

Cause No. S/M/92/07

IN THE COURT OF QUEEN'S BENCH
OF NEW BRUNSWICK

TRIAL DIVISION

JUDICIAL DISTRICT OF SAINT JOHN

BETWEEN:

**IN THE MATTER OF THE
COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, C.
c-36, AS AMENDED**

-and -

**IN THE MATTER OF THE
APPLICATION OF ATLANTIC
YARNS INC., a body corporate and
ATLANTIC FINE YARNS INC., a
body corporate**

**NOTICE OF MOTION
(Form 37A)**

TO:

All Secured and Unsecured Creditors
Of the Applicants

The Applicants, will apply to the Court
of Queen's Bench, at the 4th Floor,
Provincial Building, 110 Charlotte Street,
Saint John, N.B., on the 15th day of January,
2009, at 10:30 a.m. for the following relief:

COUR DU BANC DE LA REINE DU
NOUVEAU-BRUNSWICK

DIVISION DE PREMIERE
INSTANCE

CIRCONSCRIPTION JUDICIAIRE DE

E N T R E:

**AVIS DE MOTION
(Formule 37A)**

DESTINAIRE:

Le demandera à la Cour à

le , 200, à h , d'ordonner:

- (a) an Order, if necessary, for the abridgment of time for service of this motion, excusing the lack of service of this motion, or excusing the lack of service of the Applicants' record on motion pursuant to Rules 1.03, 2.01, 2.02 and 3.02 of the *Rules of Court*;
- (b) an Order, substantially in the form of the draft order attached hereto as Schedule "A" (the "Draft Order"), authorizing and directing the Monitor, PricewaterhouseCoopers Inc., to take possession of all of the assets, undertakings and properties of the Applicants (the "Property") and take such action as necessary to manage and realize upon the Property on such terms and conditions more fully set out in the Draft Order; and
- (c) such further and other relief as may be just.

The grounds upon which the Applicants rely are as follows:

1. The relief sought by the Applicants is appropriate in the circumstances and is in accordance with the jurisdiction of the Court under the *Companies' Creditors Arrangement Act* (the "CCAA") and the inherent jurisdiction of the Court;
2. The Applicants have acted, and are acting, in good faith and with due diligence;
3. Pursuant to the initial Order of this Court dated October 26th, 2007, the Applicants were granted protection from their creditors pursuant to the terms of the CCAA and employed this protection to develop a plan of compromise and arrangement (the "Plan");
4. After sanctioning the Plan on June 27, 2008 the Applicants worked diligently towards completing all necessary steps in order to implement the Plan and complete the Plan;
5. The Applicants successfully implemented the Plan and made the payments required under the Plan until December 31, 2008. The Applicants, due to the global financial crisis, and the Federal Government's delay in implementing the outward processing initiative and failure to conclude bilateral trade agreements, are unable to satisfy the remaining terms of the Plan;
6. The granting of possession of all of the Applicants' assets, undertakings and properties to the Monitor and giving those powers, responsibilities and duties to the Monitor as set out in the Draft Order is appropriate in the circumstances, will allow for the proper management of the Property and will realize the most possible benefit for all of the Applicants' stakeholders in an orderly manner;

7. The Applicants rely on Rules 1.03, 2.01, 2.02 and 3.02 of the *Rules of Court* and on the CCAA, including paragraph 11.7(3)(d); and
8. Such further and other grounds as counsel for the Applicants may advise and this Honourable Court may permit.

UPON the hearing of the motion the following affidavit or other documentary evidence will be presented:

A l'audition de la motion, les affidavits ou les autres preuves littérales suivantes seront présentées:

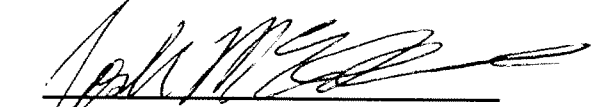
- (1) Affidavit of Pasqual Alles, sworn to the 8th day of January, 2009;
- (2) Seventh Report of the Monitor to be filed prior to the hearing on January 15th; and
- (3) Such further and other affidavits or documentary evidence as counsel for the Applicants may advise and this Honourable Court may permit.

