

AUG 21 2008

ENTERED



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"

ORDER

BEFORE THE HONOURABLE  
THE CHIEF JUSTICE

) ~~WEDNESDAY~~ THURSDAY, THE 21<sup>ST</sup> DAY  
) OF AUGUST 2008  
)

August 20, 2008

THE MOTION of PricewaterhouseCoopers Inc. (the "Receiver") dated August 15, 2008 coming on for hearing at Vancouver, British Columbia on ~~this day~~, AND ON HEARING John Grieve and Kibben Jackson, counsel for the Receiver, and those counsel listed in Schedule "B", AND UPON READING the material filed, including the Receiver's Sixth Report to the Court dated August 15, 2008 (the "Sixth Report"), AND JUDGMENT BEING RESERVED TO THIS DATE.

THIS COURT ORDERS THAT:

**Approval of Sale**

1. The agreement of purchase and sale dated August 15, 2008 (the "Purchase Agreement") between the Receiver and 0832498 B.C. Ltd. (the "Purchaser") for the purchase and sale of the Mackenzie pulp mill assets, a copy of which is attached as Appendix "B" to the Sixth Report, pursuant to the terms of which the Receiver agrees to sell and the Purchaser agrees to purchase certain of the properties and assets of Pope & Talbot Ltd., Pope & Talbot Inc. and Mackenzie Pulp Land Ltd. (together, the "Companies") related to the Business (as defined in the Purchase Agreement) (collectively, the "Purchased Assets"), and the sale of the Purchased Assets to the Purchaser on the terms of the Purchase Agreement (such sale and the transaction subject of the Purchase Agreement is hereafter referred to as the "Transaction"), are hereby approved.

**Vesting of the Lands Interests in the Purchaser**

2. In connection with the Transaction, all of the right, title and interest of the Companies or any one or more of them in and to those certain parcels or tracts of lands and premises (collectively, the "Lands") more particularly described in Part 1 of Schedule "C" to this Order ("Schedule C") and the other interests in land (the "Other Interests in Land") described in Part 2 of Schedule "C" shall, subject to paragraph 11 with respect to any Rights (as defined therein), be transferred to and vest in the Purchaser free and clear of all right, title, interest, encumbrances, liens,

charges and equities of redemption of the Companies and their successors and assigns and all persons claiming by, through or under the Companies or any one or more of them, including without limitation all charges created by any Order of this Court in these proceedings the charges to be discharged in accordance with paragraph 6 of this Order, but specifically subject to all other registered encumbrances.

3. Upon registration at the applicable Land Title Office of a Court certified copy of this Order, together with a letter from Fasken Martineau DuMoulin LLP to such registry authorizing the registration and/or filing of this Order, the Lands, together with the registered Other Interests in Land, shall be transferred to and vest in the Purchaser in the case of the Lands as registered owner in fee simple and in the case of the registered Other Interests in Land as registered charge holder, without further instrument of transfer or discharge, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of the Companies and their successors and assigns and all persons claiming by, through or under the Companies or any one or more of them, including without limitation free and clear of the charges to be discharged in accordance with paragraph 6 of this Order but specifically subject to all other registered encumbrances, and for the purposes of this paragraph 3, this Court directs the Registrar of the Prince George Land Title Office to register indefeasible title in favour of the Purchaser in the Lands and to register the Purchaser as the holder of the registered Other Interests in Land, and this Court declares that it has been proven to the satisfaction of the Court on investigation that the title of the Purchaser in and to those Lands and the registered Other Interests in Land is a good, safe holding and marketable title.

4. 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 (as defined in the Purchase Agreement) under an enactment in that regard.

