

Cause No.: S/M/92/07

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

BETWEEN:

COURT OF QUEEN'S BENCH
CLERK / SAINT JOHN

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

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DEPOSE

and

COUR DU BANC DE LA REINE
GREFFIER / SAINT-JEAN

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

APPROVAL AND VESTING ORDER

UPON READING the Notice of Motion of PricewaterhouseCoopers Inc., in its capacity as Court appointed monitor (the "Monitor") of the undertaking, property and assets of Atlantic Yarns Inc. and Atlantic Fine Yarns Inc. (collectively the "Debtor") for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale dated as of February 17, 2009 (the "Sale Agreement") between the Monitor and the purchaser, or its designate (the "Purchaser") a redacted copy of which is appended as Exhibit "B" to the Tenth Report to the Court of the Monitor dated March 17, 2009 (the "Report"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Sale Assets");

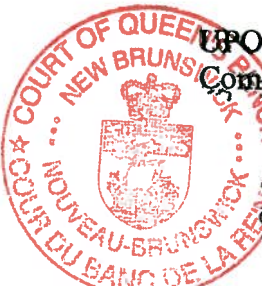
UPON READING the consent of Sunflag Canada Inc.;

UPON READING the consent of the Province of New Brunswick;

UPON First Treasury Financial Inc. not opposing the Motion;

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

UPON HEARING Lawrence Crandall, Counsel for GE Canada Finance Holding Company ("GE");



I certify that this is a true copy of the original on
file in the Court Office, Judicial District of Saint John
dated this 24th day of March 2009

Edward Joas
Edward Joas, under written authorization of
The Registrar dated the 21st day of December 2007

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AND UPON HEARING Robert C. Smith, of PricewaterhouseCoopers Inc., the Monitor;

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 sanctioning the Amended Consolidated Plan of Compromise and Arrangement of the Debtor.

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.

Approval of Sale Agreement

4. The Sale Agreement and Transaction are hereby approved, and the Sale Agreement is commercially reasonable and in the best interests of the Debtor and its stakeholders. The execution of the Sale Agreement by the Monitor is hereby authorized and approved, and the Monitor is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Sale Assets to the Purchaser. The Monitor may agree to such amendments to the Sale Agreement related to the time of closing and costs if necessary provided such changes do not negatively impact the substantive terms of the Transaction.

Vesting

5. Upon the delivery of a Monitor's certificate or certificates to the Purchaser substantially in the form attached as Schedule "A" hereto (the "Monitor's Certificate"), all of the Debtor's right, title and interest in and to the Sale Assets described in the Sale



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Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all claims, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, conditional sales contracts or title retention agreements, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, judgments, orders, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise and whether created by or pursuant to the orders made in these proceedings, or the bankruptcy proceedings of the Debtor having Court No. 14824 and Estate No. 51-124894 (the "Bankruptcy Proceedings"), (collectively, the "Claims") including, without limiting the generality of the foregoing all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (New Brunswick) or the *Personal Property Security Act* (Ontario) or any other personal property registry system; (all of which are collectively referred to as the "Encumbrances") and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Sale Assets are hereby expunged and discharged as against the Sale Assets.

Proceeds of Sale

6. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Sale Assets shall stand in the place and stead of the Sale Assets, and that from and after the delivery of the Monitor's Certificate or Certificates all Claims and Encumbrances shall attach to the net proceeds from the sale of the Sale Assets with the same priority as they had with respect to the Sale Assets immediately prior to the sale, as if the Sale Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. The Monitor is authorized and directed to deliver the net proceeds of the Transaction to GE on closing upon being satisfied with all adjustments and all other terms and conditions.
7. On payment to GE in accordance with this Order, all security interests of GE in the Debtor's undertaking, property and assets subject to the Transaction shall be satisfied and discharged.



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Release

8. All matters with respect to GE are now completely and finally resolved and all manner of actions, causes of actions, debts, accounts, covenants, contracts, damages, special and general, claims and demands, indebtedness, liabilities and/or obligations of any nature and kind between GE, the Debtor, Sunflag Canada Inc., the Purchaser and any party who received formal notice of this hearing, including, without limiting the generality of the foregoing, arising in any manner out of or in any way connected with the Sale Agreement, the Transaction, the Sale Assets and GE's security interest therein, are hereby released and forever discharged.

General

9. The Monitor shall file with the Court a copy of the Monitor's Certificate or Certificates, forthwith after delivery thereof. The Monitor shall not be required to file, register or record this Order, notice thereof or any financing statement with respect thereto but may take such steps as it deems necessary or appropriate to register or record this Order, notice thereof or any financing statement with respect thereto, if it deems it advisable to do so.
10. There are no and shall be no commissions, break fees, broker, arranger or agent fees or other reward compensation payable by the Monitor to any third party in respect of or in connection with this Transaction.
11. Notwithstanding

- (a) the pendency of these proceedings; and
- (b) the Bankruptcy Proceedings or any order issued pursuant to the Bankruptcy Proceedings;

the vesting of the Sale Assets in the Purchaser pursuant to this Order shall be binding on all Persons and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment,



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fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

12. The Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
13. 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.
14. 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.
15. 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.
16. 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.



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17. 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 Companies.

DATED at Saint John, New Brunswick this 24TH day of March, 2009.



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



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SCHEDULE "A"

Cause No.: S/M/92/07

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IN THE MATTER OF THE COMPANIES
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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

MONITOR'S CERTIFICATE**RECITALS**

A. Pursuant to an Order of the Honourable Mr. Justice Glennie of the New Brunswick Court of Queen's Bench (the "Court") dated January 15, 2009, PricewaterhouseCoopers Inc. (the "Monitor") of the undertaking, property and assets (the "Property") of Atlantic Yarns Inc. and Atlantic Fine Yarns Inc. (the "Debtor") was granted those obligations and duties as set out therein to dispose of the Property.

B. Pursuant to an Order of the Court dated March _____, 2009, the Court approved the agreement of purchase and sale dated as of February 17, 2009 (the "Sale Agreement") between the Monitor and the purchaser or its designate (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Sale Assets, which vesting is to be effective with respect to the Sale Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Sale Assets; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or



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waived by the Monitor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Monitor has received the Purchase Price for the Sale Assets payable on the applicable Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by the Monitor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

PricewaterhouseCoopers Inc., in its capacity as the Monitor of the undertaking, property and assets of Atlantic Yarns Inc. and Atlantic Fine Yarns Inc., and not in its personal capacity

Per: _____

Name:

Title:

