -

ST. MARYS PAPER CORP. et al.
Respondent

CV-12-9638-00CL
Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

NOTICE OF APPLICATION

SHIBLEY RIGHTON LLP
Barristers & Solicitors
700 - 250 University Avenue
Toronto, ON M5H 3E5

Thomas McRae (32375U) 416-214-5206
thomas.mcrae@shibleyrighton.com
Megan Marrie (54351P) 416-214-5219
megan.marrie@shibleyrighton.com
Tel: 416.214.5200
Fax: 416.214.5400

Lawyers for the Applicant, Superior Land Management Inc.

Feb. 22/12

Endorsement / disposition ☐ See attached Yellow Endorsement Form.

Leave given to Superior Land Management to issue & serve application to be made returnable at same time as sales approval orders of IFP which return date to be arranged with Commercial List office before me if possible.

R.R. Campbell J.

TAB E

INTERNATIONAL FOREST PRODUCTS COMPANY
Applicant

- and-

ST. MARY'S PAPER CORP.
Respondent

14 March /12

Court File No: CV-11-9367-00CL

Mar. 14/12

The current motion adjourned to return date & further motion to be brought by ~~receiver~~ to be heard together.

R.R. Cumming J.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD

SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE
FILED / DÉPOSÉ
MAR 12 2012
AT / À
LOCAL REGISTRAR - GREFFIER LOCAL
TORONTO

McLEAN & KERR LLP
2800 - 130 Adelaide Street West
Toronto, ON M5H 3P5

Robin B. Cumine, Q.C.
LSUC #08842W
Tel: 416-369-6624
G.F. Camelino
LSUC #45607S

Tel: 416-369-6621
Fax: 416-366-8571

Lawyers for Cafo Inc.

TAB F

Court File No. CV-11-9367-00CL

RECEIVER CERTIFICATE

CERTIFICATE NO.: 2

AMOUNT: $325,000

1. THIS IS TO CERTIFY that Ernst & Young Inc., the receiver and receiver and manager (the "Receiver") of the assets, undertakings and properties of St. Marys Paper Corp. (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 29th day of December, 2011 (the "Order") made in an action having Court file number CV-11-9367-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $325,000, being a portion of the total principal sum of $1,500,000 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 not in advance on the first day of each month after the date hereof at a notional rate per annum equal to the rate of 18% per cent.

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 to International Forest Products LLC at their offices in Massachusetts, in the United States of America.

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 the 3rd day of February 2012.

Ernst & Young Inc., solely in its capacity as Receiver of the Property, and not in its personal or corporate capacity

Per: ______________________________

Name: Alex Morrison

Title: Senior Vice-President

Court File No. CV-11-9367-00CL

RECEIVER CERTIFICATE

CERTIFICATE NO.: 3

AMOUNT: $250,000

1. THIS IS TO CERTIFY that Ernst & Young Inc., the receiver and receiver and manager (the "Receiver") of the assets, undertakings and properties of St. Marys Paper Corp. (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 29th day of December, 2011 (the "Order") made in an action having Court file number CV-11-9367-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of $250,000, being a portion of the total principal sum of $1,500,000 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 not in advance on the first day of each month after the date hereof at a notional rate per annum equal to the rate of 18% per cent.

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 to International Forest Products LLC at their offices in Massachusetts, in the United States of America.

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 the 8th day of March 2012.

Ernst & Young Inc., solely in its capacity
as Receiver of the Property, and not in its
personal or corporate capacity

Per: ______________________________

Name: Alex Morrison
Title: Senior Vice-President

TAB G

ERNST & YOUNG INC.
COURT-APPOINTED RECEIVER AND MANAGER OF
ST. MARY'S PAPER CORP.
RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD DECEMBER 30, 2011 TO MARCH 16, 2012

Canadian Currency Account:

	Note		Amount
Receipts:			
Funding from IFP through Receiver's Certificates	1	$	1,045,000
Transfer of funds from St. Marys' Account	2		84,659
Other Receipts	3		3,607
Total Receipts			1,133,266
Disbursements:			
Payroll and payroll related remittances	4		291,816
Insurance	5		54,943
Repairs and maintenance of the mill	6		25,700
Payments to the IESO for electricity	7		125,801
Other Utilities	8		6,910
Consulting fees	9		4,956
Pre-receivership advisory services	10		39,965
Legal Counsel fees and disbursements	11		34,121
Receiver's fees and disbursements	12		226,359
Miscellaneous expenses	13		418
Registrar's fees	14		70
HST Paid	15		43,350
Total Disbursements			854,410
Remaining funds available in Canadian Currency		$	278,857

U.S. Currency Account:

	Note		Amount
Receipts:			
Transfer of funds from St. Marys' Account	2	$	14,939
Remaining funds available in U.S. Currency		$	14,939

In the Matter of the Receivership of St Mary's Paper Corp. ("St. Marys").
Notes to the Statement of Receipts and Disbursements as of March 16, 2012.

Actual receipts and disbursements are denominated in Canadian dollars. The following receipts and disbursements relate to the period from the commencement of the receivership on December 30, 2012 until March 16, 2012.

1) **Funding from IFP through Receiver's Certificates:**
As discussed in the Second Report, in order to fund the ongoing holding costs of the Mill (including insurance, security and other staff, electricity, etc.) and to finance the receivership and the Sales Process, the Receiver requested funding from IFP. IFP agreed to provide limited funding to the Receiver while the Receiver carries out the Sales Process. Funding was provided to the Receiver pursuant to Receiver's Certificates issued by the Receiver as described in the Appointment Order.
Pursuant to the Appointment Order, to date, the Receiver borrowed $1,045,000 through three Receiver's Certificates in the amounts of $470,000, $325,000 and $250,000 respectively. Copies of these Receiver's Certificates are attached to the Second Report.

2) **Transfer of funds from St. Marys' account:**
Pursuant to the Receivership Order, as discussed in the First Report, the Receiver advised Royal Bank to freeze the Company's bank accounts and the Receiver opened a separate bank account, following which the Receiver requested that Royal Bank transfer the funds in the Company's account to the Receiver's account. As a result of this transfer, the Receiver received approximately $84,659 in Canadian currency and approximately $14,939 in U.S. currency.

3) **Other receipts:**
Other receipts include miscellaneous receipts including foreign exchange differences and reimbursements of amounts paid on behalf of SMP Resources.

4) **Payroll and payroll related remittances:**
Payroll includes salaries to remaining management and staff needed for the ongoing security and preservation of the assets at the mill as well as book keeping and human resources related activities. Eight persons provide 24/7 security of the mill. Persons on security shifts also assist with tasks to maintain the Mill in a cold idle state.

   Other payroll costs include pension payments to the employees' defined contribution pension plan, source deductions, WSIB and EHT.

5) **Insurance:**
Insurance includes premium costs with respect to property insurance related to the Mill and a warehouse. Property insurance includes monthly premiums of approximately $19,000. As described in the First Report, the Receiver has arranged for property insurance coverage of $20 million for the mill and $3 million for the

Gran Street warehouse, including $25 million for boiler and machinery and $28 million for liability.

6) **Repairs and maintenance of the Mill:**
Repairs and maintenance include costs related to general repairs and maintenance and costs related to maintaining the Mill in a cold idle state and include activities related to draining water, oil and other fluids, testing chemicals for freezing based on certain temperatures (external persons required), moving certain chemicals and other items to the heated warehouse at Gran Street for storage during the winter months, etc. In addition, certain additional security measures were put in place following a break-in at the Mill as described in the Second Report.

7) **Payments to the IESO for electricity:**
These costs represent payments for electricity used in the mill and the office building. The mill has limited lights and limited heating in areas with electrical equipment. The office building has lights and heating. Electricity costs are approximately $50,000 a month (paid bi-weekly).

8) **Other utilities:**
Other utilities include costs for telephone, internet, cell phones, and other service provider charges related to meters for utilities.

9) **Consulting fees:**
Consulting fees include costs for certain I.T. services and the electronic data room for the Sales Process.

10) **Pre-receivership advisory services:**
These costs relate professional fees for the period prior to December 30, 2011.

11) **Legal Counsel fees and disbursements:**
These costs relate to professional fees and disbursements of the Receiver's legal counsel with respect to the receivership proceedings.

12) **Receiver's fees and disbursements:**
These costs relate to professional fees and disbursements of the Receiver with respect to the receivership proceedings.

13) **Miscellaneous expenses:**
Miscellaneous expenses relate to purchases of general office and other supplies.

14) **Registrar's fees:**
These costs represent regulatory costs with respect to the receivership proceedings.

15) **HST Paid:**
This line item accumulates HST paid on invoices based on the disbursements described above.

TAB H

EXECUTION COPY

[REDACTED]

ASSET PURCHASE AGREEMENT

by and between

ST. MARYS PAPER CORP., by ERNST & YOUNG INC., solely in its capacity as court-appointed receiver and receiver and manager and not in its personal or corporate capacity

(as the Seller)

AND

2319839 ONTARIO INC.

(as the Purchaser)

Dated as of March 15, 2012

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This **ASSET PURCHASE AGREEMENT** dated as of March 15, 2012 (the "Execution Date") is made by and between ST. MARYS PAPER CORP., by ERNST & YOUNG INC., solely in its capacity as court-appointed receiver and receiver and manager of the Debtor and not in its personal or corporate capacity (the "Seller"), and 2319839 ONTARIO INC. (the "Purchaser").

WHEREAS:

A. Pursuant to the order of the Court dated December 29, 2011, Ernst & Young Inc. was appointed as the receiver and receiver and manager of all of the assets, undertakings and properties of the Debtor (in such capacity, the "Receiver") effective December 30, 2011 (the "Appointment Date");

B. Prior to the Appointment Date, the Debtor operated a groundwood pulp and supercalender specialty paper mill located at 75 Huron Street, Sault Ste. Marie, Ontario (the "Mill"), producing quality paper grades used mainly by magazine publishers and retailing companies for high quality advertising inserts, flyers and catalogues (the "Business");

C. The Seller desires to sell, transfer and assign to the Purchaser, and the Purchaser desires to acquire and assume from the Seller, the Purchased Assets and the Assumed Obligations on the terms and conditions more particularly set out in this Agreement; and

D. The transactions contemplated by this Agreement and the Ancillary Agreements are subject to the approval of the Court and the entry of the Approval and Vesting Order to be entered in the Proceedings.

NOW THEREFORE, in consideration of the foregoing and their respective representations, warranties, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Seller and the Purchaser hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Terms Defined. As used in this Agreement, the following terms have the following meanings:

"Accounts Receivable" means all monies, sums and amounts owed to the Seller arising from, relating to or in connection with all accounts receivable, trade receivables, bills receivable, trade accounts, book debts, notes receivables, rebates, refunds and other receivables and rights to the payment of money relating to the Business which remain uncollected or unreceived as of the Closing Date, whether current or overdue, together with all interest accrued on such items.

"Agreement" means this Asset Purchase Agreement, including all Schedules hereto.

"Allocation Statement" has the meaning set forth in Section 3.3(a).

"Ancillary Agreements" means the Bill of Sale, the Assignment and Assumption Agreement and any other agreement, document or instrument contemplated in this Agreement or that the Seller or the Purchaser enter into in connection with the consummation of the transactions contemplated hereby.

"Appointment Date" has the meaning set forth in the recitals.

"Approval and Vesting Order" means one or more orders issued by the Court approving this Agreement, the transactions contemplated by this Agreement, and vesting in the Purchaser, or otherwise as the Purchaser may designate in accordance with Section 12.3(a), all of the Seller's right, title and interest, if any, in and to the Purchased Assets free and clear of all Liens and Encumbrances (other than Permitted Liens) including the Liens and Encumbrances relating to the Real Property set out in the attached Exhibit A, in form and substance satisfactory to the parties hereto, acting reasonably.

"Assignment and Assumption Agreement" means an assignment and assumption agreement in form and substance satisfactory to the parties to this Agreement, acting reasonably, evidencing the assignment to and assumption by the Purchaser of all of the Assumed Obligations, including the rights and obligations under the Leases, Contracts and Permits of the Debtor, if any, included in the Purchased Assets.

"Assumed Obligations" has the meaning set forth in Section 2.3.

"Bill of Sale" means a bill of sale in form and substance satisfactory to the parties to this Agreement, acting reasonably, duly executed by the Seller, conveying to the Purchaser, all of the Seller's right, title and interest, if any, in and to the Purchased Assets.

"Books and Records" means all financial records and all other books, records, files and papers related to the Business and the Purchased Assets including sales and advertising materials, sales and purchase correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel, employment and other records, and all records, data and information stored electronically, digitally or on computer-related media, excluding the Documents.

"Business" has the meaning set forth in the recitals.

"Business Day" means any day other than Saturday, Sunday and any day that is a legal holiday or a day on which banking institutions in the Province of Ontario are authorized by Law or other governmental action to close.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation and any and all ownership interests in a person (other than a corporation), including membership interests, limited liability company interests, partnership interests, joint venture interests and beneficial interests, and any and all warrants, options or other rights to purchase any of the foregoing, including all shares of SMP Resources Inc but excluding the LP Units.

"Cash Purchase Price" has the meaning set forth in Section 3.1(a)(i).

"Casualty" has the meaning set forth in Section 6.5.

"Closing" has the meaning set forth in Section 10.1.

"Closing Date" has the meaning set forth in Section 10.1.

"Cogeneration Facility" means the biomass fuelled cogeneration plant planned to be built at the Mill.

"Cogeneration Facility Lease" means the lease dated as of April 15, 2009 between the Debtor, as landlord, and SMREC, as tenant, in respect of the leased property described therein.

"Contract" means, with respect to the Seller or the Debtor and related to the Business, any agreement, contract, sublease, purchase order, arrangement, license, commitment or other binding arrangement or understanding, whether written or oral, and any amendments, modifications or supplements thereto and includes any confidentiality agreement entered into by any Person (other than the Purchaser) pursuant to the Sales Process, including any agreement entered into with respect to the Cogeneration Facility, but excluding any Lease.

"Court" means the Ontario Superior Court of Justice (Commercial List).

"Cure Costs" has the meaning set forth in Section 2.3(a).

"Damages" has the meaning set forth in Section 6.6.

"Debtor" means St. Marys Paper Corp.

"Deposit" has the meaning set forth in Section 3.2(a).

"Documents" means all files, documents, instruments, papers, books, reports, title policies, operating data and plans, drawings, engineering information, manuals and data, technical documentation (design specifications, functional requirements, operating instructions, repair data, manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), quality control records and procedures, blueprints, development and re-development plans and drawings, and records (including all such items that relate to the Cogeneration Facility), used in, held for use in, or with respect to, the Business or the Purchased Assets in each case whether or not in electronic form, whether or not physically located at a Facility, but excluding any materials exclusively related to any Excluded Assets.

"Employees" means all individuals employed by the Debtor or in respect of the Business or the Purchased Assets as of the Appointment Date and those individuals employed by the Debtor or in respect of the Business, the Excluded Assets or the Purchased Assets following the Appointment Date and includes, without limitation, all such Employees on lay-off or on any leave of absence, including on short-term disability, long-term disability, on workplace safety and insurance benefits, pregnancy/parental leave.

"Encumbrances" means, to the extent not considered a Lien, all encumbrances, interests and claims, including any security interest, lien, collateral assignment, right of set-off, debt, obligation, liability, pledge, levy, charge, escrow, encumbrance, option, right of first refusal, restriction (whether on transfer, disposition or otherwise), third party right, right limited to the Seller personally, other agreement term tending to limit any right or privilege of the Seller under any Contract, conditional sale contract, title retention contract, mortgage, lease (including the Cogeneration Facility Lease), deed of trust, hypothecation, indenture, security agreement, easement, license, servitude, proxy, voting trust, transfer restriction under any shareholder or similar agreement, or any other agreement, arrangement, contract, commitment, understanding or obligation of any kind whatsoever, whether written or oral, or imposed by any Law, equity or otherwise.

"Excluded Assets" has the meaning set forth in Section 2.2.

"Execution Date" has the meaning set forth in the preamble.

"Facilities" means the facilities in which the Debtor operated the Business prior to the Appointment Date, including the Mill.

"FF&E" means all equipment, machinery, fixtures, furniture, motor vehicles, computers, printers, tools, telephone systems, furnishings, artwork and plates and any related capitalized items and other tangible personal property of every kind, nature and description used or useful in the operation of the Business and the Purchased Assets, including any of the foregoing in possession of suppliers, customers and other third parties (including all such property that is damaged), including any of the foregoing set forth in Exhibit B.

"Forest Licences" means all sustainable forest licences used or held for use by the Seller in connection with the Business and includes the Sustainable Forest Licences issued by the Ontario Ministry of Natural Resources bearing Licence Nos. 542521, 542257, 590039, 542053, and 550399.