You are advised that:

Sachez que:

- | | |
|--|---|
| <ol style="list-style-type: none"> (a) you are entitled to issue documents and present evidence at the hearing in English or French or both; (b) the Plaintiff intends to proceed in the English language; and (c) if you intend to proceed in the other official language, an interpreter may be required and you must so advise the Clerk at least 7 days before the hearing. | <ol style="list-style-type: none"> (a) vous avez le droit d'émettre des documents et de présenter votre preuve à l'audience en français, en anglais ou dans les deux langues; (b) le à l'intention d'utiliser la langue anglais; et (c) si vous avez l'intention d'utiliser l'autre langue officielle, les services d'un interprète pourront être requis et vous devrez un aviser le greffier au moins 7 jours avant l'audience. |
|--|---|

DATED at Saint John, New Brunswick, this 9th day of January, 2009.



JOSHUA J.B MCELMAN of
COX & PALMER
Solicitors for the Applicants

COX & PALMER
One Germain Street
Suite 1500
Saint John, N. B. E2L 4H8

Telephone: (506) 632-8900

Schedule "A"

Cause No.: S/M/92/07

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK
TRIAL DIVISION
JUDICIAL DISTRICT OF SAINT JOHN

BETWEEN:

IN THE MATTER OF THE COMPANIES
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, C-36, AS AMENDED

and

IN THE MATTER OF THE APPLICATION OF
ATLANTIC YARNS INC., a body corporate and
ATLANTIC FINE YARNS INC., a body corporate

ORDER

UPON READING the Notice of Motion of Atlantic Yarns Inc. and Atlantic Fine Yarns Inc. (collectively the "Applicants" and each an "Applicant") filed January ___, 2009, (the "Motion"), the Affidavit of Pasqual Alles sworn January ___, 2009 and the Seventh Report of the Monitor dated January ___, 2009;

UPON HEARING Joshua J.B. McElman, Counsel for the Applicants;

UPON HEARING John Logan, Counsel for the Province of New Brunswick;

UPON HEARING M. Robert Jette, Q.C., Counsel for GE Canada Finance Holding Company;

AND UPON HEARING Robert C. Smith, of PricewaterhouseCoopers Inc. the Court appointed Monitor in this matter;

IT IS ORDERED THAT:

Defined Terms

1. All terms not otherwise defined in this Order shall have the meanings ascribed to them in the Order of this Court (the "Sanction Order") sanctioning the Amended Consolidated Plan of Compromise and Arrangement of the Applicants (the "Plan").

Service

2. The time for any required service or notice of the Motion be and it is hereby abridged and validated such that the Motion is properly returnable today.
3. There has been good and sufficient notice, service, and delivery of the within Notice of Motion and Record on Motion and further service on any interested party is hereby dispensed with.

Monitor

4. The Monitor is hereby empowered and authorized, but not obligated, to act at once in respect of all of the respective Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property") and, without in any way limiting the generality of the foregoing, the Monitor is hereby expressly empowered and authorized to do any of the following where the Monitor considers it necessary or desirable:
 - a) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
 - b) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - c) to manage, operate and carry on the businesses of the Applicants, or the business of either of them, 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 businesses or either of them or cease to perform any contracts of the Applicants, or of either of them;

- d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the powers and duties conferred by this Order;
- e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the businesses of the Applicants, or the business of either of them, or any part or parts thereof;
- f) to receive and collect all monies and accounts now owed or hereafter owing to either or both the Applicants and to exercise all remedies of the Applicants in collecting such monies, including, without limitation, to enforce any security held by the Applicants;
- g) to settle, extend or compromise any indebtedness owing to either or both of the Applicants;
- h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Monitor's name or in the name and on behalf of the Applicants, or either of them, for any purpose pursuant to this Order;
- i) to undertake environmental or workers' health and safety assessments of the Property and operations of either or both of the Applicants;
- 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 Applicants, or either of them, the Property or the Monitor, 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 Monitor in its discretion may deem appropriate;

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

(i) without the approval of this Court in respect of any transaction not exceeding \$_____, provided that the aggregate consideration for all such transactions does not exceed \$_____; 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 59 of the *Personal Property Security Act* (New Brunswick) and subsections 44 and 45 of the *Property Act* (New Brunswick) shall not be required.

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 Monitor deems appropriate on all matters relating to the Property and the monitorship, and to share information, subject to such terms as to confidentiality as the Monitor 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 Monitor, in the name of the Applicants, or either of them;

- q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Applicants, or either of them, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Applicants, or either of them;
- r) to exercise any shareholder, partnership, joint venture or other rights which the Applicants, or either of them may have;
- s) to take any steps reasonably incidental to the exercise of these powers; and
- t) in each case where the Monitor 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 Applicants, or either of them, and without interference from any other Person.