#### **Vesting of Personal Property in the Purchaser**

5. At the Time of Closing on the Closing Date (each as defined in the Purchase Agreement), all of the right, title and interest of the Companies in and to the Purchased Assets, other than the Lands and the Other Interests in Land vesting in the Purchaser pursuant to paragraphs 2 and 3 of this Order and subject to paragraph 11 of this Order with respect to any Rights (as defined in the last mentioned paragraph), shall be transferred to and vest in the Purchaser as owner without further instrument of transfer or discharge, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of the Companies and Companies' successors and assigns and all persons claiming by, through or under the Companies or any one or more of them, including without limitation all charges created by any Order of this Court in these proceedings, and the Receiver is hereby authorized to take all such steps as may be necessary to effect the discharge of all liens, charges and encumbrances registered against the Purchased Assets in the British Columbia Personal Property Registry (the "PPR"), including by way of further application to this Court.

#### **General Discharge Provision and Form of Order**

6. The Registrar of the Prince George Land Title Office shall forthwith remove, discharge and de-register those registrations against the Lands and the Other Interests in Land, or any of them, which are registered in the Prince George Land Title Office as set out in Schedule "D" to this Order forthwith upon receipt by the Registrar of:

- (a) a letter from Fasken Martineau DuMoulin LLP to such registry authorizing the registration and/or filing of this Order; and
- (b) a Court certified copy of this Order, or facsimile version, or a photocopy of a facsimile version or a scanned and electronically transferred copy of a Court certified copy of this Order, which facsimile version, or photocopy of a facsimile version or scanned electronic version of a Court certified copy of this Order, this Court deems to be effective for the removal, discharge and de-registration described above as if it were an original Court certified copy of this Order.

### **Assignment of Canfor Fibre Supply Agreements**

7. Effective upon the closing of the Transaction, and conditional upon payment by the Receiver to Canadian Forest Products Ltd. ("Canfor") of all amounts due and owing to Canfor under the Chip Supply Agreement and the Residual Fibre Supply Agreement both dated January 19, 1996 between Canfor and Pope & Talbot Ltd., as amended from time to time (together, the "Canfor Fibre Supply Agreements"), as at the Time of Closing, if any (hereafter, the "Cure Costs"), both the Canfor Fibre Supply Agreements (and, for clarity, not either one alone) shall be assigned and transferred to and assumed by the Purchaser without the need for any approval or consent by Canfor or any further steps by either the Receiver or the Purchaser, and, subject to the Purchaser being bound by the Canfor Fibre Supply Agreements and the observance and performance by the Purchaser of all terms, covenants and conditions contained in the Canfor Fibre Supply Agreements after the Time of Closing, the Purchaser shall have and enjoy all rights and benefits under the Fibre Supply Agreements from and after the Time of Closing.

8. From and after the Time of Closing, Canfor, and anybody claiming through or under Canfor, shall not make or pursue, and are forever barred and estopped from making or pursuing, any demand, claim, action or suit against the Purchaser relating to any matter concerning the Canfor Fibre Supply Agreements which arose prior to the Time of Closing, and Canfor, and anybody claiming through or under Canfor, shall not exercise, and is forever barred and estopped from exercising, any right or remedy under the Canfor Fibre Supply Agreements, including any right to terminate the Canfor Fibre Supply Agreements, which may arise due to any default, non-performance or breach by the Petitioners or the Receiver prior to the Time of Closing, including without limitation:

- (a) the assignment, transfer or assumption of the Canfor Fibre Supply Agreements hereunder or under the Purchase Agreement; and
- (b) the Petitioners being subject to any insolvency proceeding.

9. Notwithstanding anything to the contrary herein, including in paragraph 8, Canfor shall be at liberty to continue the arbitration proceedings commenced under the Canfor Fibre Supply Agreements, including the appeal proceedings therefrom in British Columbia Supreme Court Action No. S064757, and, to the extent any decision in such proceedings constitutes a determination as to the terms of the FSA's, the Purchaser shall be bound by such decision.

10. Notwithstanding paragraphs 7 and 8, hereof, and anything else to the contrary in this Order, if either the Receiver or the Vendor elects not to include the Canfor Fibre Supply Agreements in the Purchased Assets in accordance with the terms of the Purchase Agreement, then the Canfor

Fibre Supply Agreements shall not be assigned or transferred to, or otherwise assumed by, the Purchaser at the Time of Closing, and the Receiver shall have no obligation to pay the Cure Costs to Canfor.