"General Intangibles" means all intangible assets now owned (or acquired by the Seller prior to the Closing Date), including all right, title and interest, if any, the Seller has in or under any Contract, all payment intangibles, interest in business associations, licenses, Permits, approvals and authorizations which the Seller holds for the Business from any Governmental Authority that relate to the Business, proprietary or confidential information, technical information, procedures, uncertificated securities, rights of the

Debtor to receive payments, rights to receive dividends, distributions, cash, instruments, investment property and rights of indemnification.

"Governmental Authority" means any foreign or domestic federal, state, county, provincial, district, municipal, territorial, local, court, tribunal, governmental department, agency, board, ministry or commission, instrumentality, arbitrator, arbitral body, self regulatory organization, regulatory or supervisory authority, or other administrative, governmental or quasi-governmental body, subdivision or instrumentality.

"Hazardous Substances" means any contaminant, pollutant, toxic substance, hazardous material, residual material, waste, dangerous good, contaminated soil, hazardous substance or other similar terms as such terms are defined in any Law relating to the environment, the protection of the environment or occupational health or safety, including but not limited to the items set forth in Exhibit C.

"Improvements" means buildings, structures, systems, facilities, easements, rights-of-way, privileges, improvements, licenses, hereditaments, appurtenances and all other rights and benefits belonging, or in any way related, to the Real Property.

"Intellectual Property" means all rights in and to (a) patents, patent applications and patent disclosures, together with all reissuances, continuations, continuations in part, revisions, extensions, reexaminations, provisionals, divisions, renewals, revivals, and foreign counterparts thereof and all registrations and renewals in connection therewith, (b) trademarks, service marks, trade dress, logos, trade names and corporate names and other indicia of origin and corporate branding, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith, (c) works of authorship, copyrightable works, copyrights and all applications, registrations and renewals in connection therewith, (d) mask works and all applications, registrations and renewals in connection therewith, (e) trade secrets, inventions and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, assembly, test, installation, service and inspection instructions and procedures, technical, operating and service and maintenance manuals and data, hardware reference manuals and engineering, programming, service and maintenance notes and logs), (f) Software, (g) internet addresses, uniform resource locaters, domain names, websites, internet service provider contracts, e-mail accounts and web pages, (h) any and all other intellectual property and proprietary rights, (i) company-wide telephone numbers, and (j) goodwill related to all of the foregoing, in each case to the extent used or useful in the operation of the Business or related to the Purchased Assets.

"Inventories" means all inventories of stock-in-trade and merchandise including raw materials (other than Mill Yard Wood), supplies, work-in-process, tooling, service parts, finished goods, wrapping, supply and packaging items related to the Business, now owned or hereafter purchased or held for sale, or that are otherwise included in the

Purchased Assets and are permitted to be sold and transferred under applicable Law, including those in possession of suppliers, customers and other third parties.

"Law" means any federal, state, provincial, county, territorial, district, municipal, local, foreign, supranational or international law, statute, ordinance, regulation, by-law, rule, code, treaty or rule of common law or otherwise of, or any order, judgment, injunction, decree or similar authority, or any policy, practice or guideline of any governmental authority which, although not actually having the force of law, is considered by such governmental authority as if having the force of law, enacted, issued, promulgated, enforced or entered by, any Governmental Authority.

"Lease" means any lease of real property or lease relating to any portion or component of the Purchased Assets.

"Leased Property" means all personal property of the Seller leased by the Seller pursuant to a chattel lease, equipment lease, conditional sales contract and other similar agreement used in carrying on the Business to which the Debtor is a party or under which it has rights to use the personal property.

"Lien" means any lien, mortgage, charge, hypothec, deemed trust, pledge, security interest, prior assignment, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property, and includes claims relating to municipal taxes and all charges created in the orders made by the Court in the Proceedings.

"Loss" has the meaning set forth in Section 6.7.

"LP Units" means the limited partnership units held by the Debtor as limited partner of St. Marys Renewable Energy LP.

"Mill" has the meaning set forth in the recitals.

"Mill Yard Wood" means all pulpwood in the possession of the Debtor which was used by the Debtor in connection with the Business which is subject to Encumbrances in favour of the Crown.

"OPA Release and Assignment" has the meaning set forth in Section 6.10.

"Permits" means all certificates of occupancy or other certificates, permits, authorizations, filings, approvals and licenses used, useable and useful in the operation of the Business or the use or enjoyment or benefit of the Purchased Assets, including the Forest Licences.

"Permitted Liens" means in connection with the Real Property: (a) easements, rights-of-way, servitudes, restrictions, zoning, building codes or other land use Laws, development agreements, development permits, building covenants, encroachment agreements, reciprocal access agreements, by-laws, municipal agreements, license agreements and other similar encumbrances, other than monetary encumbrances, judgments and monetary Liens, that in each case do not in any case materially detract from the value or use of the property subject thereto or materially interfere with the ordinary conduct of the Business at the property subject thereto; (b) minor title defects or irregularities consisting of minor survey exceptions, restrictions in the original grant from the Crown or any other Governmental Authority and other minor unregistered restrictions as to the use of the Real Property that in each case do not materially detract from the value or use of the property subject thereto or materially interfere with the ordinary conduct of the Business at the property subject thereto; and (c) Liens or Encumbrances identified on Schedule 1.1(a); for certainty, the Cogeneration Facility Lease shall not be a Permitted Lien.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, unincorporated organization, Governmental Authority or other entity.

"Proceedings" means the receivership proceedings with respect to the Debtor commenced on or about December 29, 2011 pursuant to the *Bankruptcy and Insolvency Act* (Canada) and *Courts of Justice Act* (Ontario).

"Purchase Price" has the meaning set forth in Section 3.1(a).

"Purchased Assets" means the tangible and intangible assets, properties, rights, interests, claims and, subject to (d) and (f) below, Leases, Contracts and Permits of the Seller related to the Business (other than Excluded Assets), wherever located, as of the Closing, including the assets specifically identified in Exhibit B and the following assets, if any:

(a) all Inventories;

(b) the Real Property, together with the Seller's interests in and to all Improvements and fixtures located thereon or attached thereto, and other appurtenances thereto, and the Seller's rights in respect thereof;

(c) all FF&E;

(d) subject to Sections 2.6 and 6.1(b) and at the option of the Purchaser, the Leases, if any, and the Leased Property and all rights of the Seller under or pursuant to any associated Lease, if any, as set forth in Schedule 1.1(b), which Schedule 1.1(b) shall be provided by the Purchaser within five (5) Business Days following the Execution Date;

(e) all Intellectual Property;

(f) subject to Sections 2.6 and 6.1(b) and at the option of the Purchaser, the Contracts, if any, as set forth in Exhibit C, which Exhibit C shall be provided by the Purchaser within five (5) Business Days following the Execution Date;

(g) at the option of the Purchaser exercisable prior to Closing by written notice to the Seller within five (5) Business Days following receipt by the Purchaser of a copy of the limited partnership agreement, if available, with respect to St. Marys Renewable Energy LP, the LP Units; provided that if the Purchaser exercises such option the purchase price allocation shall be amended to reflect the inclusion of the LP Units in the Purchased Assets and that if such option is exercised following the issuance of the Approval and Vesting Order, the exercise of such option shall be referenced in the Receiver's Certificate;

(h) all Documents;

(i) all rights under or arising out of all insurance policies relating to the Purchased Assets and all claims thereunder, unless non-assignable as a matter of law;

(j) all rights under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent relating to products sold, or services provided, in connection with the Business or to the extent affecting any Purchased Asset;

(k) all rights of the Seller relating to the Cogeneration Facility;

(l) all rights of the Seller to timber or wood supply relating to the operation of the Mill;

(m) subject to Sections 2.6 and 6.1(a) hereof, all Permits to the extent assignable under applicable Law;

(n) all other real or personal property not contemplated by the foregoing; and

(o) all proceeds of any or all of the foregoing received or receivable after the Closing Date.

"Purchaser" has the meaning set forth in the preamble.

"Real Property" means, collectively, the land, facilities, Improvements, appurtenances, buildings, structures, and fixtures of every nature whatsoever located at 75 Huron Street, Sault Ste. Marie, Ontario (including, without limitation, the Mill), and as legally described in Schedule 1.1(c).

"Receiver" has the meaning set forth in the recitals.

"Receiver's Certificate" means the certificate to be filed by the Receiver with the Court certifying that all conditions of Closing in favour of the Seller have been satisfied by the Purchaser or waived by the Seller.

"Representatives" means, with respect to any Person, the directors, officers, employees, agents, consultants, and professional advisors and solicitors of such Person, and with respect to the Debtor, the Receiver, any trustee, trustee in bankruptcy or similar official, and the directors, officers, employees, agents, consultants and professional advisors and solicitors of the Receiver.

"Sales Process" has the meaning set forth in the Order of the Court dated January 18, 2012 made in the Proceedings.

"Seller" has the meaning set forth in the preamble.

"Software" means any computer program, operating system, application, system, firmware or software of any nature, point-of-entry system, peripherals, and data whether operational, active, under development or design, nonoperational or inactive, including all object code, source code, comment code, algorithms, processes, formulae, interfaces, navigational devices, menu structures or arrangements, icons, operational instructions, scripts, commands, syntax, screen designs, reports, designs, concepts, visual expressions, technical manuals, tests scripts, user manuals and other documentation therefor, whether in machine-readable form, virtual machine-readable form, programming language, modeling language or any other language or symbols, and whether stored, encoded, recorded or written on disk, tape, film, memory device, paper or other media of any nature, and all databases necessary or appropriate in connection with the operation or use of any such computer program, operating system, application, system, firmware or software.

"SMREC" means St. Marys Renewable Energy Corporation.

"Tax" or "Taxes" means any federal, state, provincial, municipal, territorial, county, district, local or foreign taxes, charges, fees, levies or other assessments, all taxes, however denominated, including any interest, fines and penalties (civil or criminal) or additions to tax that may become payable in respect thereof, imposed by any Governmental Authority, whether payable by reason of contract, assumption, transferee liability or operation of law, which taxes shall include all taxes levied on net income, gross income, payroll and employee withholding, employment and unemployment insurance, social security (or similar), sales and use, goods and services, harmonized sales, excise, ad valorem, franchise, gross receipts, occupation, real and personal property, stamp, transfer, gains, profits, capital stock, workers' compensation, customs duties, registration, documentary, value-added, alternative or add-on minimum, estimated, environmental and other assessments or obligations of the same or a similar nature, whether arising before, on or after the Closing Date.

"Tax Return" means any report, return, information return, election, agreement, declaration, filing or other information, including any schedules, exhibits or attachments thereto, and any amendments to any of the foregoing required to be filed or maintained with any applicable Governmental Authority in connection with the calculation, determination, assessment or collection of any Taxes (including estimated Taxes).

"Transaction Taxes" has the meaning set forth in Section 7.1.

1.2 Payments. All payments required to be made hereunder shall be paid in cash, by certified cheque, bank draft, wire transfer or other immediately available funds in Canadian Dollars.

1.3 Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation".

(c) The words "hereof", "herein", "hereunder" and "herewith" and words of similar meaning shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references refer to the articles, sections, paragraphs Exhibits and Schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns; provided, however, that nothing contained in this clause (e) is intended to authorize any assignment or transfer not otherwise permitted by this Agreement.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or reenactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

(h) Any reference in this Agreement to "$" or "Canadian Dollars" shall mean the lawful currency of Canada.

(i) Any reference to any asset, property or undertaking of the Seller shall include all of the right, title and interest of the Receiver and the Debtor, if any, in and to such asset, property or undertaking.

(j) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

ARTICLE 2
PURCHASE AND SALE OF THE PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Purchaser shall purchase, acquire and accept from the Seller, and the Seller shall sell, transfer, assign, convey and deliver to the Purchaser, all of the Seller's right, title and interest, if any, in, to and under the Purchased Assets, which shall be, pursuant and subject to the Approval and Vesting Order, free and clear of all Liens and Encumbrances (other than Permitted Liens).

2.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, nothing herein shall be deemed to sell, transfer, assign or convey the following assets (collectively, the "Excluded Assets"):

(a) cash, cash equivalents and marketable securities;

(b) the Books and Records of the Debtor, including the corporate books and records of internal corporate proceedings, Tax records, work papers and other records that the Seller is required by Law to retain;

(c) the rights of the Seller under this Agreement or any Ancillary Agreements and all cash and non-cash consideration payable or deliverable to the Seller under this Agreement or any Ancillary Agreements, but excluding cash flows and all other Purchased Assets under any Contract or Lease, if any, included in the Purchased Assets;

(d) the Capital Stock of the Debtor;

(e) the LP Units, unless the Purchaser exercises the option to include the LP Units in the Purchased Assets in accordance with the provisions of Section 1.1 "Purchased Assets";

(f) all rights under or arising out of insurance policies not relating to the Business or the Purchased Assets or non-assignable as a matter of law;

(g) income tax refunds, property or realty tax refunds (including any refund from the City of Sault Ste. Marie) and other Tax refunds receivable by the Seller or the Debtor and all tax attributes of the Seller or the Debtor;

(h) all causes of action which arise from loss, damage or facts occurring prior to the Closing and any insurance proceeds or claims payable for losses or damages incurred prior to the Closing other than any insurance proceeds or rights thereto assigned to the Purchaser in accordance with Section 6.6;

(i) all avoidance claims or other causes of action against creditors of the Business or officers or directors of the Debtor arising from or relating to transactions prior to the commencement of the Proceedings;

(j) the Mill Yard Wood;

(k) any bank accounts of the Debtor;

(l) all rights of the Seller to any distribution in the K-Mart bankruptcy proceedings;

(m) all rights of the Seller under or pursuant to the agreements with Superior Land Management Inc. and Meakin Forest Enterprises Inc., including any proceeds received in settlement of litigation;

(n) the Accounts Receivable;

(o) the rights of the Seller under each Lease and Contract not included in the Purchased Assets, including collective agreements with CEP Local 67 (1999-2006), CEP Local 133 (1999-2006), CEP Local 69 (1999-2006); local agreements with CEP Local 133 (2007); memorandums of settlement with CEP Locals 47-0, 67, 69 and 133 dated July 13, 2005 and May 10, 2007; and, any employment agreement, offer of employment or any collective agreement, local agreement or settlement made by and between the Debtor and any labour union; and, the St. Marys Paper Corp. Employee Defined Benefit Contribution Registered Pension Plan (Policy No. RS103337-S0131), in effect as at June 11, 2007, and any other benefit, retirement or pension plan, whether registered or unregistered, under which the Seller has rights; and

(p) all deposits (including, the Deposit and all customer deposits and security deposits (whether maintained in escrow or otherwise) for rent, electricity, telephone, insurance or otherwise and prepaid charges and expenses as they relate to the Purchased Assets.

2.3 Assumption of Obligations. Upon the terms and subject to the conditions of this Agreement, the Purchaser agrees, effective at the time of the Closing, to assume and be responsible for and thereafter pay, perform, honor and discharge, as and when due, the following liabilities and obligations (collectively, the "Assumed Obligations"):

(a) all of the Debtor's and/or the Seller's liabilities and obligations under the Contracts, Leases and Permits forming part of the Purchased Assets arising and accruing after the Closing, and, subject to Section 7.5, any payments or obligations required to be paid, performed or discharged to effect assignment of such Contracts, Leases and Permits ("Cure Costs") but only to the extent that such Contracts, Leases and Permits are effectively assigned to the Purchaser; and

(b) all ordinary course liabilities and obligations with respect to the Purchased Assets arising and accruing after the Closing to the extent relating to the ownership of the Purchased Assets from and after the Closing.

2.4 Excluded Liabilities. The Purchaser shall not assume or be liable for any Liens or Encumbrances or any other liabilities and obligations of any nature whatsoever, other than the Assumed Obligations and the Permitted Liens. For the avoidance of doubt, the Purchaser shall not assume or be liable for any liabilities and obligations owed by the Debtor or the Receiver arising out of or related to any secured or unsecured claim, for any liabilities and obligations that are the subject of litigation or arbitration, charges of discrimination or claim or grievance filed with any Governmental Authority as of the Closing Date, or that pertain to any event, fact or condition prior to the Closing Date and are asserted thereafter, including any such liabilities or obligations that otherwise would be Assumed Obligations. For the further avoidance of doubt, the Purchaser shall not assume or be liable for any liabilities or obligations by reason of, arising out of or in any way related to any Employee, including under any collective agreement or other labour or employment agreement, practice, policy or law, or any benefit, retirement or pension plan, whether registered or unregistered, to which the Seller is a party, is bound or is a contributor.