Access and Co-Operation

5. The Applicants, all current and former directors, officers, employees, agents, accountants, legal counsel and shareholders of the Applicants, and all other persons acting on the Applicants' instructions or behalf, and 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 Monitor of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Monitor, and shall deliver all such Property to the Monitor upon the Monitor's request.
6. All Persons shall forthwith advise the Monitor 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 Applicants, or either of them, 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 Monitor or permit the Monitor to make, retain and take away copies thereof and grant to the Monitor unfettered access to and use of accounting, computer, software and physical

facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 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 Monitor due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

7. 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 Monitor for the purpose of allowing the Monitor 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 Monitor in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Monitor. Further, for the purposes of this paragraph, all Persons shall provide the Monitor with all such assistance in gaining immediate access to the information in the Records as the Monitor may in its discretion require including providing the Monitor with instructions on the use of any computer or other system and providing the Monitor with any and all access codes, account names and account numbers that may be required to gain access to the information.

Proceedings Against The Monitor

8. No proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Monitor except with the written consent of the Monitor or with leave of this Court.

Proceedings Against The Applicants Or The Property

9. No Proceeding against or in respect of the Applicants, or either of them, or the Property shall be commenced or continued except with the written consent of the Monitor or with leave of this Court and any and all Proceedings currently under way against or in respect of the Applicants, or either of them, or the Property are hereby stayed and suspended pending further Order of this Court.

Exercise Of Rights Or Remedies

10. All rights and remedies against the Applicants, or either of them, the Monitor, or affecting the Property, are hereby stayed and suspended except with the written consent of the Monitor or leave of this Court, provided however that nothing in this paragraph shall (i) empower the Monitor or either of the Applicants to carry on any business which either of the Applicants is not lawfully entitled to carry on, (ii) exempt the Monitor or the Applicants, or either of them, 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.

Interference With The Monitor

11. 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 Applicants, or either of them, without written consent of the Monitor or leave of this Court.

Continuation Of Services

12. All Persons having oral or written agreements with the Applicants, or either of them, 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 Applicants, or either of them, 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 Monitor, and the Monitor shall be entitled to the continued use of either or both of the Applicants' 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 Monitor in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and the Monitor, or as may be ordered by this Court.

13. The Monitor, in its sole discretion, may (but shall not be obligated to) establish account(s) in its name on behalf of the Applicants 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 Applicants, or either of them, if the Monitor determines that the opening of such accounts is appropriate.

Monitor To Hold Funds

14. All funds, monies, cheques, instruments, and other forms of payments received or collected by the Monitor 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 Monitor (the "Post Monitorship Accounts") and the monies standing to the credit of such Post Monitorship Accounts from time to time, net of any disbursements provided for herein, shall be held by the Monitor to be paid in accordance with the terms of this Order or any further Order of this Court.

Employees

15. All employees of the Applicants, or either of them, shall remain the employees of the applicable Applicant until such time as the Monitor, on the applicable Applicants' behalf, may terminate the employment of such employees. The Monitor shall not be liable for any employee-related liabilities, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts, other than such amounts as the Monitor may specifically agree in writing to pay, or such amounts as may be determined in a Proceeding before a court or tribunal of competent jurisdiction.
16. Pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Monitor 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 Monitor, 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 Applicants, or either of them, and shall return all other personal information to the Monitor, or ensure that all other personal information is destroyed.

Limitation On Environmental Liabilities

17. Nothing herein contained shall require the Monitor 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 Clean Environment Act, the Clean Air Act, and the Clean Water Act, and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor'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 Monitor's Liability

18. The Monitor 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. Nothing in this Order shall derogate from the protections

afforded the Monitor by the *Companies' Creditors Arrangement Act* or by any other applicable legislation.

Monitor 's Accounts

19. Any expenditure or liability which shall properly be made or incurred by the Monitor, including the fees of the Monitor and the fees and disbursements of its legal counsel, incurred at the standard rates and charges of the Monitor and its counsel, shall be allowed to it in passing its accounts and 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 (the "Monitor's Charge").
20. The Monitor and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Court of Queens Bench of New Brunswick.
21. Prior to the passing of its accounts, the Monitor 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 Monitor or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.
22. The Monitor, to the best of its ability, shall account for any expenditure or liability which shall properly be made or incurred by the Monitor in relation to carrying out its duties in such a manner that such expenditure or liability can be assigned to a category of the Property in the event that this Court determines that the proceeds of sale from specific property, if any, should be reduced by such expenditures or liabilities incurred by the Monitor in relation to such property.

