

CANADA
PROVINCE OF NEW BRUNSWICK
COURT NO: S/M/97/02

IN THE MATTER OF THE COMPANIES CREDITORS ARRANGEMENT ACT
AND IN THE MATTER OF THE PLAN OF ARRANGEMENT OF

ATLANTIC YARNS INC. AND ATLANTIC FINE YARNS INC.

MINUTES OF FIRST MEETING OF SECURED CREDITORS

MINUTES OF THE FIRST MEETING OF THE Secured class of creditors, which was held at the Saint John offices of PricewaterhouseCoopers under the chairmanship of Robert Smith of PricewaterhouseCoopers Inc. on the 2nd day of April, 2008, at 1400 hours as Ordered by the Court of Queen's Bench of New Brunswick.

THE LIST OF CREDITORS present or represented is attached here to as Exhibit A, together with the other persons present. A majority was declared.

THE CHAIRMAN of the meeting determined that a quorum was present and called the meeting to order at 1400 hours in the matter of the Plan of Arrangement ("Plan") filed under the Companies' Creditors Arrangement Act by the Atlantic Yarn Companies and as amended. The chairman also appointed Bruce Munford as secretary to the meeting. A copy of the agenda is attached hereto as Exhibit B with notes from the meeting, which agenda was distributed to all the creditors present.

The Chairman advised that he held no proxies for creditors.

THE CHAIRMAN tabled the following documents and they were made available for inspection to those present.

Plan of Arrangement as filed
Complete package of the mailing to the Creditors
Proofs of claim and proxies
Various Orders of the Court

THE CHAIRMAN advised the meeting of the procedures for the filing of a Plan under the Act and the calling of a meeting of creditors (Sections 5 and 6 of the CCAA) and the Order of the Court dated February 20, 2008 which was affirmed yesterday in Court.

THE CHAIRMAN advised that the purpose of the meeting is to consider the affairs of the Company and to vote on the plan of arrangement as amended.

- THE CHAIRMAN advised that there had been a court hearing Tuesday, April 1, 2008 at 12 noon to deal with an issue raised by a creditor, in particular a creditor asked the Court (among other matters) to direct that there be separate meetings of each Company with its respective creditors. The Court denied this motion. Does any person present wish to object to the holding of this joint meeting? Terry Hutchinson on behalf of GE

stated that GE had expressed concerns to the Court yesterday and those concerns continue today and asked that this comment be recorded in the minutes.

THE CHAIRMAN discussed the Plan filed on February 17, 2008, and reviewed the Report of the Monitor to the Creditors and the amendments to the Plan.

MOTION to approve the Plan of Amendment as amended was moved by John Logan, proxy for the Minister of Business New Brunswick, and seconded by Peter Rogers, proxy for First Treasury.

The Chairman asked if there were any questions or concerns to be raised by the creditors present, and the following comments were noted.

- None

The question was called and motion to approve the Plan as amended was voted on by Voting Ballot.

The Monitor asked if there were any other comments, then proceeded to announce the votes cast by the secured creditors authorized and approved to vote on the Plan, which were read to the meeting as follows:

GE Canada – against
Ford – for
First Treasury – for
Minister of Business New Brunswick – for

THE CHAIRMAN asked if there were any comments on the votes before he summarized the votes for the meeting. There were none.

The Monitor announced that the Motion was approved by 75% of the creditors present and voting, with 1 creditor voting against as evidenced on the attached schedule for 25% of the total.

In reviewing the double approval on dollars, the Trustee noted that 82.85% of the dollars voting voted in favour of the approval of the Plan, with 17.15% of the dollars voting against the plan.

The summary of the tabulation is attached to the minutes as Appendix C with the record of the votes cast.

The motion was carried by the required amounts, being more than 50% in number and 75% in value, and the Plan as amended was approved.

The meeting was advised that the Monitor would make application for sanction of the plan on April 11, 2008.

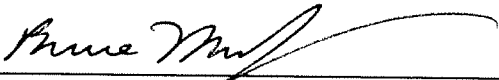
Creditors were advised to watch the website in case there are further developments.

The meeting adjourned at 1420 hours on April 2, 2008.

DATED at Saint John, New Brunswick, this 2nd day of April, 2008.



CHAIRMAN



SECRETARY

**IN THE MATTER OF THE CCAA PLAN OF ARRANGEMENT OF
Atlantic Yarns Inc and Atlantic Fine Yarn Inc.**

MEETING OF SECURED CREDITORS

ATTENDANCE LIST

DATE: April 2, 2008 TIME: 2:00PM

LOCATION: PricewaterhouseCoopers , 44 Chipman Hill, Suite 300
Saint John, NB

Monitor: Robert Smith

SOLICITOR: —

DEBTOR: Pasquale Alles

SOLICITOR: Josh McElman

CREDITORS AND REPRESENTATIVES:

SIGNATURE	NAME (PRINT)	REPRESENTING	AMOUNT	VOTE
<i>Keith Steeves</i>	Keith Steeves	CEP Local 208 ATLANTIC YARNS	—	NV
<i>P</i>	PASQUAL ALLES	ATLANTIC YARNS ATLANTIC FINE YARNS	—	NV
<i>Qu</i>	RAD PALAPARTY	ATLANTIC YARNS ATLANTIC FINE YARNS	—	NV
<i>Josh McElman</i>	Josh McElman	Cox + Palmer	—	NV
<i>Rebecca Atkinson</i>	Rebecca Atkinson	Cox + Palmer	38971885	NV
<i>John Logan</i>	JOHN LOGAN	MINISTER OF BUSINESS NEW BRUNSWICK	5,000,000	FOR
<i>T.W. Hursperson</i>	T.W. Hursperson	GE	6529841 7565531	ACQUIT
<i>Lawrence Candall</i>	Lawrence Candall	GE	—	NIV
<i>Peter Rogers</i>	Peter Rogers	First Treasury	24049860	FOR

**CREDITORS MEETING
AGENDA AND NOTES**

Proponent name – Atlantic Yarns Inc. and Atlantic Fine Yarns Inc.
Court No: S/M/92/07

Date: April 2, 2008

Place: Offices of PricewaterhouseCoopers, Saint John

Time: 2 PM

Chairperson - Robert Smith

66 expressed concerns yesterday & those concerns continue to ring

1. Attendance list - count heads – Secured class of creditors
- see proofs of claim
- note voting rights
2. Note proxies and voting ballots
3. Call meeting to order
4. Introduction - Company, lawyers, etc.
Josh McElman, solicitor
Pasqual Alles, Director
Rao Palaparty, Chief Financial Officer
5. Authority - Plan of Arrangement and the Creditor Meeting Order issued by the Court of Queen's Bench of New Brunswick (can appeal to Court re: decisions of chairman)
6. Appoint secretary *Bruce McNEILL*
7. Table documents - Plan of Arrangement ✓
- Amendments thereto ✓
8. Purpose of meeting - consider affairs of company
- vote on the plan of arrangement as amended
- the Court has directed that the meeting of creditors of the Company be held on a consolidated basis, that is that all of the creditors of both companies shall vote at one meeting. Is there any objection to be noted in the minutes?
9. Company comments and information
 - a. Nothing substantial has changed from the package of information sent to the creditors
 - i. Court decided yesterday that the meetings will go forward
 - b. The unsecured class this morning voted to approve the plan.
 - c. There is no vote on the amendments – the only vote is on the Plan as amended
10. Vote on the Plan as amended
 - a. Motion – to approve the Plan of Arrangement as amended

*John - Lagan
Peter Roger*
11. Adjourn to count the votes – vote requires a double majority – a simple majority in number voting in favor and two thirds of the dollars voting in favor to approve

**CREDITORS MEETING
AGENDA AND NOTES**

Proponent name – **Atlantic Yarns Inc.** and Atlantic Fine Yarns Inc.
Court No: S/M/92/07

12. Reconvene to report on votes

13. The process from here to Court Sanction

- Monitor to prepare minutes of the meeting;
- Report to the Court
- Sanction hearing to be held on April 11, 2008 at the Court of Queen's Bench
- Watch the website for updates

Secured class	votes		\$\$		
	for	against	for	against	
Atlantic Yarns Inc.	3	1	\$29,095,135.42	\$6,529,891.38	\$35,625,026.80
Percentage	75.00%	25.00%	81.67%	18.33%	
Atlantic Fine Yarns Inc.	2	1	\$39,003,159.69	\$7,565,530.97	\$46,568,690.66
Percentage	66.67%	33.33%	83.75%	16.25%	
less double creditors voting in both companies	2	1	na	na	
Consolidated totals			\$\$		
			for	against	
net count on a consolidated basis	3	1	\$68,098,295.11	\$14,095,422.35	\$82,193,717.46
Percentage	75.00%	25.00%	82.85%	17.15%	

**In the Matter of the CCAA Plan of Atlantic Fine Yarns Inc.
Schedule of proven claims as of April 2, 2008**

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Can \$ for voting if different</i>	<i>Proxy</i>	<i>Voting Ballot</i>	<i>Votes</i>	<i>Votes</i>
			<i>Amount Filed</i>		<i>for/against</i>	<i>for</i>	<i>against</i>
Secured creditors							
Ford Credit Canada Ltd.	Yes	Secured	31,275.18		For	31,275.18	
GE Capital Canada Equipment Financing Inc.	Yes	Secured	7,565,530.97	Terry Hutchinson	against		7,565,530.97
Minister of Investment and Exports Province of N.B.	Yes	Secured	38,971,884.51	John Logan	For	38,971,884.51	
Total : Secured creditors			<u>46,568,690.66</u>			39,003,159.69	7,565,530.97

In the matter of the CCAA plan of Atlantic Yarns Inc.
 Schedule of proven claims as of April 2, 2008

	Proof of Claim?	Claim Status	Amount filed	if different Can\$ for voting purposes	Proxy	Voting Ballot Votes		
						for/against	for	against
First Treasury Financial Inc.	Yes	Secured	24,049,860.24	see note	Peter Roger	For	24,049,860.24	
Ford Credit Canada Limited	Yes	Secured	31,275.18		none	For	31,275.18	
Atm: Uronka								
GE Capital Canada Equipment Financing Inc.	Yes	Secured	6,529,891.38		Terry Hutchinson	against		6,529,891.38
Maple Trade Finance Inc.	Yes	Secured	1,838,967.53	No vote				
Minister of Business N.B.	Yes	Secured	5,014,000.00		John Logan	For	5,014,000.00	
Total : Secured creditors			37,463,994.33				29,095,135.42	6,529,891.38