2.5 Assignment and Assumption of Contracts.

(a) Subject to any rights of consent by counterparties thereto, the terms and conditions of this Section 2.5, the Assignment and Assumption Agreement and the Approval and Vesting Order, the Contracts and Leases, if any, and Permits included in the Purchased Assets shall be assigned and transferred to the Purchaser at Closing, the consideration for which is included in the Purchase Price.

(b) The Purchaser will assume and agree to perform and discharge the Assumed Obligations under the Contracts and Leases, if any, included in the Purchased Assets or any other Purchased Assets (including Permits) pursuant to the Agreement and the Assignment and Assumption Agreement.

(c) At or prior to Closing, the Seller shall use reasonable commercial efforts to obtain all necessary consents and approvals to assign such Contracts, Leases and Permits to the Purchaser.

2.6 Non-Assignment of Contracts.

(a) Notwithstanding anything contained herein to the contrary, this Agreement shall not constitute an agreement to assign any Contract, Lease or Permit to the extent that such Contract, Lease or Permit is not assignable under applicable Law without the consent of any other Person party thereto, where the consent of such Person has not been given or received. For greater certainty, if such consent or approval is required but not obtained, neither the Seller nor the Purchaser shall be in breach of this Agreement nor shall the Purchase Price be adjusted or the Closing delayed.

ARTICLE 3
CONSIDERATION

3.1 Purchase Price.

(a) In consideration for the sale of the Purchased Assets to the Purchaser, and upon the terms and subject to the conditions hereinafter set forth, the purchase price for the Purchased Assets shall be the sum of (collectively, the "Purchase Price"):

(i) [redacted] (the "Cash Purchase Price"); and

(ii) the amount of the Cure Costs, if any.

3.2 Payment of the Purchase Price. The Purchase Price shall be paid and satisfied as follows:

(a) on Closing, the deposit in the amount of $250,000 (the "Deposit") paid by the Purchaser to the Seller prior to the Execution Date shall be applied against the Cash Purchase Price in accordance with the terms of this Agreement;

(b) on Closing, an amount equal to the remainder of the Cash Purchase Price, after applying the Deposit as set forth in Section 3.2(a), shall be paid by the Purchaser to the Seller (or such other party as the Seller may designate or an order of the Court may direct); and

(c) on Closing, an amount equal to the amount of the Cure Costs, if any, shall be satisfied by the Purchaser at Closing by execution and delivery by the Purchaser of the Assignment and Assumption Agreement.

3.3 Allocation of Purchase Price.

(a) The Purchase Price shall be allocated among the Purchased Assets as set forth in Schedule 3.3 (the "Allocation Statement").

(b) The parties to this Agreement hereby agree to (i) report an allocation of the Purchase Price among the Purchased Assets in a manner entirely consistent with the Allocation Statement, (ii) act in accordance with the Allocation Statement in connection with the preparation, filing and audit of any Tax Return, and (iii) take no position inconsistent with the Allocation Statement in the preparation of financial statements or for any Tax purpose (including, without limitation, in any audit, judicial, administrative or Tax proceeding).

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Purchaser, as of the date hereof and as of the Closing Date:

4.1 Authorization of Agreement. Subject to entry of the Approval and Vesting Order:

(a) the Seller has, or at the time of execution will have, all necessary corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which the Seller is or will become a party and to perform its obligations hereunder and thereunder;

(b) this Agreement and each Ancillary Agreement to which the Seller is or will become a party have been, or when executed will be, duly and validly executed and delivered by the Seller and (assuming the due authorization, execution and delivery by the other parties hereto) this Agreement and each Ancillary Agreement to which the Seller is or will become a party constitute, or will constitute, when executed and delivered, valid and binding obligations of the Seller enforceable against the Seller in accordance with their respective terms, except as enforcement may be limited by Laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity; and

(c) no consent, waiver, approval, order, Permit or authorization of, or declaration or filing with, or notification to, any Person or Governmental Authority is required on the part of the Seller in connection with the execution, delivery and performance of this Agreement or any other agreement, document or instrument contemplated hereby or thereby to which it is or will become a party, the compliance by the Seller with any of the provisions hereof or thereof, the consummation of the transactions contemplated hereby or thereby, or the assignment or conveyance of the Purchased Assets.

4.2 HST Registration. The Debtor is registered for harmonized sales tax purposes under Part IX of the *Excise Tax Act* (Canada) with the following registration number: (#84476 4399 RT0001).

4.3 Canadian Tax Residency. The Debtor is not a non-resident of Canada for purposes of Section 116 of the *Income Tax Act* (Canada).

4.4 As-Is, Where-Is; Warranties Are Exclusive. The Purchaser acknowledges that it is relying entirely upon its own judgment, investigation and inspection in proceeding with the transactions contemplated hereunder. Notwithstanding any other provision of this Agreement, the Purchaser acknowledges and agrees that it is purchasing the Purchased Assets on an "as is, where is" basis, that it accepts the Purchased Assets in their current state, condition and location, that, except as set forth herein, the Seller and the Receiver have made no representations, warranties, terms, conditions, understandings or collateral agreements, express or implied, statutory or otherwise, with respect to the title, merchantability, physical or financial condition, description, fitness for purpose, use or zoning, environmental condition, existence of latent defects, quality, quantity or any other thing affecting any of the Purchased Assets, or in respect of any other matter or thing whatsoever, including any and all conditions, warranties or representations expressed or implied pursuant to any applicable Law in any jurisdiction, which the Purchaser confirms do not apply to this Agreement and are hereby waived in their entirety by the Purchaser. The Purchaser acknowledges and confirms that any description of the Purchased Assets in this Agreement (including the Exhibits and Schedules hereto) or otherwise provided pursuant to the Sales Process is for identification purposes only. No representation, warranty or condition has or will be given by the Seller or the Receiver concerning the completeness or accuracy of such descriptions, including the existence of any asset or property right described therein. The Purchased Assets are being purchased on an "as is, where is" basis as they exist as of the date of the Closing and the Purchaser acknowledges and confirms that, except as set out in Sections 6.6 and 6.7, no adjustment of the Purchase Price will be made for any change in condition, value, quantity or quality of any of the Purchased Assets from the Execution Date to the Closing or otherwise. The Purchaser further acknowledges that all written and oral information obtained from the Seller or the Receiver or their respective Representatives with respect to the Purchased Assets has been obtained for the convenience of the Purchaser only, and that the Seller and the Receiver have not made any representation or warranty, express or implied, statutory or otherwise, as to the accuracy and completeness of any such information. The Purchaser agrees that the Seller shall not have any liability for any representations, express or implied, contained in, or omitted from, any written or oral communications transmitted to the Purchaser in the course of the Sales Process, negotiation of this Agreement, the Ancillary Agreements, or in the course of any of the Purchaser's investigations of the Purchased Assets.

4.5 No Brokers. No broker, agent or other intermediary has acted for or on behalf of the Seller or the Business in connection with the negotiation or consummation of this Agreement or the transactions contemplated hereby.

4.6 Environment. The Receiver has not received any written notice, directive or order in respect of any deficiency or non-compliance with the Law applicable to the environment or any zoning by-law relating to any of the Purchased Assets or of any proceeding with respect to or in connection with the expropriation, rezoning, clean-up or remediation, or condemnation of any of the Purchased Assets or any part thereof.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Seller as follows:

5.1 Corporate Organization. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of Ontario and has all requisite power and authority to own its properties and assets and to conduct its businesses as now conducted.

5.2 Authorization and Validity. The Purchaser has, or at the time of execution will have, all necessary corporate power and authority to execute and deliver this Agreement and any Ancillary Agreements to which the Purchaser is or will become a party, and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and any Ancillary Agreements to which the Purchaser is or will become a party and the performance of the Purchaser's obligations hereunder and thereunder have been, or at the time of execution will be, duly authorized by all necessary action by the board of directors, managers or applicable governing bodies of the Purchaser, and no other corporate proceeding on the part of the Purchaser is necessary to authorize such execution, delivery and performance. This Agreement and each Ancillary Agreement to which the Purchaser is or will become a party have been, or at the time of execution will be, duly executed by the Purchaser and constitute, or will constitute, when executed and delivered, the Purchaser's valid and binding obligations, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by Laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity.

5.3 No Conflict or Violation. The execution, delivery and performance by the Purchaser of this Agreement and any Ancillary Agreements to which the Purchaser is or will become a party do not or will not at the time of execution (a) violate or conflict with any provision of the organizational documents of the Purchaser, (b) violate any provision of applicable Law, or any order, writ, injunction, judgment or decree of any court or Governmental Authority applicable to the Purchaser, or (c) violate or result in a breach of or constitute (with due notice or lapse of time, or both) an event of default or default under any contract to which the Purchaser is a party or by which the Purchaser is bound or to which the Purchaser's properties or assets are subject.

5.4 Consents and Approvals. Except for the Approval and Vesting Order and as set forth on Schedule 5.4, no consent, waiver, authorization or approval of any Person and no declaration to or filing or registration with any Governmental Authority is required in connection with the execution and delivery by the Purchaser of this Agreement and each Ancillary Agreement to which the Purchaser is or will become a party or the performance by the Purchaser of its obligations hereunder or thereunder.

5.5 Financing. The Purchaser has available, or prior to the Closing Date will have available, sufficient funding to enable the Purchaser to consummate the purchase of the Purchased Assets from the Seller on the terms set forth herein and otherwise to perform all of the Purchaser's obligations under this Agreement.

5.6 Litigation. There is no action, suit, proceeding or claim that is pending or, to the Purchaser's knowledge, threatened in any court or by or before any Governmental Authority that would adversely affect the Purchaser's ability to perform its obligations under this Agreement on a timely basis.

5.7 HST Registration. The Purchaser will be registered for harmonized sales tax purposes under Part IX of the *Excise Tax Act* (Canada) on or prior to Closing

5.8 Canadian Tax Residency. The Purchaser will not be a non-resident of Canada for purposes of Section 116 of the *Income Tax Act* (Canada) effective on or prior to Closing.

5.9 Investment Canada Act. The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).

5.10 No Brokers. No broker, finder, agent or other intermediary has acted for or on behalf of the Purchaser in connection with the negotiation or consummation of this Agreement or the transactions contemplated hereby.

5.11 No Other Representations and Warranties. Except for the representations and warranties contained in this Article 5, neither the Purchaser nor any other Person makes any other express or implied representation or warranty on behalf of the Purchaser and any such other representations and warranties are hereby expressly disclaimed and none shall be implied at law or in equity.

ARTICLE 6
COVENANTS AND OTHER AGREEMENTS

6.1 Pre-Closing Covenants of the Seller. The Seller covenants to the Purchaser that, during the period from and including the Execution Date through and including the Closing Date or the earlier termination of this Agreement:

(a) Permits. The Seller shall, without payment of funds to counterparties, use reasonable commercial efforts to obtain, and assist the Purchaser in obtaining, any Permits required for the consummation of the transactions contemplated hereby. For greater certainty, if any Permit is required but not obtained, neither the Seller nor the Purchaser shall be in breach of this Agreement nor shall the Purchase Price be adjusted or the Closing delayed. Following Closing, the Seller shall continue to use reasonable efforts to obtain Permits, or consents to assignment thereof, as applicable, strictly in accordance with Section 6.3(b) hereof.

(b) Consents. The Seller shall, without payment of funds to counterparties, use reasonable efforts to obtain, and assist the Purchaser in obtaining, any consent required for the consummation of the transactions contemplated hereby, including the consent of any person or Governmental Authority required to give effect to the assumption of all rights of the Seller relating to the Cogeneration Facility and any Contract or Lease included in the Purchased Assets related thereto. For greater certainty, if any consent is required but not obtained, neither the Seller nor the Purchaser shall be in breach of this Agreement nor shall the Purchase Price be adjusted or the Closing delayed. Following Closing, the Seller shall continue to use reasonable efforts to obtain consents strictly in accordance with Section 6.3(b) hereof.

(c) Access to Records and Properties. The Seller shall, subject to any confidentiality or safety restrictions, (i) provide the Purchaser and its Representatives, at the Purchaser's sole and exclusive risk, reasonable access during normal business hours upon reasonable notice to the Facilities, offices and personnel of the Debtor and to the computers, books and records of the Debtor related to the Purchased Assets, or otherwise reasonably requested by the Purchaser if reasonably necessary to comply with the terms of this Agreement or the Ancillary Agreements or any applicable Law, including access to perform field examinations and inspections of the Purchased Assets, (ii) furnish the Purchaser with such financial and operating data and other information with respect to the condition (financial or otherwise), businesses, assets, properties or operations of the Debtor as the Purchaser shall reasonably request, and (iii) to the extent permitted by applicable Law, permit the Purchaser to make such reasonable inspections and copies thereof as the Purchaser may require; provided, however, that the Purchaser shall indemnify the Seller and any of its Representatives from and against any claims arising from the Purchaser's access in accordance with this Section.

(d) Conduct Prior to Closing.

(i) Without the Purchaser's prior written consent, the Seller shall not offer, agree or commit (in writing or otherwise) to any of the Purchased Assets becoming subject, directly or indirectly, to any Lien or Encumbrance, except for Liens or Encumbrances existing on the Execution Date and Permitted Liens.

(ii) Without the Purchaser's prior written consent, the Seller shall not cancel or compromise any material debt owed to the Debtor or claim, waive or release any right of the Seller or the Debtor that constitutes a Purchased Asset.

(iii) Without the Purchaser's prior written consent, the Seller shall not remove or permit the removal of any of the FF&E listed in the attached Exhibit B.

(iv) The Seller shall take similar measures to preserve and protect the Purchased Assets as it has since the date of the Appointment Order and shall not, without prior notice to the Purchaser, make any material change to such measures prior to Closing.

6.2 Pre-Closing Covenants of the Purchaser. The Purchaser covenants to the Seller that, during the period from the Execution Date through and including the Closing Date or the earlier termination of this Agreement:

(a) Cooperation. The Purchaser shall take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with applicable Law, to consummate and make effective as soon as possible the transactions contemplated hereby.

(b) Orders. The Purchaser shall take such actions as may be reasonably requested by the Seller to assist the Seller in obtaining the Court's issuance of the Approval and Vesting Order and any other order of the Court reasonably necessary to consummate the transactions contemplated by this Agreement.

(c) Sufficient Funds. The Purchaser shall ensure that, on the Closing Date, the Purchaser will have sufficient funds to pay the Purchase Price and all of its fees and expenses incurred in connection with the transactions contemplated hereby.

(d) Permits and Contracts. The Purchaser shall use reasonable efforts to cooperate with the Seller to obtain or consummate the transfer to the Purchaser of any Permit or Contract required to own or operate the Purchased Assets under applicable Laws.

6.3 Other Covenants of the Seller and the Purchaser.

(a) Access to Records after Closing. Following Closing, the Purchaser and the Seller agree to permit their Representatives to have access, at reasonable times and in a manner so as not to unreasonably interfere with their normal business operations, to the Books and Records of the Debtor or relating to the Business or the Purchased Assets so as to enable the Purchaser and the Seller to prepare Tax, financial or court filings or reports, to pursue causes of action which form part of the Excluded Assets, to respond to court orders, subpoenas or inquiries, investigations, requests, notices, audits or other proceedings of Governmental Authorities, to prosecute and defend legal actions or for other like purposes, and for the purposes of winding-down or administering the estates of the Debtor. If either party desires to dispose of any such records, such party shall, prior to such disposition, provide the other party with a reasonable opportunity to make copies or remove such of the records to be disposed of at the other party's expense. For the purposes of this Section, a Seller Representative shall include any trustee in bankruptcy appointed in respect of the Debtor.

(b) Non-Assignable Contracts, Leases and Permits. Following Closing, the Seller shall, without payment of funds, use reasonable efforts to obtain the consent or approval of any Person under any Contract, Lease or Permit included in the Purchased Assets that was not assigned at Closing because the consent or approval of such Person had not been obtained. Upon receipt of such consents or approvals, the Seller agrees to assign any such Contract, Lease or Permit for no additional consideration. The Seller's obligation under this Section 6.3(b) shall survive the Closing for a period of 45 days, after which the Seller shall have no further obligation to assign any Contract, Lease or Permit.

6.4 Employees. Effective no later than the day immediately preceding the Closing Date, the Seller shall terminate or cause the termination of the employment of all Employees without liability or recourse to the Purchaser.

6.5 Hazardous Substances. The Seller shall request that each supplier of Hazardous Substances stored or located in, on or under the Purchased Assets or any part thereof, including the Real Property, remove such Hazardous Substances prior to the Closing Date, at such suppliers' own risk and cost. All Hazardous Substances so removed shall be "Excluded Assets" for all purposes under this Agreement, and all Hazardous Substances which remain in, on or under the Purchased Assets or any part thereof at Closing shall be "Purchased Assets" for all purposes under this Agreement. For greater certainty, the Seller shall have no obligation to pay any funds to any supplier or any other Person to cause the removal of Hazardous Substances.