Funding Of The Monitorship

23. The Monitor 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 \$500,000.00

in relation to each of the Applicants for a total outstanding principal amount that does not exceed \$1,000,000.00 (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 Monitor 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 "Monitor'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 Monitor's Charge .

24. Neither the Monitor's Borrowings Charge nor any other security granted by the Monitor in connection with its borrowings under this Order shall be enforced without leave of this Court.
25. The Monitor is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Monitor's Certificates") for any amount borrowed by it pursuant to this Order.
26. The monies from time to time borrowed by the Monitor pursuant to this Order or any further order of this Court and any and all Monitor'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 Monitor's Certificates.

Secured Creditors

27. Nothing in this Order shall apply to prevent, enjoin, restrain or stay:
 - (a) any right of any secured creditor of either of the Applicants to terminate the making of or refuse to make advances to an Applicant or to make demands, or from issuing any notices of intention to enforce security, notices of powers of sale, notices of disposition or other such notices, and from exercising any

acceleration rights or rights of set-off or combination of accounts, or any rights and remedies under the applicable loan facility or related security;

- (b) the right of any secured creditor of either of the Applicants to receive and apply all amounts received from an Applicant in accordance with the applicable loan facility and this Order, provided the prior consent of the Monitor or leave of the Court is first obtained; and
 - (c) any secured creditor of either of the Applicants from exercising its rights and remedies as against an Applicant in respect of the applicable security.
28. Notwithstanding any other provision of this Order, any secured creditor of either of the Applicants shall not enforce any security (or exercise any right of set-off or combination of accounts) against either of the Applicants or the Property without the prior consent of the Monitor or leave of this Court, provided that any secured creditor of either of the Applicants may deliver to the Applicants, with a copy to the Monitor, demands and notices and exercise acceleration rights without prior consent of the Monitor or leave of the Court.
29. Without limiting the foregoing any secured creditor of either of the Applicants may apply to this Court for the appointment of an interim receiver, receiver and manager and/or for the appointment of a trustee in bankruptcy in connection with the enforcement of its security or the payment of indebtedness under the applicable loan facility or for other relief.

Committee

30. The Monitor may establish a committee of secured creditors to advise on such matters related to the Property as the Monitor considers appropriate including, without limiting the generality of the foregoing, the marketing of 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 required. The committee may be of such number as there are secured creditors of the Applicants and meet on such frequency and in such manner as required by the Monitor or as requested by the committee and agreed to by the Monitor. None of the committee will have the power to bind creditors.

General

31. The Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
32. Nothing in this Order shall prevent the Monitor from acting as a trustee in bankruptcy of the Applicants, or either of them.
33. Any interested party may apply to this Court for direction in respect of the proper execution of this Order or to vary or amend this Order on not less than seven (7) days' notice to the Monitor 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.
34. This Order and any other Orders in these proceedings shall have full force and effect in all provinces and territories in Canada and abroad and as against all Persons against whom it may otherwise be enforceable.
35. This Court requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states or other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

36. The Monitor 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.
37. For the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Monitor shall act and be deemed to be the foreign representative of the Applicants.

DATED at Saint John, New Brunswick this ____ day of January, 2009.

Judge of the Court of Queen's Bench
of New Brunswick

SCHEDULE "A"
MONITOR CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that PricewaterhouseCoopers Inc., the monitor (the "Monitor") of all of the assets, undertakings and properties of Atlantic Yarns Inc. and Atlantic Fine Yarns Inc. appointed by Order of the Court of Queens Bench of New Brunswick (the "Court") dated the ___ day of _____, 2009 (the "Order") made in an action having Court file number S/M/92/07, has received as such from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Monitor is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable by the Monitor on receipt of a 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 Monitor pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order, and the right of the Monitor 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 Saint John, New Brunswick.

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

Monitor 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 Monitor to deal with the Property (as defined in the Order) as authorized by the Order and as authorized by any further or other order of the Court.

7. The Monitor 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 _____, 200__.

PricewaterhouseCoopers Inc., solely in its capacity as Monitor of the Property (as defined in the Order), and not in its personal capacity

Per: _____

Name:

Title: