

No. S077839
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

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

**AND IN THE MATTER OF THE RECEIVERSHIP OF POPE & TALBOT LTD. AND
THE PETITIONERS LISTED IN SCHEDULE "A"
(collectively, the "Petitioners")**

ORDER

BEFORE THE HONOURABLE) MONDAY, THE 19TH DAY
MR. JUSTICE WALKER) OF DECEMBER 2011

ON THE APPLICATION of the Representative Plaintiffs, Grant Brebber and Arnold Bercov, coming on for hearing at Vancouver, on Monday, December 19, 2011, and on hearing Peter J. Roberts, counsel for the Representative Plaintiffs Arnie Bercov and Grant Brebber, John I. McLean, Q.C., counsel for Lionel Dodd and certain other of former directors of Pope & Talbot Ltd., H. David Edinger, counsel for Federal Insurance Company, Gary M. Nijman, counsel for National Union Fire Insurance Company of Pittsburgh Pa., Brent R.H. Johnston, counsel for XL Specialty Insurance Company, Kibben Jackson and Richard J.H. Berrow, counsel for the Receiver/Monitor, PricewaterhouseCoopers Inc., Heather L. Jones and Gregory C. Blanchard, counsel for Pope & Talbot, Inc., Gregory J. Heywood, counsel for Nanaimo Forest Products Ltd., Sebastien D.S. Anderson, counsel for the Pulp, Paper and Woodworkers of Canada, Local 8, Zachary Ansley, counsel for Robert G. Owen and certain other former directors of Pope & Talbot Ltd., Harvey Scyrup and Dale MacCorquodale, former unionized employees appearing in person, and no one appearing for ACE American Insurance Company,

Ableco Finance LLC or Her Majesty the Queen in Right of Canada (*WEPPA*) although duly served;

THIS COURT ORDERS AND DECLARES THAT:

1. The settlement (the "Settlement"), as generally described in the affidavit of Paul Sadler filed herein on December 12, 2011, among the following parties:

- a) The Petitioners, including Pope & Talbot Inc. ("PTI") and Pope & Talbot Ltd. ("PTL");
- b) Lionel Dodd, Kenneth G. Hanna, Harold N. Stanton, R. Neil Stuart, Michael Flannery and Dwight Wilson, and all other current and former officers and directors of the Petitioners or any of them (the "Former Directors");
- c) Federal Insurance Company ("Federal");
- d) XL Specialty Insurance Company ("XL");
- e) National Union Fire Insurance Company of Pittsburgh, Pa. ("National");
- f) ACE American Insurance Company ("ACE");
- g) Nanaimo Forest Products Ltd. ("NFPL");
- h) Ableco Finance LLC ("Ableco");
- i) the Pulp, Paper and Woodworkers of Canada, Local 8, Local 8 (the "PPWC") on its own behalf and on behalf of its past and present members (collectively, the "Unionized Employees"); and
- j) Grant Brebber and all other of PTL's salaried employees employed at the Harmac Mill, including without limitation all of the salaried employees listed on Schedule A to the Writ of Summons filed on November 7, 2009 in the Supreme Court of British Columbia, Vancouver Registry Action No. S098167, (the "Salaried Employees");

in respect of any and all D&O Claims (as that term is defined in the April 22, 2008 Order of this Court) of the Unionized Employees and Salaried Employees, including without limitation claims

for vacation pay arising from their employment at the Harmac Mill and claims for any wages, compensation, benefits, remuneration of any nature and kind relating to the Petitioners (collectively, the "Unpaid Wage Claims") is hereby approved.

2. The Settlement and the terms of this Order are hereby deemed to be and shall be binding on the Unionized Employees, the Salaried Employees, PPWC and NFPL, and the Unpaid Wage Claims are hereby deemed to be satisfied in full as against the Petitioners and the Former Directors and against Federal, National, ACE and XL (collectively, the "Insurers"). The Unionized Employees, Salaried Employees, PPWC and NFPL are hereby forever barred and estopped from advancing or pursuing any further claims of any nature or kind in relation to the Unpaid Wage Claims, including but not limited to any claims against:

- i) the Petitioners, the Former Directors, PTI, and PricewaterhouseCoopers Inc. in its capacities as the receiver and monitor of the Petitioners (the "Receiver");
- ii) the funds secured under the Directors' Charge (as that term is defined in the November 21, 2007 Order of this Court) (the "Directors' Charge Funds"); and
- iii) any of the Insurers pursuant to any of the following insurance policies or otherwise:
 - a. Federal policy no. 8119-8953;
 - b. XL policy nos. ELU099372-07 and ELU099373-07; and
 - c. National policy no. 664-99-90; and
 - d. ACE policy G21655211 005(collectively, the "Insurance Policies").

3. The Receiver is hereby authorized and directed to pay \$125,000 from the Directors' Charge Funds (the "Directors' Charge Payment") to Victory Square Law Office LLP, in trust for pro rata payment to the Unionized Employees as instructed by PPWC and to pay Ableco the remainder of the Directors' Charge Funds save and except for the sum of \$26,000 (the "Remaining Directors' Charge Funds"). Upon payment by the Receiver of the Directors'

Charge Payment, and subject to paragraph 13 of this Order, no person, including all past and present directors and officers of any of the Petitioners, shall have any claim against the Receiver or to the Directors' Charge Funds in respect of or in relation to the D&O Claims, provided, however, that nothing herein shall preclude those former directors of PTL who are represented by Owen Bird Law Corporation (collectively, the "BLG Directors") from proving any claim to the Remaining Directors' Charge Funds. Any application concerning the BLG Directors' claim to the Remaining Directors' Charge Funds must be heard on or before March 8, 2012, failing which the Receiver is thereafter authorized and directed to pay the Remaining Directors' Charge Funds to Ableco and the BLG Directors shall no longer have any claim against the Receiver or to the Directors' Charge Funds in respect of or in relation to the D&O Claims.

4. Federal is ordered to pay its portion of the settlement monies, being USD \$750,000, (the "Federal Payment") to Victory Square Law Office LLP in trust for pro rata payment to the Unionized Employees as instructed by PPWC.

5. XL is ordered to pay its portion of the settlement monies, being CDN \$750,000, (the "XL Payment") to Victory Square Law Office LLP in trust for pro rata payment to the Unionized Employees as instructed by PPWC.

6. The Receiver is hereby authorized and directed to pay to Ramsay Lampman Rhodes, counsel for NFPL, in trust all funds held by the Receiver as security for the payment of Unpaid Wage Claims of the Salaried Employees (the "Indemnity Payment"), less the sum of \$57,449.53 (the "Indemnity Holdback") which the Receiver shall continue to hold pending either further court order or written agreement between the Receiver and NFPL.

7. On or before March 31, 2012, NFPL is, in its discretion acting reasonably, ordered to pay to the Salaried Employees from the Indemnity Payment the full amount owing to each individual member of the Salaried Employees for their individual Unpaid Wage Claims (the "Salaried Employee Claims"). Once each of the individual Salaried Employee Claims have been

paid, any remaining funds held in trust by Ramsay Lampman Rhodes pursuant to paragraph 6 of this Order may be paid to or at the direction of NFPL.

8. On or before March 21, 2012, NFPL is ordered to pay to Victory Square Law Office LLP in trust the amount of money necessary such that, when combined with the Federal Payment, the XL Payment, the Director's Charge Payment, the PPWC will have sufficient funds to pay each of the Unionized Employees an amount equal to 50% of their individual D&O Claim. Further, NFPL is ordered to pay the remaining unpaid 50% of the individual D&O Claim to the Unionized Employees on or before March 31, 2014 (collectively, the "NFPL Payments"), only subject to the following:

- (a) NFPL is in compliance with all its lender's covenants based on a forward looking 12 month revenue forecast using RISI pulp price projections; and
- (b) NFPL shall first be entitled to repay from any surplus funds the DRS Group Promissory Note (in the approximate amount of \$5.4 million) payable for forgoing the exercising of Debentures.

9. Once each of the Directors' Charge Payment, the Federal Payment and the XL Payment have been made to Victory Square Law Office LLP in trust, and the Indemnity Payment has been made to Ramsay Lampman Rhodes in trust, and XL has paid the Receiver the amount agreed as between XL and the Receiver in respect of the Receiver's claim for special costs, any and all outstanding proceedings of any nature and kind commenced by or on behalf of the Unionized Employees, the Salaried Employees or the Receiver in respect of the Unpaid Wage Claims against the Former Directors, the Petitioners including PTI, the Insurers, the Receiver and Ableco are hereby dismissed without costs, including on the basis that any claim for or entitlement to special costs arising under any order in these or any related proceedings is satisfied in full.

10. The Former Directors, the Petitioners, including PTI, the Insurers and the Receiver are hereby forever barred and estopped from advancing or pursuing any claims of any

nature or kind against any of the Unionized Employees, the Salaried Employees, PPWC and NFPL in relation to the Unpaid Wage Claims. Notwithstanding anything to the contrary in this paragraph or the rest of this Order, nothing shall preclude the Receiver from claiming against NFP in relation to its obligations to the Receiver under the indemnity agreement dated August 29, 2008 between those parties and any such claim is limited in amount to the Indemnity Holdback, and this Order is in all respects without prejudice to the Receiver's rights in that regard.

11. Upon receipt of full payment to each of the Salaried Employees and the Unionized Employees of their individual entitlement to the Unpaid Wage Claims in accordance with this Order, they are each forever barred and estopped from advancing or pursuing any claims of any nature or kind against PPWC and NFPL in relation to their individual entitlement to the Unpaid Wage Claims and their employment with PTL.

12. The Unpaid Wage Claims are settled and barred as against the Former Directors, PTI, the Insurers, the Insurance Policies, the Petitioners and the Receiver in accordance with paragraphs 2 of this Order and the Former Directors, PTI and the Insurers are hereby released and discharged therefrom. All D&O Claims (as defined in the April 22, 2008 Order made in these proceedings), including any and all existing claims or claims that might arise pursuant to section 36 of the *Wage Earner Program Protection Act* or any claims by the Receiver, are forever barred and extinguished as against any of the Former Directors, the Petitioners, including PTI, the Insurers, the Insurance Policies, NFPL, PPWC, the Salaried Employees and the Unionized Employees (the "Released Parties") and the Released Parties are hereby released and discharged therefrom.

13. Each of the respective releases and discharges provided for by this Order are effective only upon delivery of the Federal Payment, the XL Payment and the Director's Charge Payment to Victory Square Law Office LLP in trust, and upon the delivery of the Indemnity Payment to Ramsay Lampman Rhodes in trust.

14. Subject to payment of the Directors' Charge Payment and the Indemnity Payment, and with the exception of the Indemnity Holdback and the Remaining Directors' Charge Funds, the Receiver is at liberty to pay out any funds remaining in its possession at its discretion, including to Ableco.

15. Endorsement of this Order by counsel appearing on this application, except counsel for the Representative Plaintiffs, is hereby dispensed with.

BY THE COURT *Allen J. Ando*
Ando
DISTRICT REGISTRAR

APPROVED AS TO FORM:
Peter J. Roberts
Peter J. Roberts, Counsel for the
Representative Plaintiffs

SCHEDULE "A"

ADDITIONAL PETITIONERS

Pope & Talbot, Inc.

MacKenzie Pulp Land Ltd.

P&T Funding Ltd.

Penn Timber, Inc.

Pope & Talbot Lumber Sales, Inc.

Pope & Talbot Pulp Sales U.S., Inc.

Pope & Talbot Relocation Services, Inc.

P&T Power Company

P&T Finance Three LLC

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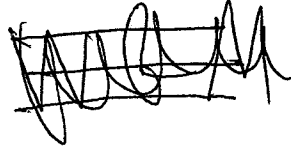
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ORDER

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