6.6 Casualty. If, between the Execution Date and the Closing, any of the Purchased Assets shall be destroyed, damaged or rendered inoperable (collectively, in this Section 6.6, "Damages") in whole or in part by fire, earthquake, flood, other casualty or any other cause ("Casualty"), then the Purchaser shall still acquire such Purchased Assets on an "as is" basis and take an assignment from the Seller of all insurance proceeds payable to the Seller in respect of the Casualty. Notwithstanding the foregoing, in the event that Damages to the Purchased Assets exceed $650,000 or are not covered by insurance for full replacement value, then the Purchaser shall have the option of (i) terminating this Agreement; or, (ii) where insurance proceeds are payable, accepting such proceeds and proceeding with the transactions contemplated by this Agreement with no reduction to the Purchase Price; or, (iii) where no insurance proceeds are payable, proceeding with the transactions contemplated by this Agreement with a reduction to the Purchase Price in an amount equal to the value of such Damages.

6.7 Condemnation. If, between the Execution Date and the Closing, all or any portion of a Facility shall be condemned or taken by any federal, state, provincial, municipal, county or local government under the exercise or threatened exercise of the power of eminent domain (any of the foregoing being referred to as a "Loss"), then the Purchaser shall acquire the applicable Facility, or such portions thereof as have not previously been taken by the Loss, in accordance with this Agreement, in which case the Purchaser shall receive all condemnation awards or other proceeds for the applicable Facility, or the portions thereof that are the subject of the Loss, and the Seller shall assign to the Purchaser all rights of the Seller in and to any condemnation awards or other proceeds payable by reason of the Loss. Notwithstanding the foregoing, in the event of a Loss exceeding $650,000 or where any condemnation awards or proceeds therefrom are less than the amount of the Loss, then the Purchaser shall have the option of (i) terminating this Agreement; or, (ii) where condemnation awards or proceeds are payable, accepting such awards and proceeds and proceeding with the transactions contemplated by this Agreement with no reduction to the Purchase Price; or, (iii) where no condemnation awards or proceeds are payable, proceeding with the transactions contemplated by this Agreement with a reduction to the Purchase Price in an amount equal to the Loss.

6.8 Contracts and Leases. Seller shall use reasonable efforts following the Execution Date until the Approval and Vesting Order is obtained to obtain (if not already in the Seller's possession) and post in the data room a copy of all known Contracts and Leases not contained in the data room as of the Execution Date, including any Contract, if any, by which the Forest Licences were assigned to the Debtor, any memoranda of understanding and other Contracts, if any, related to the Forest Licences, and the limited partnership agreement and other similar Contracts relating to the LP Units and St. Marys Renewable Energy LP and shall notify the Purchaser forthwith upon any such Contract or Lease being posted in the data room. If the limited partnership agreement relating to the LP Units and St. Marys Renewable Energy LP has not been obtained by the Seller before the time the Receiver serves the materials in support of the motion for the Approval and Vesting Order, the Receiver shall request in that motion, on notice to St. Marys Renewable Energy LP and its general partner, that the Court make an order requiring the general partner to forthwith produce to the Receiver a copy of the said limited partnership agreement. The Purchaser shall be entitled to amend Exhibit C and Schedule 1.1(b) after receipt of notice of posting and prior to the hearing of the motion for the Approval and Vesting Order to include or exclude any such Contract or Lease.

6.9 Cure Costs. From and after the Execution Date and prior to the delivery of Exhibit C and Schedule 1.1 by the Purchaser, the Seller shall cooperate with and assist the Purchaser in estimating and calculating the amount of the Cure Costs, if any, payable in respect of all Contracts, Leases and Permits that are or may be included in the Purchased Assets.

6.10 OPA Agreement. Seller shall use reasonable efforts to obtain, on or before Closing, from St. Marys Renewable Energy LP, by its general partner SMREC, a written release, quit-claim and assignment to, and in favour of, the Purchaser of all of the right, title and interest of St. Marys Renewable Energy LP in and to the St. Marys Combined Heat and Power (CHP III) Purchase Agreement, dated November 5, 2010, made by and between St. Marys Renewable Energy LP and Ontario Power Authority, and any right, title and interest of the general partner of St. Marys Renewable Energy LP, if any, therein and thereto, on terms and conditions satisfactory to the Purchaser, acting reasonably, and subject to any consent or approval of the Ontario Power Authority required under such agreement (the "OPA Release and Assignment"); provided that if, in the reasonable judgment of the Seller, the OPA Release and Assignment is not forthcoming or is not likely to be received prior to Closing, the Seller shall bring a motion to the Court at the same time as its motion for the Approval and Vesting Order, with reasonable notice to SMREC and such other parties as the Purchaser may require, acting reasonably, seeking an order (in form and substance satisfactory to the Purchaser, acting reasonably) from the Court assigning the aforesaid agreement to the Purchaser (subject to any consent or approval of the Ontario Power Authority required under such agreement) and releasing and quitclaiming any interest of St. Marys Renewable Energy LP and its general partner thereunder.

6.11 Accounts Receivable; Tax Refunds. Any Accounts Receivable related to the Business, Tax Refunds or other Excluded Assets collected by the Purchaser shall be held in trust for the benefit of the Seller and, upon receipt following the Closing, shall reasonably promptly be paid to, and for the benefit of, the Seller in accordance with its rights under this Agreement.

ARTICLE 7
TAXES

7.1 Taxes Related to Purchase of Purchased Assets. All sales, use, goods and services, harmonized sales, value-added, land transfer and similar transfer taxes in connection with the transfer of the Purchased Assets, and all recording and filing fees (collectively, "Transaction Taxes"), that are imposed by reason of the sale, transfer, assignment and delivery of the Purchased Assets shall be borne by the Purchaser in addition to the Purchase Price. Where the Debtor and Receiver are not legally required to collect specific Transaction Taxes, the Purchaser shall remit such Transaction Taxes directly to the applicable taxing authority.

7.2 HST Election. If applicable, at the Closing, the Debtor and the Purchaser shall execute jointly an election under Section 167 of the *Excise Tax Act* (Canada) to have the sale of the Purchased Assets take place on a harmonized sales tax-free basis under Part IX of the *Excise Tax Act* (Canada). The Purchaser shall file the election in the manner and within the time prescribed by the relevant legislation. Notwithstanding anything to the contrary in this Agreement, the Purchaser shall indemnify and hold the Seller and the Debtor harmless in respect of any harmonized sales tax, penalties, interest and other amounts which may be assessed against the Seller and/or the Debtor as a result of the transactions under this Agreement not being eligible for such elections or as a result of the Purchaser's failure to file the elections within the prescribed time.

7.3 Income Tax Elections in Respect of Assumed Future Obligations. If applicable, the Purchaser and the Debtor shall jointly execute and file an election under subsection 20(24) of the *Income Tax Act* (Canada) in the manner required by subsection 20(25) of the *Income Tax Act* (Canada) and under the equivalent or corresponding provisions of any other applicable provincial or territorial statute, in the prescribed manners and within the time period permitted under the *Income Tax Act* (Canada) and under any other applicable provincial or territorial statute, as to such amount paid by the Seller on behalf of the Debtor to the Purchaser for assuming future obligations. In this regard, the Purchaser and the Debtor acknowledge that a portion of the Purchased Assets transferred by the Seller pursuant to this Agreement and having a value equal to the amount elected under subsection 20(24) of the *Income Tax Act* (Canada) and the equivalent provisions of any applicable provincial or territorial statute, is being transferred by the Seller on behalf of the Debtor as a payment for the assumption of such future obligations by the Purchaser.

7.4 Other Tax Elections. The Purchaser and the Seller shall also execute and deliver such other Tax elections and forms as they may mutually agree upon.

7.5 Realty Taxes and Utility Costs. Seller shall pay the realty taxes owing and outstanding as at and including the Closing Date from the balance due on Closing. For greater certainty, the Purchaser shall be responsible for the payment of realty taxes from after the Closing Date. In addition, the Seller shall pay, within twenty (20) Business Days of the Closing Date all utility services (which for certainty includes water, hydro, fuel oil and gas, if any) outstanding as at and including the Closing Date. Meters for water, hydro, fuel oil and gas shall be read on the Closing Date or on such other date as may be arranged by the Seller. In respect of any real property Leases assigned to and assumed by the Purchaser on Closing, the Seller and Purchaser shall undertake on Closing to adjust the Purchase Price following Closing to the extent necessary to give effect to the foregoing.

ARTICLE 8
MOTION FOR APPROVAL AND VESTING ORDER

8.1 Motion for Approval and Vesting Order.

(a) Pursuant to and subject to the terms of the Sales Process, the Seller shall file with the Court, within five (5) Business Days after the execution and delivery of this Agreement, a motion or motions seeking the Court's issuance of the Approval and Vesting Order, and affixing a true and complete copy of this Agreement to such motion(s), subject to any redaction or sealing as may be reasonably requested to protect confidential information in accordance with Section 12.10 hereof; provided that, if requested by the Purchaser, the Seller shall request that the Court issue a separate, stand-alone vesting order in respect of the Real Property.

8.2 Procedure. The Seller agrees to diligently prosecute the entry of the Approval and Vesting Order, having regard to the rules of Court regarding material to be filed in support of the motion for the Approval and Vesting Order and time for service of such materials. The Seller shall provide the Purchaser with an opportunity to review the materials to be filed in support of such motion in advance of service of same and shall consult with Purchaser with respect to the parties to be served with the said materials. In the event the entry of the Approval and Vesting Order shall be appealed, the Seller shall use its reasonable efforts to defend such appeal.

ARTICLE 9
CONDITIONS PRECEDENT TO PERFORMANCE BY THE PARTIES

9.1 Conditions Precedent to Performance by the Seller. The obligation of the Seller to consummate the transactions contemplated by this Agreement is subject to the fulfillment, at or before the Closing, of the following conditions, any one or more of which may be waived by the Seller, in its sole discretion:

(a) Representations and Warranties of the Purchaser. The representations and warranties of the Purchaser made in this Agreement shall be true and correct in all material respects.

(b) Performance of the Obligations of the Purchaser. The Purchaser shall have performed in all material respects all obligations required under this Agreement or any Ancillary Agreements to which it is party that are to be performed by it on or before the Closing Date (except with respect to the obligation to pay the Purchase Price in accordance with the terms of this Agreement).

(c) Court Approval. The Approval and Vesting Order shall have been issued and entered by the Court and shall not be subject to a stay.

(d) No Violation of Orders. No preliminary or permanent injunction or other order of any court or Governmental Authority or Law (or motion or application seeking such relief) that prevents the consummation of the transactions contemplated hereby shall be in effect.

For avoidance of doubt, there shall be no conditions precedent to the Seller's obligation to consummate the transactions contemplated by this Agreement, except for those conditions precedent specifically set forth in this Section 9.1.

9.2 Conditions Precedent to the Performance by the Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing, of the following conditions, any one or more of which may be waived by the Purchaser, in its sole discretion:

(a) Representations and Warranties of the Seller. The representations and warranties of the Seller made in this Agreement shall be true and correct in all material respects.

(b) Performance of the Obligations of the Seller. The Seller shall have performed in all material respects all obligations required under this Agreement or any Ancillary Agreements to which it is party that are to be performed by it on or before the Closing Date.

(c) Court Approval. The Approval and Vesting Order shall have been issued and entered by the Court and shall not be subject to a stay or under appeal and all applicable appeal period relating thereto shall have expired.

(d) No Violation of Orders. No preliminary or permanent injunction or other order of any court or Governmental Authority or Law (or motion or application seeking such relief) that prevents the consummation of the transactions contemplated hereby shall be in effect.

(e) Termination of Employees. All of the Employees shall have been terminated by written notice from the Receiver on the Debtor's behalf in accordance with the Appointment Order and by declaration of the Court in the Approval and Vesting Order without liability or recourse to the Purchaser and otherwise on terms acceptable to the Seller and the Purchaser, acting reasonably, effective no later than the day immediately preceding the Closing Date.

For avoidance of doubt, there shall be no conditions precedent to the Purchaser's obligation to consummate the transactions contemplated by this Agreement, except for those conditions precedent specifically set forth in this Section 9.2.

ARTICLE 10
CLOSING AND DELIVERIES

10.1 Closing. The consummation and effectuation of the transactions contemplated hereby pursuant to the terms and conditions of this Agreement (the "Closing") shall be held on the day that is ten (10) Business Days after the Court grants the Approval and Vesting Order or such other date as the Parties agree to in writing, provided that on such date that all conditions to the parties' obligations to consummate the transactions contemplated herein have been satisfied (the "Closing Date") (except for closing conditions that by their terms can only be satisfied on the Closing Date) or, if applicable, waived by the appropriate party or parties, at 10:00 a.m., local time, in the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario, Canada, or on such other date or at such other place and time as may be mutually agreed to in writing by the parties. All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed simultaneously and no proceedings shall be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered.

10.2 Seller's Deliveries. At the Closing,

(a) the sale, transfer, assignment, conveyance and delivery by the Seller of the Purchased Assets to the Purchaser, free and clear of any Liens and Encumbrances (other than Permitted Liens), shall be effected by the issued and entered Approval and Vesting Order and by execution and delivery by the Seller of (i) the Bill of Sale, (ii) the Assignment and Assumption Agreement, if applicable, (iii) a deed to the

Real Property, and (iv) such additional bills of sale, endorsements, assignments, termination of leases and other instruments of transfer and conveyance reasonably required by the Purchaser, in each case in form and substance satisfactory to the parties, acting reasonably;

(b) the Seller shall execute and deliver to the Purchaser, to the extent reasonably required by the Purchaser, any Ancillary Agreements;

(c) the Seller shall deliver, pursuant to the Approval and Vesting Order, free and clear title (subject to Permitted Liens) and possession of the Purchased Assets (including all keys to the Facilities, combinations to any safes thereon and passwords for all computers thereon and any security devices therein which are reasonably available or known to the Seller) on an "as is, where is" basis in accordance with Section 4.4, provided that delivery shall occur in situ wherever such Purchased Assets are located on the Closing Date;

(d) the Debtor shall make the elections referred to in Sections 7.2 and 7.3 to the extent available and applicable;

(e) the Seller shall deliver a certified copy of the Approval and Vesting Order and the Receiver's Certificate, in each case as entered by the Court;

(f) the Seller shall provide to the Purchaser evidence of termination of the Employees in accordance with Section 9.2(e).

(g) the Seller shall deliver a closing certificate executed by the Seller, in a form satisfactory to the Purchaser, acting reasonably, certifying that all of the representations and warranties of the Seller hereunder remain true and correct in all material respects as of the Closing Date; and

(h) the Seller, without payment of funds, shall deliver the Permits and consents, or otherwise use reasonable efforts to assist the Purchaser in obtaining a replacement of such Permits and consents, in accordance with and subject to Section 6.1(a) and Section 6.1(b), respectively.

10.3 Purchaser's Deliveries. At the Closing,

(a) the Purchaser shall make the payments referred to in Section 3.2;

(b) the Purchaser shall execute and deliver to the Seller the Assignment and Assumption Agreement, as applicable, and, to the extent reasonably required by the Seller, each Ancillary Agreement;

(c) the Purchaser shall make the elections referred to in Sections 7.2 and 7.3 to the extent available and applicable; and

(d) the Purchaser shall deliver a closing certificate executed by the Purchaser in a form satisfactory to the Seller, acting reasonably, certifying that all of the representations and warranties of the Purchaser hereunder remain true and correct in all material respects as of the Closing Date.

ARTICLE 11
TERMINATION

11.1 Conditions of Termination. This Agreement may be terminated only in accordance with this Section 11.1. This Agreement may be terminated at any time before the Closing as follows:

(a) by mutual written consent of the Seller and the Purchaser;

(b) automatically and without any action or notice by either the Seller to the Purchaser, or the Purchaser to the Seller, immediately upon the issuance of a final and nonappealable order, decree, or ruling or any other action by a Governmental Authority to restrain, enjoin or otherwise prohibit the transfer of the Purchased Assets contemplated hereby;

(c) by the Purchaser, at any time after April 5, 2012 if the Closing shall not have occurred and the Purchaser is not in breach and has performed all of its obligations under this Agreement required to be performed prior to Closing, and all conditions precedent required to be performed by the Purchaser have been satisfied or waived.

(d) by the Seller, at any time after April 5, 2012 if the Closing shall not have occurred and the Seller is not in breach and has performed all of its obligations under this Agreement required to be performed prior to Closing, and all conditions precedent required to be performed by the Seller have been satisfied or waived.

11.2 Effect of Termination. In the event of termination pursuant to Section 6.6, Section 6.7 or Section 11.1, this Agreement shall become null and void and have no effect and no party to this Agreement shall have any liability to any other party, except that (i) the Seller shall be liable to return the Deposit to the Purchaser if the Agreement is terminated pursuant to Section 11.1(a), Section 11.1(b), Section 11.1(c), Section 6.6 or Section 6.7, and (ii) the Purchaser shall forfeit the Deposit to the Seller if the Agreement is terminated pursuant to Section 11.1(d) as a genuine estimate of liquidated damages and not as a penalty.

ARTICLE 12
MISCELLANEOUS

12.1 Survival. No representations, warranties, covenants and agreements of the Seller or the Purchaser made in this Agreement shall survive the Closing Date except where, and only to the extent that, the terms of any such covenant or agreement expressly provide for rights, duties or obligations extending after the Closing, or as otherwise expressly provided in this Agreement.

12.2 Further Assurances. At the request and the sole expense of the requesting party, the Purchaser or the Seller, as applicable, shall execute and deliver, or cause to be executed and delivered, such other documents as the Purchaser or the Seller, as applicable, or their respective counsel may reasonably request to effectuate the purposes of this Agreement and the Ancillary Agreements, provided that, the Seller's obligations under this Section 12.2 shall cease when the Receiver is discharged as receiver and receiver and manager of the Debtor, and provided further that the Purchaser is given advance notice of any motion to discharge the Receiver as receiver and receiver and manager.

12.3 Successors and Assigns.

(a) Without the prior written consent of the Seller, which may be withheld in the Seller's sole discretion, the Purchaser shall not assign this Agreement or any of its rights or obligations hereunder and any such assignment shall be void and of no effect except that the Purchaser, without the consent of the Seller but on prior written notice to the Seller, given in advance of the motion to the Court for the Approval and Vesting Order, may assign this Agreement and/or direct title to any of the Purchased Assets to any Person (or Persons) that is an affiliate of the Purchaser, provided that such assignment shall not relieve the Purchaser of any of its covenants or obligations under this Agreement.

(b) This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto, including any trustee in bankruptcy appointed with respect to the Debtor or its property.

12.4 Governing Law; Jurisdiction. This Agreement shall be construed, performed and enforced in accordance with, and governed by, the Laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties irrevocably elect, as the sole judicial forum for the adjudication of any matters arising under or in connection with the Agreement, and consent to the exclusive jurisdiction of, the Court.

12.5 Expenses. Except as otherwise provided in this Agreement, each of the parties shall pay their own expenses in connection with this Agreement and the transactions contemplated hereby, including any legal and accounting fees and commissions or finder's fees, whether or not the transactions contemplated hereby are consummated. Notwithstanding any other provision of this Agreement, the Purchaser shall pay the cost of all surveys, title insurance policies and title reports ordered by the Purchaser.

12.6 Severability. In the event that any part of this Agreement is declared by any Governmental Authority having jurisdiction to be null, void or unenforceable, a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable and the application of any provision so substituted, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of (a) the Execution Date, and (b) the date this Agreement was last amended.

12.7 Notices.

(a) All notices, requests, demands, consents and other communications under this Agreement shall be in writing and shall be sent via overnight courier, e-mail (including by way of PDF format) or facsimile. If the notice is received on a Business Day before 5:00 PM local time the notice will be deemed to have been received at such time. If the notice is received other than on a Business Day or after 5:00 PM local time, the notice will be deemed to have been received the following Business Day. Notices shall be sent to the following addresses, as applicable:

If to the Seller:

Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7
Attention: Alex Morrison
Facsimile: (416) 943-3300
E-mail: alex.f.morrison@ca.ey.com

With a copy (which shall not constitute notice) to:

Cassels Brock & Blackwell
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2
Attention : Joseph Bellissimo
Facsimile: (416) 642-7150
E-mail: jbellissimo@casselsbrock.com

– and to –

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, Ontario M5L 1A9
Attention: Michael McGraw

Facsimile: (416) 863-2653
E-mail: michael.mcgraw@blakes.com

If to the Purchaser:

23191839 Ontario Inc.
c/o Mandryk, Stewart & Morgan
65 Bidwell St.
Tillsonburg, ON N4G 2T8
Attention: James Morgan
Facsimile: 519 842 4228
E-mail: mhlaw@oxford.net

With a copy (which shall not constitute notice) to:

Fasken Martineau DuMoulin LLP
333 Bay Street – Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6
Attention: Stuart Brotman
Facsimile: 416 364 7813
E-mail: sbrotman@fasken.com

(b) Any party may change its address or facsimile number for the purpose of this Section 12.7 by giving the other parties written notice of its new address in the manner set forth above.

12.8 Amendments; Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the Purchaser and the Seller, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be or construed as a furthering or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

12.9 Entire Agreement. This Agreement and the Ancillary Agreements contain the entire understanding between the parties with respect to the subject matter hereof and thereof and the transactions contemplated hereby and supersede and replace all prior and contemporaneous agreements and understandings, oral or written with regard to such subject matter and transactions. All Schedules hereto and any documents and instruments delivered pursuant to any provision hereof are expressly made a part of this Agreement as fully as though completely set forth herein.

12.10 Confidentiality. Prior to Closing, the parties shall treat as confidential the terms of this Agreement, except for disclosures which may be required by Law or as the

Seller considers appropriate in connection with obtaining the Approval and Vesting Order or to the investors and/or lenders of the Purchaser. All information provided to a party by the other party or its Representatives shall be kept by the receiving party in the strictest confidence and shall not be disclosed to any third party or used by the receiving party except for the purpose of consummating the transactions under this Agreement or enforcing its rights hereunder. The foregoing restriction does not apply to any information which is or becomes generally available to the public, or was known to the receiving party prior to receipt of information from the other party or which such party obtained from an independent third party who obtained the information lawfully and was under no obligation of confidentiality with respect to such information.

12.11 Capacity as Receiver. The Purchaser acknowledges and agrees that in all matters pertaining to this Agreement, including in its execution, Ernst & Young Inc. is acting solely in its capacity as Receiver of the Debtor and, as such, its liability under this Agreement, if any, will be in its capacity as Receiver, and the Receiver shall have no personal or corporate liability of any kind, whether in contract, in tort or otherwise. Any liability of the Receiver hereunder shall be limited to a return of the Purchase Price, and in no circumstances will the Receiver be liable for any consequential damages including loss of profit.

12.12 Headings. The article and section headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

12.13 Counterparts. This Agreement may be executed in any number of counterparts and by the undersigned in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any of the undersigned by facsimile or "pdf" e-mail transmission shall be as effective as delivery of a manually executed copy of this Agreement by such undersigned.

12.14 No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any rights for any Persons not party to this Agreement, as third party beneficiaries or otherwise.

[Signatures on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

PURCHASER:

2319839 ONTARIO INC.

By: ______________________

Name: Justus Veldman

Title: Authorized Signing Officer

SELLER

ST. MARYS PAPER CORP., by ERNST & YOUNG INC., solely in its capacity as court-appointed receiver and receiver and manager of the Debtor and not in its personal or corporate capacity

By: ______________________
Name: Alexander Morrison
Title: Senior Vice President

Schedule 1.1(a)

Permitted Liens

REAL PROPERTY

	Instrument No.	**Type of Instrument**
1.	A7411	Crown Grant
2.	LT126831	Certificate re: Provisional Certificate of Approval under the *Environmental Protection Act*
3.	LT57299	Transfer of Easement in favour of The International Bridge Authority of Michigan
4.	T234205	Heritage By-law – The Corporation of the City of Sault Ste. Marie re: Historic Sites
5.	LT58071	By-law – The Corporation of the City of Sault Ste. Marie
6.	T429687	By-law – The Corporation of the City of Sault Ste. Marie re: Historic Site designation
7.	T218158	Easement Agreement in favour of Great Lakes Power Corporation Limited
8.	T454942	Transfer of Easement in favour of Great Lakes Power Limited
9.	AL31987	Notice of Agreement between Great Lakes Power Limited in favour of Great Lakes Power Transmission Holding Corp.
10.	AL32021	Charge (of easement) from Great Lakes Power Transmission Holding Corp. in favour of CIBC Mellon Trust Company
11.	AL9468	Notice – Application to Register Notice of Heritage Easement Agreement
12.	LT122661	By-law – The Corporation of the City of Sault Ste. Marie - to designate properties as being of architectural and/or historical value or interest
13.	LT254162	Court Order – Ontario Superior Court of Justice - amending legal description
14.	LT254163	Transfer of Easement in favour of Great Lakes Power Limited
15.	AL27724	Land Registrar's Order – to add LT254163 to the document pool

Schedule 1.1(b)

Leases and Leased Property

LEASES

1. **[To be provided by Purchaser within five (5) Business Days of the Execution Date, and to include the lease of the "Algoma Lands"]**

LEASED PROPERTY

1. **[To be provided by Purchaser within five (5) Business Days of the Execution Date]**

Schedule 1.1(c)

Legal Description of the Real Property

1. PIN 31193-0001(LT) – PCL 3545 SEC AWS: SUMMER RESORT LOCATION JC305 STONEY; DISTRICT OF ALGOMA.
2. PIN 31577-0009(LT) – PCL 561 SEC AWS; PT LAND AND LAND COVERED WITH WATER SAULT STE. MARIE; PT ST. MARY'S ISLAND SAULT STE. MARIE; PT THE LAIRD & HENDERSON MILL SITE SAULT STE. MARIE PT 9 & 10 1R5861; S/T LT57299; SAULT STE. MARIE
3. PIN 31577-0012(LT) – PT THE LAIRD & HENDERSON MILL SITE SAULT STE. MARIE; PT HUDSON'S BAY COMPANY'S LANDS S/S PORTAGE ST. PL TOWN PLOT OF SAULT STE. MARIE PT 15, 16 1R5861 S/T RIGHT AS IN T218158; S/T T454942; SAULT STE. MARIE
4. PIN 31577-0013(LT) – PT HUDSON'S BAY COMPANY'S LANDS S/S PORTAGE ST PL TOWN PLOT OF SAULT STE. MARIE PT 17 1R5861; SAULT STE. MARIE
5. PIN 31577-0014(LT) – PT THE LAIRD & HENDERSON MILL SITE SAULT STE. MARIE PT 18 1R5861; SAULT STE. MARIE
6. PIN 31577-0015(LT) – PT ST. MARY'S ISLAND SAULT STE. MARIE PT 19 1R5861; SAULT STE. MARIE
7. PIN 31577-0016(LT) – PT ST. MARY'S ISLAND SAULT STE. MARIE PT 20 1R5861; SAULT STE. MARIE
8. PIN 31577-0026(LT) – PCL 11524 SEC AWS; PT WATER LT ADJACENT TO ST. MARY'S ISLAND SAULT STE. MARIE PT 1, 2 1R7289; SAULT STE. MARIE
9. PIN 31577-0027(LT) – PCL 10280 SEC AWS; PT WATER LT AT THE FT OF THE RAPIDS IN ST. MARY'S RIVER SAULT STE. MARIE PT 3 1R4409; SAULT STE. MARIE
10. PIN 31577-0032(LT) – PCL 1023 SEC AWS; PT LAND & LAND COVERED WITH WATER AT THE FT OF RAPIDS ON ST. MARY'S RIVER SAULT STE. MARIE PT 1 1R5861; SAULT STE. MARIE

11. PIN 31577-0033(LT) – PCL 1023 SEC AWS; PT LAND & LAND COVERED WITH WATER AT THE FT OF RAPIDS ON ST. MARY'S RIVER SAULT STE. MARIE PT. 2, 3 1R5861; S/T LT57299; SAULT STE. MARIE

12. PIN 31577-0034(LT) – PCL 1023 SEC AWS; PT LAND & LAND COVERED WITH WATER AT THE FT OF RAPIDS ON ST. MARY'S RIVER SAULT STE. MARIE PT 4 1R5861; SAULT STE. MARIE

13. PIN 31577-0035(LT) – PCL 1023 SEC AWS; PT LAND & LAND COVERED WITH WATER AT THE FT OF RAPIDS ON ST. MARY'S RIVER SAULT STE. MARIE PT 5-7 1R5861; S/T LT254163; SAULT STE. MARIE

14. PIN 31577-0037(LT) – PCL 564 SEC AWS; PT LAND & LAND COVERED WITH WATER SAULT STE. MARIE PT 12 1R5861; SAULT STE. MARIE

15. PIN 31577-0038(LT) – PCL 648 SEC AWS; PT LAND & LAND COVERED WITH WATER SAULT STE. MARIE PT 13 1R5861; SAULT STE. MARIE

16. PIN 31577-0039(LT) – PCL 881 SEC AWS; PT LAND & LAND COVERED WITH WATER SAULT STE. MARIE PT 11 1R5861; SAULT STE. MARIE

17. PIN 31577-0050(LT) – PCL 561 SEC AWS; PT LAND & LAND COVERED WITH WATER SAULT STE. MARIE PT 8 1R5861; SAULT STE. MARIE

Schedule 3.3

Allocation Statement

[To be provided by Purchaser within five (5) Business Days after the Execution Date]

Schedule 5.4

Purchaser's Consents and Approvals

1. The approval of the applicable third party to the assignment of the Contracts and Leases, if any, included in the Purchased Assets.

2. The approval of the applicable Governmental Authority to the transfer of the Permits included in the Purchased Assets.

Exhibit A

Liens and Encumbrances to be Vested Off Title to Real Property

	Instrument No.	Type of Instrument
1.	11-0000305	Execution in favour of Minister of Revenue (Ontario)
2.	AL88243	Lien in favour of Her Majesty the Queen in Right of Ontario as represented by The Minister of Revenue
3.	AL94715	Construction Lien in favour of Aecom Canada Ltd.
4.	AL96415	Certificate of Action in favour of Aecom Canada Ltd. re: AL94715
5.	AL17381	Charge in favour of Her Majesty the Queen in Right of Ontario as represented by The Minister of Northern Development and Mines
6.	AL80265	Notice re: AL17381
7.	AL54515	Notice of Lease in favour of St. Marys Renewable Energy Corp.
8.	AL80260	Charge in favour of Her Majesty the Queen in Right of the Province of Ontario, as represented by the Minister of Northern Development, Mines and Forestry
9.	AL83236	Charge in favour of International Forest Products Corporation
10.	LT130084	Notice of Lease in favour of Abitibi Power & Paper Company Limited
11.	LT132064	Assignment of Lease in favour of St. Marys Paper Inc. re: LT245736
12.	AL17374	Application (General) – Receiver's Certificate RSM Richter Inc.
13.	AL17378	Application Vesting Order – Ontario Superior Court of Justice

14. Municipal tax arrears

15. Utility arrears

EXHIBIT B

Specifically Identified FF&E

See attached listing.

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
1	Computer equipment in mill office
2	Contents of Engineering Office
3	Tos model SN50 engine lathe, 2.5" spindle bore, four jaw chuck, s/n 1890
4	AFM 16" x 72" c.c. engine lathe
5	Modern model C6251 x 1500 engine lathe
6	Enterprise model 2215 engine lathe
7	Sorance model TRI-600 radial arm drill
8	Fexac milling machine
9	Tos model SH630N engine lathe
10	Bader Brother key seater
11	Strands gear head drill press
12	Rockford shaper
13	Morrison keyseater
14	Abour press
15	Wilton 14" throat bandsaw
16	Ford-Smith double pedistal grinder
17	Towmaster forklift
18	Landis Maiden threader

MACHINE SHOP

St. Marys Paper Corp. 75 Huron Street Sault Ste. Marie, Ontario	
Item #	Description
19	Shop electric powered cart
20	**Mine Master** furnace clean-out scopper
21	**Quaker State** lube dispenser bench [Owned by Oil Supplier]
22	**EPPS** model Power House pressure washer c/w reel
23	**Mac-Blast** sandblasting cabinet
24	**Pearson** 3/8" mild steel shear, 12' long bed
25	Custom built 100 ton shop press
26	**Baxter** bandsaw
27	Steel inventory rolled & plate
28	~~Assorted smalls~~
29	Welder, tables
30	Welders, tables
31	**Shaw Box** 25 ton capacity overhead crane
32	Assorted contents upstairs
33	**Pullmax** circle cutter
34	**Buffalo** drill press
35	**Brown Boggs** 60" initial pinch plate rolls
36	**Brown Boggs** 8' hand brake

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
37	**Peddinghaus** model 210/13 ironworker
38	Tablsaw, bandsaw & chopsaw
39	Assorted valves
40	**Kalamazoo** chopsaw
41	Contents of pipe shop
42	**Ridgid** model 535 pipe threader
43	Steel storage rack c/w steel inventory
44	Contents of instrumation shops
45	**Power Team** model Enforcer hydraulic powered bearing puller
46	**Enerpac** model Energy hydraulic powered unit
47	2001 **Bobcat** model 753 skid steer loader, s/n 515836200
48	(2) **Greenlee** job site storage boxes
49	**Kaverit** 100 ton capacity overhead crane, top riding end trucks, top riding hoists, (2) 30 ton capacity cable hoists c /w 140' of runways & buzz bar
50	**Motivation** 1,000 lbs capacity freestanding jib crane c/w 1/2 ton capacity
51	**Karcher** electric powered pressure washer
52	GE electric motor 250 HP MTR- VDC-002633 in transit for repairs

ROLL SHOP

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
53	Custom built steel roll storage racks
54	Approx. (50) Assorted paper machine & calender rolls
55	(2) Legend electric powered shop truck
56	1998 **Poreba** model TCG 160 x 10 engine roll lathe c/w steady, follower & related support equipment s/n 1173-28004
57	**Entek IRD** model 290 roll balancer
58	Assorted small equipment in roll shop
59	**Carolina** 55 ton shop press
60	**Buffalo** arbor press
61	**Baldor** double pedistal grinder
62	Bertram ~~**Betram**~~ 60" x 24' o.c roll engine lathe
63	**Kone** 10 ton capacity overhead crane, 20' span
64	**1998 Toyota** model 30 forklift, dual gas or propane, s/n 11427
	Paper Machine 1 & 2 Mainetance Area
65	Small Tools
66	Assorted parts
67	Drill press, cabinets, welders, tools, tables, o/a set, shop press, demagratizer, hoists power tools, come-a-longs etc

CONVERTING AREA BASEMENT

PM 1 & 2

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
68	Steel beams & plate
69	**Mecart** 20' x 30' sound proof freestanding shop office
70	Valves & oils
71	All [illegible] (4) Paper machine rolls
72	Suction box resurfacing machine
73	Assorted reducers etc.
74	**Ridgid** model 535-threader
75	100 ton shop press
76	**Mecart** 16' x 20' sound proof freestanding shop office
77	**Mecart** 24' x 24' sound proof freestanding shop office
78	**Toyota** model GU-30 forklift, two stage mast, s/n 61104
79	Electric motor, crane parts, rolls
80	**Toyota** model 5FGCU15 forklift, s/n 70063
81	**Conflow** 2000 hp pulp refiner JC04
82	**Conflow** ~~1000~~ 600 hp pulp refiner JC02
83	**Conflow** 1500 hp pulp refiner JC04
84	**Miller** model 400 gas powered portable welder

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
85	Shop press
86	Assorted steel
87	Assorted parts
88	Contents of back repair shop
89	CAE 8' capacity log infeed system c/w BID Canada infeed decks, all motors, reducers, transfer conveyors, slasher saws, camera system, operator controls & all related support equipment
90	Kaverit 5 ton capacity overhead crane, 47' span, double girder, (2) Shaw Box 2.5 ton capacity underslung hoists, radio controlled, runways & buzz bar
91	(3) Old drum debakers
92	1999 Brunette model CMI Grizzly flying hammers hog, 48" x 48" opening p/w 450 hp electric motor, 1150 rpm, s/n 48480240 MODEL 4848
93	#5/#6 (2) ~~Tempelling~~ Tampella model 54 double sided wood grinders, (2) 14,000 hp electric motors, 67" x 54" opening
94	Groundwood water supply system
95	(2) Waterous size 48 wood grinders p/w 800 hp electric motors, 67" x 48" opening — one grinder partially removed.
96	(1) #7 ~~Tapelling~~ Tampella/Valmet single stone wood grinder, fully auto feed system p/w 8,000 hp electric motor motor

WOOD ROOM

GRINDER ROOM

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
97	**Kone** 60 ton capacity overhead crane, 70' span, double grider, top riding hoists, top riding end trucks c/w (2) 30 ton hoists KONE
98	**Pascall** screens pumps p/w 300 hp vertical pumps
99	**Jeffrey** model MDL-B-3 groundwood shredder p/w 300 hp elctric motor, 36" x 24" opening
100	**Babcock & Wilcox** groundwood fresh water system,
101	Bull screen72" x 30' long big chucks screen
102	Rebuilt in 2008 **Andritz** refiner p/w 2500 electric motor 42-1B MODEL (4 installed)
103	(9) **Ingersoll Rand** centrisorter pulp screens
104	2003 **Industrial Design** bleaching system
105	2003 Colour mix & distribution system c/w screens
106	Colour die system
107	(3) ~~AHL-Strom~~ AHLSTROM model ~~Medus screen~~ MODUScreen F4 screen, 200 hp electric motor
108	**Thune** presses
109	Groundwood pulping & bleaching system
110	(2) **Dorr-Oliver** long disc thickerners, (30) 12' disc's

STOCK PREPARATION

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
111	#4 Paper Machine broke thickner system
112	#4 Paper Machine Installed: 1912 Dominion headbox, Dominion fourdrinier, Dominion / Beloit presses, Pussey & Jones dryers, Black Clawson reel, size 186" wide paper machine, 168" trim, 1655 fpm, 141 tons per day, max 100" jumbo reel diameter
113	#3 Paper Machine Installed: 1912 Beloit headbox, Beloit fourdrinier, Dominion / Beloit presses, Pussey & Jones dryers, size 186" wide paper machine, 173" trim, 1643 fpm, 145 tons per day, max 100" jumbo reel diameter
114	(2) Overhead cranes
115	Mecart 8' x 12' sound proof freestanding shop office
116	(2) 1984 Wartsila model 10/193 ten roll super calendar's c/w roll upgraded Honeywell scanners, spindle driven, 3500 fpm
117	(2) Kone 25 ton capacity overhead cranes, 90' span c/w (2) 12.5 ton capacity hoists, runways & buzz bar
118	Valmet Wartsila model KL-500 winder, 195" wide capacity, 5000 fpm, 30" diameter rolls c/w back winding stand
119	Valmet Wartsila model KL-500 winder, 195" wide capacity, 5000 fpm, 30" diameter rolls c/w back winding stand

PM4
PM3

CONVERTING
FINISHING

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
120	2000 **Valmet** model Winbelt winder, (10) heads, 7500' fpm, 186" wide capacity, 181 trim shipping rolls
121	**P & H Kaverit** 30 ton capacity overhead crane, 65' span, (2) 15 ton capacity hoists & roll turning beam
122	**Challenger** model 20 paper shear
123	2001 **Caterpillar** model CC 30KK forklift c/w **Cascade** model 50DBCS-SD bale clamp, s/n At83C01737
124	1998 **Cat** model GC30 forklift c/w **Cascade** bale clamp, s/n GEMO1992
125	2000 **Genie** model GS-2032 electric powered scissor lift, s/n 21324
126	1979 **Yale** model L83C050GA9083 forklift, 106" lift, s/n A357675
127 *	(4) **Technidyne** model Profile Plus caliper module s/n ACLL11017, gloss module, roughness module, roughness positive c/w computer system [Damage to Technidyne screen]
128	**TMI** model Roughness Clamp 10 tranducer #1391
129	**Hunter** model DP-9000 tester
130	**TMI** tear tester
131	**L&W** tensile strength tester
132	**Mecart** 20' x 20' sound proof freestanding shop office

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
133	Rewinder ~~for~~ Valmet model Winbelt machine
134	2001 Cat model GC45K forklift, three stage mast, enclosed cab, Cascade bale clamp, s/n AT8701784
135	2001 Cat model GC45K forklift, three stage mast, enclosed cab, Cascade bale clamp, s/n AT8701785
136	2001 Cat model GC45K forklift, three stage mast, enclosed cab, Cascade bale clamp, s/n AT8701783
137	Roll wrapping line consisting of: Valmet model Hot Pak wrapping line, semi auto, (2) back stands, head end presses, turn table deck
CULL PULPING CORE ROOM 138	1998 Valmet model SB42B repuler c/w 1998 Kollin & Strom 2-97-919 guillotine roll splitter, s/n #89
139	Corey roll expander
140	Pro Vac dust collector
141	Sonoco roll core saw (at the paper mill)
142	(4) Core end expanders
143	Core end cap press
144	1995 American-Lincoln model 2160 floor sweeper, s/n 470319
145	Raymond model 8400 long forklift pallet jack, s/n 840-09-83798
146	BPR-PRO electric powered long fork pallet jack

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
147	**Blue Giant** long fork pallet jack
148	**2006 Cat** model C-6000 forklift c/w **Cascade** model 50D-BCS bale clamp, s/n AT83F01680
149	**Blue Giant** long fork pallet jack
150	**Cat** 10,0000 lbs capacity forklift
151	**Mohawk** four post drive-on 25,000 lbs capacity forklift hoist
152	Assorted tools in shop area
KRAFT 153	Repulper conveyor system c/w tank
154	Pulper
155	Domtar kraft pulp paper in bundles
156	Sprout Bauer ~~Sprat~~ kraft refiners (3)
GENERAL 157	~~Stainless steel piping through-out the mill, 316 US~~
STORES 158	All parts inventory in stores having a replacement cost of $12,000,000
159	Approx (30) Sections of 42" x 20' high pallet racking
160	**1998 Toyota** model 5FBE20-130V electric powered three wheeler forklift, 4,000 lbs, s/n 10792
BOARD MILL BLDG 161	2008 **Bobcat** model S130 skid steer loader, diesel powered, s/n 0582

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
162	**Snorkelift** model 37TB boom type manlift p/w Ford model VXG-411 propane powered engine, s/n 881350288
163	**Lincoln** model 350'CN electic welder
164	Inventory of chain steel plate etc
165	**Kone** 3-2 ton capacity overhead crane, 40' span c/w runways & buzz bar
167	(2) Welders, rod oven, tables,welders
168	**Hanchett** model Broadmill knife grinder
169	**Hanchett** knife grinder
170	**Hanchett** model 104 round saw grinder
171	Misc
172	Water treatment system
173	**Kohler** model 500 power system standby genset
174	Transformer staton
175	Steam plant contents
176	Load vaccum filter
177	**1997 Toyota** model 6FGU25 forlkift, three stage mast,propane powered, s/n 62817
178	**Kone** (2) 16 ton hoists overhead crane, 30' span, underslung hoists, top riding end trucks, 120' runways & buzz bar, s/n 4483

EFFLUENT TREATMENT

STEAM PLANT

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
179	Assorted equipment
180	Assorted electric motors
181	**RBC** model 7000 electric powered lifter boom, s/n G0953
182	Reels of electrkcial cable
183	BT ~~dle~~ electric lifter
184	Hydraulic test room contents
185	**#5 Paper Machine:** Installed 1988 **Tampella** 184" trim paper machine, 110" max jumbo reel diameter, design speed 4600 fpm, Design operating speed 4000 fpm, Current operating speed 4200 fpm, current production 380 fstpd based on 35.5 lbs sheet
186	2002 **Honeywell** model ~~Diveclic~~ Davinci QCS system
187	**Save All** pulp thickener ~~tankage~~
188	(2) **Kone** 100' span overhead cranes c/w **Shaw Box** with 3 hoists on the wet end & (2) hoist on dry end
189	(3) **Valmet** model ~~OPT-Load~~ OPTI-LOAD super calander's c/w (3) **Honeywell** inspection systems
190	**Sterling** model Acterra 5 ton single axle van truck [There is a Lien on the truck]
191	1998 **Cat** model 966F wheel loader, s/n 1SL03021

PM1/2 BSMT

PM5

OUTSIDE

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description
192	**2004 Cat** model 980G wheel loader c/w **Paralift** grapple, s/n CAT098OGVAW400835
193	**1995 International** model S-1900 single axle flat truck, s/n IHTLDTVRFHA21951
194	**Case** model 721BXT front end loader c/w blade, bucket & forks, s/n JEE0054510
195	**1986 Champion** model 720 grader, s/n 720-187-03-16829
196	**2004 Cat** model 966G front end loader c/w 8 yard bucket, s/n CAT0966GKANT00266
197	1995 **Ford** model F-Series single axle flat deck truck c/w **Hiab** model 071AW hydraulic powered boom, 8,000 lbs capacity, Vin # 5845
198	1988 **Dodge** pick-up truck c/w **Hi-Way** sanding spreader, s/n 5786
199	**1984 Western Star** model 4842-1 single axle tractor, 882,000 kms, Vin # 2WKNBCJEK909710
	ITI 20' long deck tandem axle goose neck trailer with 5th wheel attachment
200	1995 **GMC** pick up ~~(Out at Shop for repairs)~~
201	MTR. (80) Concrete blocks
202	Waste compactor
203	**Mettler Toledo** model Truckmate 100 long drive-on truck scale, 200,000 lbs capacity

SCALE ITSELF OWNED BY M.N.R.

St. Marys Paper Corp.
75 Huron Street
Sault Ste. Marie, Ontario

Item #	Description	
204	(10) Railway flat deck log cars, standard gage track	
205	Pump house	
206	Railway track in yard	
207	8' long log end squeeze	
208	Equipment under primary clarifier	
209	**1975 GE** model B-B220/220 locomotive, 50 ton p/w GE 763 hp diesel powered engine, s/n 39002	
210	**1952 GE** model BB+60/160-4GE-747 locomotive, 80 ton p/w **GE** model NT855L, 470 hp diesel powered engine, s/n 31540	RENTED OUT TO ESSAR STEEL ALGOMA
211	Main office equipment	
212	20' x 20' security building c/w security systems etc	
213	(4) **Atlas Copco** model ~~G-400~~ ZR4 oil free air compressors	(2@ PMS BSMT and 2@ Steam Plant)
214	**Dresser Roots** model CVS blower	
215	**Toyota** 42' forklift, s/n 5159	
216	Teck cable through-out the plant & in ground, all wooden power poles, above ground power lines, MCC's, transformers etc.	

PMS BSMT

GENERAL

Exhibit C

Contracts

[To be provided by Purchaser within five (5) Business Days of the Execution Date]

[All memoranda of understanding, if any, referred to in the Forest Licences to which the Debtor is a party]

Exhibit D

Specifically Identified Hazardous Substances

[See attached listing.]

Process Chemical Inventory Summary
St. Marys Paper Corp.
Created Jan 5, 2012
Updated Feb 2, 2012

Location – Beater Room

- 2811 (3400) system (Kemira) PM5 flocculent
  - ½ bag on feed system
  - Mixing tank is empty
  - Storage (feed tank to PM5) – est. 24"
- 210 system (Kemira) PM5 coagulant
  - feed tote – empty
  - mixing tote – full (1170 liters)
  - Storage – (feed to PM5) – est. 30"
- 5554 system (Buckman) PM3/4 coagulant
  - Feed tote – empty
  - Storage tote – est. 800 liters
- Dye System (Tritex) – papermaking dye
  - ½ tote Basic Violet 3RB on feed system
  - ¼ tote Ethyl Violet URL on feed system
  - Both storage tanks are full of diluted dye
  - Waste dye tank – 2 feet on bottom
  - Dilution water tank is 75% full – est. 50 liters
- Mill Freshwater Treatment – microbiology control
  - 2 x Hypochlorite storage (Kemira) tanks - est. 30"
  - Busan 1167 storage (Buckman) – est. 6"
- Dissolvene E39 (Quadra) chelant – old south bleach tower – est. 6"
- Busan 1009 storage (Buckman) biocide – est. 300 liters
- Busan 85 storage (Buckman) biocide – est. 800 liters
- $^1/_8$ tote waste retention aid (Kemira 2811 & Buckman 5554)
- ¾ tote Grafikleen Power Cleaner (West Pentatone) – dye system cleaner

Location - PM5

- Finnofix 510 (501) storage (Kemira) coagulant – est. 1500 liters
- AMA 10L storage (Kemira) biocide – est. 700 liters
- Fennosan 150C storage (Kemira) biocide – est. 300 liters
- $^1/_8$ tote waste retention aid (Kemira 510)

Location – Board Mill

- Clay (Imerys) storage – 30% level – kaolin clay slurry
- Sodium Hydrosulfite (Chemtrade)- 15 full totes, 21 empty – pulp bleaching
- ½ tote waste dye (Tritrex)
    - 30 totes – most are accessible for inspection and all are empty except 1
- 9 bags EmCatC3 (AKP Chemicals) - 1000 kg bags (blue handles) – cationic starch
- 8 bags Amylofax 3500 (Avebe America) – 816 kg bags (green seam) – cationic starch
- 9 bags Aniofax 3300C (Avebe America) – 1000 kg bags (red handles) – cationic starch
- 1 bag of Fennopol 3400 (Kemira) – 1000 kg bag - PM5 flocculent

