

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
POPE & TALBOT LTD. AND THE PETITIONERS LISTED IN SCHEDULE "A".**

**APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, C. C-36, AS AMENDED**

Petitioners

Oral Reasons for Judgment (February 12, 2008)

Document #2

IN THE SUPREME COURT OF BRITISH COLUMBIA

Date: 20080212
Docket: S077839
Registry: Vancouver

Between:

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
POPE & TALBOT LTD. AND THE PETITIONERS LISTED IN SCHEDULE "A"**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, As Amended**

Before: The Honourable Chief Justice Brenner

Oral Reasons for Judgment

In Chambers
February 12, 2008

Counsel for the Petitioners	S. Dunphy K. Mah
Counsel for the Monitor PricewaterhouseCoopers Inc.	J. Grieve
Counsel for Ableco Finance LLC	W. Kaplan, Q.C. C. Matthews
Counsel for the Attorney General of BC	R. Butler
Counsel for the Pulp, Paper and Woodworkers of Canada, Local 8, and Communications, Energy and Paperworkers Union of Canada, Local 1092	S. Anderson
Counsel for Wells Fargo Financial Corporation of Canada	S. Golick B. Riley
Counsel for Her Majesty the Queen in Right of the Province of BC	D. Hatter

Pope & Talbot Ltd. (re)***Page 2***

Counsel for the Committee of BC Contractors	C.D. Hadubiak
Counsel for the City of Castlegar, the City of Grand Forks, the District of Fort St. James and the Village of Nakusp	R. Macquisten
Counsel for Canexus Chemicals LLP	W. Skelly
Counsel for PT Pindo Deli	N. Hughes
Counsel for K&D Logging	H. Ferris
Counsel for Kitwanga Lumber Company	B. Lewis-Hand
Counsel for the United Steelworkers	C. Brousson
Place of Trial/Hearing:	Vancouver, B.C.

[1] THE COURT: My only concern at this point surrounds the question of whether the highest and best offer has in fact been tabled. It is clear that the petitioners have assessed the two and have concluded that PT Pindo is the one that it wishes to accept. The difficulty I have at this point is that the monitor has not had an opportunity to review the two and to provide a recommendation. Given the objections, I will agree to a short adjournment. Sufficient to allow the monitor to carry out an assessment of both bids and to provide the court with its recommendations. And so the question becomes what length of time. I do not propose very long. And I guess, Mr. Grieve, I would ask you to let me know. I am available later this week. I am also available next week. I certainly want to get this resolved.

(SUBMISSIONS)

[2] THE COURT: Well, what I propose to do, Judge Sontchi, subject to your thoughts, is to simply adjourn the application for approval of the Fort St. James mill transaction over to next week to the 20th. I am happy to make it a joint hearing if you would like or I am happy to do it alone. Apart from that, the Midway transaction can go forward.

(DISCUSSION)

[3] THE COURT: I am prepared to approve the Midway transaction as proposed.

[4] MALE SPEAKER: With the same caveat that my friend Mr. Butler --

[5] THE COURT: Yes.

(SUBMISSIONS)

[6] THE COURT: Judge Sontchi, my view is that the Fox agreement ought to be approved. I have heard from counsel for the unions. And it is true that the monitor in his report did raise the value that is being realized as against the liquidation value, but ultimately the monitor comes down to not being opposed to the sale. I have in front of me what the petitioner thinks ought to occur. I presume there are no contrary views from the creditors committee in the US. And so in terms of the agreements that Mr. Anderson refers to, we have been through that I think earlier in this case and it will be up to the purchaser to decide.

(SUBMISSIONS)

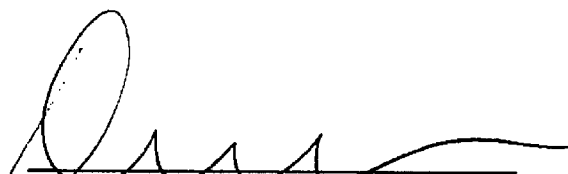
[7] THE COURT: What we will do is this, Mr. Anderson. The stay will be extended to April the 4th. Notice has now been given to you, Mr. Dunphy. It can go to the HR people, they can come back with a response and then Mr. Anderson is free to return to the court to renew the application.

(SUBMISSIONS)

[8] THE COURT: The concerns of the province as well as the other parties that may be affected by provincial law have been clearly articulated in this hearing. It is clear that the transfer of these assets will take place subject to the applicable laws of the province unless there were to be a specific application based on provincial legislation that they might come into conflict with the jurisdiction of the federal

bankruptcy law. Until such time as that actually occurs, it remains an interesting hypothetical.

[9] The proposed language is, I understand, acceptable to the purchaser and to the petitioners. It can go into the order to clarify the situation. The language that I have is as follows: This court orders and declares that nothing in this order is intended to abrogate any obligation or liability that the purchaser may have under provincial or Canadian enactments as the owner of the purchased assets after closing or affect any jurisdiction or power of a governmental authority under an enactment in that regard. So that wording can go in this order and in the Midway order.



The Honourable Chief Justice Brenner