Location – Steam Plant

- Bulab 9631 storage (Buckman) - boiler chemistry – est. 50 liters
- 1 tote Bulab 9631 (Buckman) - boiler chemistry
- Bulab 9162 storage (Buckman) - boiler chemistry – est. 600 liters
- Bufloc 5415 storage (Buckman) - sludge dewatering – est. 500 liters
- ½ tote Bufloc 5415 on feed station (Buckman) - sludge dewatering

Location – Secondary Treatment Blower Building

- Phosphoric Acid storage (Canada Colours) – secondary treatment control - est. 50%
- Urea storage (Canada Colours) – secondary treatment control - est. 50%
- 1 tote Molasses (Evergreen) – food source for secondary treatment restart in Nov 2010

Location - PM 1 Chemical Storage

- 2 + ½ totes Leucophor (Garchem/Clariant) – optical brightener
- $^1/_3$ tote Dislodge (Dubois) – alkaline cleaner
- ¾ tote Newskleen 810CS (Dubois) – press fabric cleaner
- ½ tote Newskleen 810CS (Dubois) – press fabric cleaner (contaminated)
- 1 + ½ totes Safe T Brite III (Dubois) – alkaline cleaner
- 1 + $^1/_3$ totes Div O Kleen SC (Dubois) – alkaline solvent cleaner
- 1 tote Ethyl Violet URL (Tritex) – papermaking dye
- ¾ + ¾ totes Basic Violet 3RB (Tritex) - papermaking dye
- 2 totes of Bufloc 5415 (Buckman) - sludge dewatering
- $^2/_3$ tote Fennosil 210 (Kemira) - PM5 coagulant
- 2 barrels Bulab 9546 (Buckman) – boiler chemistry – corrosion inhibitor
- 1 barrel Bulab 9626 (Buckman) – boiler chemistry – oxygen scavenger
- 1 + ½ barrels Bulab 9631 (Buckman) - boiler chemistry
- 1 barrel Busan 1009 (Buckman) - biocide
- ½ barrel waste alkaline cleaner
- 1 barrel Bubrek 4130 (Buckman) - defoamer
- 2 barrels 25% sulphuric acid (Brentag)
- ½ bag 3400 (Kemira) - PM5 flocculent
- ¾ tote waste dye
- ½ tote waste dye/acid mix

Location – Yard Rail Spurs

- 29 railcars Clay (Imerys) – kaolin clay slurry

LUBE TYPE & NUMBER	CONTAINER TYPE	QTY	GENERAL AREA	SPECIFIC LOCATION DESCRIPTION / NOTES
(OIL - NUTO 46 / etc.)	(TOTE / BARREL / KEG / etc.)		(WOODROOM / PM5 / etc.)	(NW CORNER OF BSMT / PARTIALLY FULL / etc.)
Teresstic N220	Barrel	1	Roll Shop	East wall - pump system installed
Grease	Keg	3	Roll Shop	East wall - all partial amounts - pump system in 2
Teresso	Barrel	1	Roll Shop	North wall - close to full - valve installed
Febis K 68	Barrel	1	Roll Shop	North wall - close to full - valve installed
Waste oil	Barrel	1	SC Lower Level	SC5 Hydraulic unit - east wall - funnel on top 3/4 full
Waste oil	Barrel	1	SC Lower Level	SC6 Hydraulic unit - east wall - funnel on top 3/4 full
Spartan EP 220	Barrel	1	SC7 Hyrdaulic Room	pump system installed - full
Grease	Keg	5	Oilers Room	5 kegs with pump system installed - all partial
Roto 2 lubricant	Keg	2	PM5 Lower Level	Atlas Copco air compressors - 2 partial kegs
Waste oil	Barrel	1	PM5 Lower Level	Final effluent pit - waste oil barrel from separater 7/8 full
Mobil SHC630	Barrel	1	PM5 Lower Level	Oil storage - full
Nato H-C 46	Barrel	2	PM5 Lower Level	Oil storage - full
Nato H-C 150	Barrel	2	PM5 Lower Level	Oil storage - full
Spartan EP all season	Barrel	2	PM5 Lower Level	Oil storage - full
Spartan EP 220	Barrel	2	PM5 Lower Level	Oil storage - full
Voltesso 35	Barrel	1	PM5 Lower Level	Oil storage - full
Teresso 32	Barrel	1	PM5 Lower Level	Oil storage - partial
Teresso 68	Barrel	1	PM5 Lower Level	Oil storage - partial
Nuto H 150	Barrel	1	PM5 Lower Level	Oil storage on Blue Giant cart
Nuto HC 46	Barrel	1	PM5 Lower Level	Oil storage on Blue Giant cart
Grease	Barrel	2	PM5 Lower Level	Oil storage - 2 kegs with pumps
DTE PM-C 220	Barrel	1	PM5 Lower Level	Oil storage - steel tote - pump operation on top
Spartan EP all season	Barrel	2	Beater Room	Operating floor - east end - 2 full - 1 barrel with pump
Febis K 68	Barrel	1	Bertram Lathe	Full with valve
Rarus 827	Barrel	3	Steam Plant	Operating floor - west of SB shack - 1 full - 1 partial - 1 waste oil
Mobil SHC 630	Barrel	1	Fuji	Hydraulic pump house - with valve - partial
Univis N 32	Barrel	1	Gwd	Grinder 7 hydraulics - full
Nuto H 46	Barrel	2	Gwd	Grinder 7 hydraulics - 1 full with pump - 1 full
Grease	Barrel	1	Gwd	MW work area - Grinder 5 & 6 - with pump - partial

Spartan EP 220	Barrel	2	Gwd	MW work area - Grinder 5 & 6 - 1 full with pump - 1 full
Univis N 32	Barrel	2	Gwd	west of Grinder 6, 1 full waster - 1 partial
Waste Oil	Barrel	1	Gwd	Basement by grinder bearing pump system- full waste oil
Grease	Barrel	1	Fuji	MW shop - with pump - partial
Premium RTD 68	Barrel	1	Fuji	Outside hydraulic pump house - with valve - full
Univos N 32	Barrel	2	Fuji	Hydraulic pump house - 1 full, 1 full with pump
Univos N 32	Barrel	3	Woodroom	South oil storage area - 2 full, 1 partial with pump
Grease	Keg	5	Woodroom	North oil storage - 2 with pumps, 2 full, 3 partial
Univos N 32	Barrel	1	Woodroom	Under sorters booth - waste oil container - full
Nuto H 46	Barrel	1	Woodroom	Under sorters booth - partial with valve
Mosal Super ATF D/M	Barrel	1	Across from Kraft/Fin/Auto Shop	With Valve - partial
XD - 3 Extra 10W30	Barrel	1	Across from Kraft/Fin/Auto Shop	With Valve - partial
Anti freeze	Barrel	1	Across from Kraft/Fin/Auto Shop	With Valve - partial
Conease	Keg	1	Across from Kraft/Fin/Auto Shop	With Valve - partial
Spartan EP All Season	Barrel	1	PM4 Dryend Lower Level	Valved and carted - partial
Millcot K 100	Barrel	1	PM4 Dryend Lower Level	Valved and carted - partial
Mobil SHC 630	Barrel	1	PM4 Dryend Lower Level	Valved and carted - full
Nuto H-C 46	Barrel	1	PM4 Dryend Lower Level	Valved and carted - full
Nuto H 150	Barrel	1	PM4 Dryend Lower Level	Valved and carted - full
Spartan EP 220	Barrel	1	PM4 Dryend Lower Level	Valved and carted - full
Spartan EP 468	Barrel	1	PM4 Dryend Lower Level	Valved and carted - full
Grease	Keg	1	PM4 Dryend Lower Level	Hand pump - full
Gear Oil GX 80W90	Barrel	1	Machine Shop	N W corner - partial with valve
Esso Trans 30	Barrel	2	Machine Shop	1 full, 1 partial with valve

Delvac T300 super 10W30	Barrel	1	Machine Shop	full
Nuto H 46	Barrel	1	Machine Shop	full
Mobil Trans HD 10W	Barrel	2	Machine Shop	1 full, 1 partial with valve
Quaker State SAE 15W40	Keg	4	Machine Shop	1 full with pump - 3 residual
Esso Lube HD 30	Barrel	1	Diesel Pump House	full with pump
Mobil Trans HD 10W	Barrel	1	Clay rail car storage	partial
Esso Trans 30	Barrel	1	Clay rail car storage	partial
Acra Tech	Barrel	1	Saw Filer	1/4 of barrel with pump

OIL INVENTORY VS. CONTAINMENT

Update Oct 2011 - MR

	Tk. Ht. (Inches)	Liters/Inch	Capacity (Liters)	Available Contain't (L)	Oil in Tank (Liters)	Spill Potential (L)	Note	tank size (cu.in.)	tank level (in.)	contain size (cu.in.)	contain factor
WOODROOM											
Loader / Transfer Deck Hyd.	47.4	28.706	1360.7	933	1234	301		83033.0	43	60560.4	0.94
Debarker Lube	9	3.200	28.8	0	26	26		1757.7	8	0.0	
Hog Hyd.	20	5.163	103.3	0	77	77		6301.3	15	0.0	
Diverter Gate Hyd.	10	1.639	16.4	15	15	0		1000.0	9	1101.6	0.85
# 78 Conv. Hyd.	20	44.163	883.3	621	662	41	1	53900.0	15	50551.5	0.75
# 86 Conv. Hyd	24	8.849	212.4	621	204	0		12960.0	23	50551.5	0.75
# 76 Conv. Hyd	35.5	38.973	1383.5	1875	896	0		84427.9	23	117986.0	0.97
GROUNDWOOD											
# 80 Conv. Hyd.	29.25	17.688	517.4	1637	495	0		31571.7	28	99873.0	1
6>3Grinder Auto Feed Hyd.	23.75	23.876	567.1	2358	478	0		34603.8	20	143883.0	1
Grinder Lube Sys.	37.5	46.314	1736.8	1188	1528	341		105984.4	33	77922.3	0.93
# 7 Grinder Feed Hyd.	33.75	27.241	919.4	694	749	55		56105.2	27.5	43244.4	0.98
Pulpstone Demount Hyd	12	22.336	268.0	242	190	0		16356.0	8.5	29492.1	0.5
BEATEROOM											
# 1 Refiner Lube Sys.	19	26.021	494.4	0	325	325		30170.1	12.5	0.0	
# 2 Refiner Lube Sys.	19	26.021	494.4	0	312	312		30170.1	12	0.0	
# 3 Refiner Lube Sys.	19	26.021	494.4	0	332	332		30170.1	12.75	0.0	
# 4 Refiner Lube Sys.	19	26.021	494.4	0	338	338		30170.1	13	0.0	
#3&4 Post Refiner Lube Sys.	10	8	80	0	33	33		n/a	4.1	0.0	
# 5 Post Refiner Lube Sys.	14	16	224	0	136	136		n/a	8.5	0.0	
Grwd Post Refiner Lube Sys.	14	16	224	0	114	114		n/a	7.1	0.0	
Kraft Loading hyd.	14	13.478	188.7	389	142	0		11515.0	10.5	24709.1	0.96
PM 3 & 4											
# 3 & 4 PM Headbox Hyd.	23.75	18.487	439.1	436	0	0		26793.0	0	26590.0	1
# 4 PM Headbox Hyd.	15.25	18.747	285.9	0	0	0		17446.0	0	0.0	
# 3 & 4 PM Oil Lube Sys.	59.5	236.072	14046.3	0	0	0		857157.0	0	0.0	
# 3 PM Stack Top Roll Hyd.	17.5	12.155	212.7	0	0	0		12980.6	0	0.0	
#4 PM Stack Bottom Roll	17.5	12.155	212.7	0	0	0		12980.6	0	0.0	
Waste Oil Tank	57.75	339.409	19600.9	0	0	0		1196118.0	0	0.0	
PM 5											
# 5 PM Wetend Lube-south.	43	58.606	2520.1	4284	5545.20	1262	2	153784.1	42	266739.5	0.98
# 5 PM Wetend Lube-north	42.75	141.132	6033.4	4125	6371.59	2247		368180.1	33	251700.9	1

OIL INVENTORY VS. CONTAINMENT

Update Oct 2011 - MR

# 5 PM Dryend Lube Sys.	82.5	192.650	15893.7	16004	15797	0		969890.6	82	976593.8	1	above sight glass
# 5 PM Vac. Blower Lube Sys.	20	31.193	623.9	675	561	0		38070.0	18	41217.3	1	
# 5 PM Press Hyd.	22	28.038	616.8	1398	589	0		37642.0	21	85292.5	1	
# 5 PM Reel Hyd.	16.25	24.925	405.0	406	374	0		24716.3	15	24752.0	1	
CONVERTING												
Cull Pulper Hyd.	19.6	14.361	281.5	703	266	0		17177.0	18.5	42925.3	1	no sight glass
Wrapper Hyd.	40.75	48.696	1984.4	840	1753	913		121092.7	36	51267.9	1	
# 5 Winder Hyd.	18	14.955	269.2	332	254	0		16426.8	17	20244.3	1	
# 6 Winder Hyd.	19.5	14.827	289.1	341	237	0		17643.6	16	20837.3	1	
# 7 Winder Hyd.	27.5	27.555	757.8	450	730	280		46241.3	26.5	28906.8	0.95	
# 7 Winder Lube.	30.75	35.773	1100.0	415	930	515		67127.3	26	25331.3	1	
# 8 Winder Hyd.	20.5	14.472	296.7	274	275	1		18104.1	19	16745.7	1	
# 3 S.C. Main Loading Hyd.	20.5	37.827	775.5	559	719	159		47321.6	19	35926.4	0.95	bad sight glass
# 3 S.C. Swimming Roll Hyd.	27.5	50.648	1392.8	1046	1241	195		84995.6	24.5	63852.5	1	
# 3 S.C. Manlift Hyd.	15.5	27.458	425.6	381	329	0		25971.8	12	23989.9	0.97	
# 4 S.C. Main Loading Hyd.	20.4	38.092	777.1	534	762	228		47420.3	20	36173.6	0.9	
# 4 S.C. Swimming Roll Hyd.	27.5	50.165	1379.5	1247	1279	32		84184.4	25.5	76093.8	1	
# 4 S.C. Manlift Hyd.	15.5	27.458	425.6	393	329	0		25971.8	12	23989.9	1	
# 5 S.C. Main Loading Hyd.	31	41.295	1280.2	0	1074	1074		78120.0	26	0.0		
# 5 S.C. Swimming Roll Hyd.	27.25	50.489	1375.8	1071	1287	216		83957.3	25.5	65374.6	1	
# 5 S.C. Sym-Z Roll Hyd	36.5	52.955	1932.9	663	1853	1190		117949.8	35	40474.7	1	
# 6 S.C. Main Loading Hyd.	31	41.295	1280.2	0	991	991		78120.0	24	0.0		
# 6 S.C. Swimming Roll Hyd.	27.25	50.489	1375.8	1071	1262	191		83957.3	25	65374.6	1	
# 6 S.C. Sym-Z Roll Hyd.	36.5	52.955	1932.9	663	1853	1190		117949.8	35	40474.7	1	
# 7 S.C. Main Loading Hyd.	31.25	39.857	1245.5	334	1076	742		76007.8	27	20406.9	1	
# 7 S.C. Swimming Roll Hyd.	31.25	53.530	1672.8	410	1285	875		102082.0	24	25005.2	1	
# 7 S.C. Sym-Z Roll Hyd.	36.25	53.068	1923.7	665	1804	1139		117392.0	34	40610.7	1	
# 7 S.C. Manlift Hyd.	23.75	27.275	647.8	275	532	257		39529.5	19.5	16796.7	1	
Hydraulic test station	20	15.057	301.1	229	241	12		18377.0	16	13983.5	1	
Finishing Trash Compactor	18.5	14.158	261.9	0	248	248		15984.0	17.5	0.0		

NOTES:

1. 78 & 86 hyd tanks share same containment.

2. PM5 wet end lube tanks are connected by a pipe, no valves present.
A leak at one tank will include part of the other.
(Formulas not valid for levels lower than equalizing pipe.)

TAB I

Unredacted copy of the executed Sale Agreement Confidential Appendix

TAB J

CASSELS BROCK
LAWYERS

March 14, 2012

By Email

jbellissimo@casselsbrock.com
tel: 416.860.6572
fax: 416.642.7150
file # 25522-7

Gordon Acton
Wishart Law Firm LLP
390 Bay Street
Sault Ste Marie, ON P6A 1X2

Dear Mr. Acton:

Re: Receivership of St. Marys Paper Corp.

As you are aware, we are the lawyers for Ernst & Young Inc., in its capacity as receiver and receiver and manager (the "Receiver") of all of the assets, property and undertaking of St. Marys Paper Corp. ("St. Marys") pursuant to an Order of the Honourable Mr. Justice C. Campbell dated December 29, 2011 (the "Receivership Order").

As you are also aware, St. Marys holds 99.99% of the limited partnership units of St. Marys Renewable Energy LP ("SMRE LP"), of which St. Marys Renewable Energy Corp. ("SMREC") is the general partner.

Further to my email to you of March 12, 2012 and the Receiver's previous discussions with you, the Receiver hereby repeats its request that you immediately provide to the Receiver a copy of any limited partnership agreement or other constating agreements or documents with respect to SMRE LP as required by a potential purchaser of St. Marys' mill assets.

In that regard, we remind you that pursuant to paragraph 5 of the Receivership Order, all persons are required to provide to the Receiver copies of, *inter alia*, any documents, contracts or records of any kind relating to the business and affairs of St. Marys. As such, you are required by the order of the Court to comply with the Receiver's request for such documents, and the Receiver reserves all of its rights and remedies in respect of any failure to comply with such request.

Further, in connection with a potential sale of certain of the assets, properties and undertakings of St. Marys pursuant to the Court-ordered Sales Process being conducted by the Receiver, the Receiver requires that SMRE LP, by its general partner SMREC, provide a written release, quit-claim and assignment to and in favour of a purchaser of all of SMRE LP's right, title and interest in and to the St. Marys Combined Heat and Power (CHP III) Purchase Agreement dated November 5, 2010 between SMRE LP and the Ontario Power Authority.

Please advise forthwith if SMREC will agree to and effect such a written release, quit-claim and assignment in connection with a closing of a sale of the assets, properties and undertakings of St Marys and/or will consent to an order of the Court effecting such a release, quit-claim and assignment in conjunction with court-approval of any such sale.

We look forward to your response. Given the critical timing of the Sales Process being conducted by the Receiver, kindly respond to this correspondence on an urgent basis.

Yours truly,

Joseph J. Bellissimo

JJB/df

cc: Paul Cassan/Orlando Rosa, Wisharts Law Firm LLP
cc: Alex Morrison, Ernst & Young Inc.
cc: Michael McGraw, Blake Cassels & Graydon LLP

TAB K

ST. MARYS PAPER CORP.
SERVICE LIST

BLAKE CASSELS & GRAYDON LLP 199 Bay Street Suite 4000, Commerce Court West Toronto, ON M5L 1A9 **Michael McGraw** Tel: (416) 863-4247 Email: michael.mcgraw@blakes.com **Marc Flynn** Tel: (416) 863-2085 Email: marc.flynn@blakes.com *Lawyers for International Forest Products LLC (formerly known as International Forest Products Corporation)*	**ERNST & YOUNG INC.** P.O. Box 251 222 Bay Street Toronto-Dominion Centre Toronto ON M5K 1J7 **Alex Morrison** Tel: (416) 941-7743 Fax: (416) 943-3300 Email: alex.morrison@ca.ey.com **Russell French** Tel: (416) 943-2215 Fax: (416) 943-3300 Email: russell.w.french@ca.ey.com **Simone Carvalho** Tel: (416) 943-2085 Fax: (416) 943-3300 Email: simone.carvalho@ca.ey.com *Receiver*
CASSELS BROCK & BLACKWELL 2100 Scotia Plaza 40 King Street West Toronto, ON M5H 3C2 **Joseph J. Bellissimo** Tel: (416) 860-6572 Fax: (416)-642-7150 E-mail: jbellissimo@casselsbrock.com *Lawyers for Ernst & Young Inc. in its capacity as Receiver*	**WISHART LAW FIRM LLP** 390 Bay Street Sault Ste Marie, ON P6A 1X2 **Gordon Acton** Tel: (705) 949-6700 Fax: (705) 949-2465 Email: gacton@wishartlaw.com **J. Paul R. Cassan** Tel: (705) 949-6700 Fax: (705) 949-2465 Email: pcassan@wishartlaw.com *Lawyers (Sault Ste Marie) for St. Marys Paper Corp., and also as solicitor lien claimant*
ST. MARYS PAPER CORP. 75 Huron Street Sault Ste Marie, ON P6A 5P4 Dennis Bunnell Fax: (705) 942-4791 Email: bunne_d@stmarys-paper.com *Debtor, and as administrator of the St. Marys Paper Corp Employee Defined Contribution Registered Pension Plan*	

WEIRFOULDS LLP The Exchange Tower, Suite 1600 P.O. Box 480, 130 King Street West Toronto, ON M5X 1J5 **Paul Guy** Tel: 416.947.5045 Fax: 416-365-1876 Email: pguy@weirfoulds.com *Lawyers (Toronto) for St. Marys Paper Corp.; Lawyers for Dennis Bunnell, John Lloyd & Dick O'Brien*	**MINISTRY OF NORTHERN DEVELOPMENT, MINES & FORESTRY – LEGAL SERVICES BRANCH** RM M2-24 900 Bay Street Toronto, ON M7A 1C3 Fax: (416) 327-0646
HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE Revenue Collections Branch, Insolvency Unit PO Box 620 33 King Street West, 6th Floor Oshawa, ON L1H 8H5 **Marielle Chabot** Senior Insolvency Officer Email: marielle.chabot@ontario.ca Tel : (905) 433-5760 Fax: (905) 436-4524	**ROYAL BANK OF CANADA** 180 Wellington St. W. 3rd Floor Toronto, ON M5J 1J1 – and – 602 Queen St. East, 2nd Flr Sault Ste Marie, ON P6A 2A4 **James Capisciolto** Commercial Account Manager - Manitoba, Saskatchewan & NW Ontario Tel: (705) 759-7050 Fax: (705) 759-4186 Email: james.capisciolto@rbc.com – and – 10117 Jasper Ave - 3rd Flr, Suite 302 Edmonton, AB T5J 1W8 **David Johnson** Manager, Special Loans and Advisory Services - Prairies Tel: (780) 408-8606 Fax: (780) 448-6422 Email: david.w.johnson@rbc.com
BUSET & PARTNERS LLP 1121 Barton St. Thunder Bay, ON P7B 5N3 **Richard J, Buset** Tel: (807) 623-2500 Fax: (807) 622-7808 Email: rbuset@buset-partners.com *Lawyers for Royal Bank of Canada*	

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HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF NORTHERN DEVELOPMENT, MINES AND FORESTRY Suite 200, 70 Foster Drive Sault Ste Marie, ON P6A 6V8 - and - Suite 200, 70 Foster Drive Sault Ste Marie, ON P6A 6V8 Fax: (705) 670-5818 (mines/minerals) - and - Fax: (705) 945-5977 (forestry)	**DEPARTMENT OF JUSTICE** The Exchange Tower 130 King Street West, Suite 3400 Toronto, ON M5X 1K6 **Diane Winters** Tel: (416) 973-3172 Fax: (416) 973-0810 Email: diane.winters@justice.gc.ca
ASSETLINX CAPITAL INC. 6655 Kitimat Road, Unit 4 Mississauga, ON L5N 6J4 Fax: (866) 585-4812 - and – 15 – 6400 Millcreek Crive Mississauga, ON L5N 3E7	**AVERY CONSTRUCTION LIMITED** 940 Second Line West Sault Ste Marie, ON P6C 2E8 Tel: (705) 759-4800 Fax: (705) 759-6775 Email: jeff_averyconstruction@shaw.ca
NEW NORTH FUELS INC. 154 Highway 540B Box 520 Gore Bay, ON P0P 1H0 -and- 1000 Barrydowne Road Sudbury, ON P3A 3V3 Email: sudbury@newnorthfuels.com Fax: (705) 566-9095	**CATERPILLAR FINANCIAL SERVICES LIMITED** 5575 North Service Road Suite 600 Burlington, ON L7L 6M1 Tel: (289) 313-1203 Fax: (289) 313-1293

THE CORPORATION OF THE CITY OF SAULT SAINT MARIE 99 Foster Drive Sault Ste Marie, ON P6A 5X6 **Nuala Kenny** Tel: (705) 759-5407 Fax: (705) 759-5405 Email: n.kenny@cityssm.on.ca	**BLANEY MCMURTRY LLP** 2 Queen Street East Suite 1500 Toronto, ON M5C 3G5 **Domenico Magisano** Tel: (416) 593-2996 Fax: (416) 593-2977 Email: dmagisano@blaney.com
TMS TRUCK CENTRE LTD. 987 Great Northern Road Sault Ste Marie, ON P6A 5K7 **Dave Harrington** Tel: (705) 759-8280 Fax: (705) 759-8343 Email: dave@tmstruck.com	**SMP EQUITY CORP.** 390 Bay Street Suite 500 Sault Ste Marie, ON P6A 1X2
KNUT HOLDINGS INC. 390 Bay Street Suite 500 Sault Ste Marie, ON P6A 1X2	**ACTON EXPLORATION & RESOURCES LTD.** 33 Pointe Des Chenes Sault Ste Marie, ON P6A 5K6
HENSON AND TREGONNING LOGGING LIMITED 211 Brule Road Sault Ste Marie, ON P6A 5K8 Tel: (705) 254-6114 Fax: (705) 254-6995	**1022013 ONTARIO INC.** 1231 Peoples Road Sault Ste Marie, ON P6C 3W7 Fax: (705) 759-4816
COMMUNICATIONS, ENERGY & PAPERWORKERS UNION OF CANADA 5915 Airport Road, Suite 510 Mississauga, ON L4V 1T1 Tel: (905) 678-0800 Fax: (905) 678-7868	**CALEYWRAY** **Labour/Employment Lawyers** 1600-65 Queen Street West Toronto, ON M5H 2M5 **Jesse Kugler** Tel: 416-775-4677 Fax: 416-366-3293 Email: kuglerj@caleywray.com *Lawyers for the Communications, Energy and Paperworkers Union of Canada*

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF NORTHERN DEVELOPMENT, MINES AND FORESTRY Ministry of the Attorney General Crown Law Office – Civil Law 720 Bay Street, 8th Floor Toronto, ON M7A 2S9 **Christopher P. Thompson** Tel: (416) 314-2080 Fax: (416) 326-4181 Email: christopher.p.thompson@ontario.ca	**NEAR NORTH CUSTOMS BROKERS INC.** 20 Elliott Avenue Barrie ON L4N 4V7 **Rosemary Dumond** Tel: (705) 739-0024 Fax: (705) 726-0321 Email: RDumond@nearnorthcustoms.com
ONTARIO POWER AUTHORITY 120 Adelaide Street West Suite 1600 Toronto, ON M5H 1T1 **Michael Lyle** General Counsel and Vice President, Legal, Aboriginal and Regulatory Affairs Tel: 416-967-7474 Fax: 416-967-1947 Email: michael.lyle@powerauthority.on.ca	**AIRD & BERLIS LLP** Brookfield Place 181 Bay Street, Suite 1800 Box 754 Toronto, ON M5J 2T9 **Harry M. Fogul** Tel: (416) 865-7773 Fax: (416) 863-1515 E-mail: hfogul@airdberlis.com *Lawyers for Ontario Power Authority*
WEAVER SIMMONS LLP Brady Square 233 Brady Street Suite 400 Sudbury, ON P3B 4H5 **Stephen Vrbanac** Tel: (705) 674-6421 Fax: (705) 674-9948 Email: snvrbanac@weaversimmons.com *Lawyers for New North Fuels Inc.*	**NORTHSHORE FOREST INC.** 100 Old Nairn Road Nairn Centre, ON P0M 2L0 **Paul Kallioinen** President Tel: 705-869-4020 Fax: 705-869-2966

VICTOR L. FREIDIN, Q.C. Barrister and Solicitor 100 Adelaide Street West Suite 705 Toronto, ON M5H 1S3 **Victor Freidin** Tel: (416) 861-1210 Fax: (416) 863-1580 Email: vfreidin@rogers.com *Lawyers for Northshore Forest Inc.*	**MINISTRY OF THE ENVIRONMENT** Ministry of the Attorney General 135 St. Clair Avenue West 10th Floor Toronto ON M4V 1P5 **Mario Faieta** Tel: (416) 314-6482 Fax: (416) 314-6579 E-mail: mario.faieta@ene.gov.on.ca
FRASER MILNER CASGRAIN LLP 77 King Street West, Suite 400 Toronto-Dominion Centre 41st Floor Toronto, ON M5K 0A1 **Daniel R. Dowdall** Tel: (416) 863-4700 Fax: (416) 863-4592 E-mail: dan.dowdall@fmc-law.com *Lawyers for the Independent Electricity System Operators*	**PROVENZANO LAW** Suite 301, 369 Queen Street East Sault Ste. Marie, ON P6A 1Z4 **Christian Provenzano** Tel: 705-949-5411 Fax: 705-949-9899 Email: Christian@provenzanolaw.ca *Lawyers for Clergue Forest Management Inc.*
T.E.S CONTRACT SERVICES INC, c.o.b. as THE EMPLOYMENT SOLUTION 40 Holly Street, Suite 500 Toronto, ON M4S 3C3 **Chris Lusignan** Tel: (416) 545-5021 Fax: (416) 482-1825 Email: chrisl@tes.net *Vice President, Finance & Administration*	**SHIBLEY RIGHTON LLP** 250 University Avenue, Suite 700 Toronto, ON M5H 3E5 **Megan Marrie** Tel: (416) 214-5219 Fax: (416) 214-5419 Email: Megan.Marrie@shibleyrighton.com **Thomas McRae** Tel: (416) 214-5206 Fax: (416) 214-5400 Email: thomas.mcrae@shibleyrighton.com *Lawyers for Superior Land Management Inc. and Meakin Forest Enterprises Inc.*

BORDEN LADNER GERVAIS LLP Scotia Plaza 40 King Street West, 44th Flr Toronto, ON M5H 3Y4 **Roger Jaipargas** Tel: (416) 367-6266 Fax: (416) 361-7067 Email: RJaipargas@blg.com *Lawyers for Perry Videx LLC*	**McLEAN & KERR LLP** 130 Adelaide Street West Suite 2800 Toronto, ON M5H 3P5 **Robin B. Cumine** Tel: (416) 369-6624 Fax: (416) 366-8571 Email: rcumine@mcleankerr.com **G.F. Camelino** Tel: 416-369-6621 Fax: 416-366-8571 gcamelino@mcleankerr.com *Lawyers for CAFO Inc.*
GREAT LAKES POWER TRANSMISSION HOLDINGS CORP. 2 Sackville Road Sault Ste. Marie Ontario P6B 6J6 **Patricia Bood**	**CIBC MELON TRUST COMPANY** 320 Bay Street, P.O. Box 1, Toronto, ON M5H 4A6 **Vice President, Trust Services, Eastern Region**
AECOM CONSTRUCTION 300 Town Centre Bvld., Suite 300 Markham, Ontario L3R 5Z6	**GREAT LAKES POWER LIMITED** c/o Station Tower, 421 Bay Street Suite 604, Sault Ste. Marie Ontario, P6A 1X3
ST. MARYS PAPER INC. 75 Huron Street Sault Ste Marie, Ontario P6A 5P4	**ABITIBI POWER AND PAPER COMPANY LIMITED C/O ABITIBI-PRICE INC.** Toronto-Dominion Centre, Toronto, Ontario, M5K 1B3

BENNETT JONES LLP One First Canadian Place Suite 3400, P.O. Box 130 Toronto, Ontario M5X 1A4 **Ruth Promislow** Tel: 416-777-4688 Fax: 416-863-1716 Email: promislowr@bennettjones.com *Lawyers for SMS Energy-Engineering Inc.*	**FRASER MILNER CASGRAIN LLP** 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON, M5K 0A1 **Shayne Kukulowicz** Tel: 416-863-4740 Fax: 416-863-4592 Shayne.kukulowicz@fmclaw.com *Lawyers for Caterpillar Financial Services Limited*
CASCADES CONVERSION INC. 404, BL. Marie-Victorin Kingsey Falls, PQ J0A 1B0	**CASCADES ENVIROPAC, A DIVISION OF CASCADES CANADA ULC** 404, BL. Marie-Victorin Kingsley Falls, PQ J0A 1B0
ST. MARYS RENEWABLE ENERGY CORP. 75 Huron Street Sault Ste Marie, Ontario P6A 5P4	**ST. MARYS RENEWABLE ENERGY LP** 75 Huron Street Sault Ste Marie, Ontario P6A 5P4
ESSAR STEEL ALGOMA INC. 105 West St. Sault Ste Marie, Ontario P6A 7B4	**FINANCIAL SERVICES COMMISSION OF ONTARIO** 5160 Yonge Street, Box 85 4th Floor Toronto, ON M2N 6L9 **Attention: Joaquin Zermeno**