### **Unassignable interests**

11. If any rights, benefits or remedies (hereinafter collectively called the "Rights") under any of the Crown Leases, any of the Licences and Permits, any of the Other Contracts, any of the Intellectual Property (each as defined in the Purchase Agreement) or any of the Other Interests in Land assigned to or assumed by the Purchaser pursuant to the Purchase Agreement are not assignable by the Vendor (as defined in the Purchase Agreement) or by any one or more of the Companies without the consent of one or more other parties thereto (hereinafter called a "Third Party") and such consent is not obtained prior to the Time of Closing (but the Transaction otherwise completes), such Rights will not vest in the Purchaser at the Time of Closing but will be held by the Vendor for the benefit of the Purchaser in accordance with the Purchase Agreement, providing further that upon any such Third Party consent being obtained, such Rights shall automatically vest in the Purchaser without the requirement of any further action on the part of the Purchaser.

### **Powers of Receiver**

12. As may be required to carry out the sale of the Purchased Assets, or any of them, by the Receiver, or as may otherwise be required to carry out the purpose and intent of the Agreement and of this Order, the Receiver is authorized to execute, on its own behalf and/or on behalf of the Companies, as may be required, all such documents of transfer, bills of sale, assignments and other documents and instruments, under the seal of the Companies or otherwise, as may be required or desirable to effect or evidence the sale, transfer and assignment of the Purchased Assets or any of them and the vesting of title, as ordered above, including without limitation any documents which may be required or that the Purchaser deems desirable to be registered at any Land Title Office, the PPR and any other registry or office where registration may be required or desirable to record, evidence or carry out the transfer of the Purchased Assets or any of them.

### **Assumption of Agreements**

13. The Purchaser shall be deemed to have taken an assignment of, assumed, be bound by, and have obligations under, only those agreements specifically assigned pursuant to the Purchase Agreement, including the Schedules thereto and including the Canfor Fibre Supply Agreements (subject to paragraph 10 hereof), and under no circumstances shall the Purchaser be deemed to have taken an assignment of, assumed, be bound by or have any obligations under any other agreement between the Companies, or any one or more of them, or any of the other Petitioners, including without limitation any agreements relating in any way to the Business or any of the Purchased Assets. Any agreements between the Companies, or any one or more of them, and any of the other Petitioners relating to the Business but which are not assigned to and assumed by the Purchaser are hereby terminated.

### **General**

14. The Receiver is authorized to execute on behalf of any parties who were given notice of the application for this Order such financing statements, financing change statements, and such other documents, instruments and discharges, and to effect on behalf of such parties the registration

of such financing statements, financing change statements and such other documents and instruments at the applicable Land Title Office, the PPR and any other registry or office where registration may be required or desirable to cancel any registration at such registry or registries in favour of any of the parties to this proceeding with respect to any assets or interests which may be described or referenced in the above-referenced documents of transfer, bills of sale, assignments, documents and instruments or which may otherwise be transferred to the Purchaser pursuant to the terms of this Order or any instrument executed and delivered pursuant to this Order.

15. The sale proceeds from the sale of each asset included in the Purchased Assets shall stand in the place and stead of the asset sold and all liens, claims, encumbrances and other interests that are attached to an asset prior to its sale shall, to the extent that they are not paid from the sale proceeds or otherwise, upon the closing of the sale of the Purchased Assets cease to be attached to or encumber or otherwise form a lien or a claim against the Purchased Assets and shall attach to the sale proceeds with the same validity, priority and in the same amounts, and subject to the same defences, that existed when the liens, claims, encumbrances and other interests attached to the sold asset.

16. The Receiver and the Purchaser shall be at liberty to amend the Schedules to the Purchase Agreement to include any Purchased Assets not identified by those parties prior to execution of the Purchase Agreement without the need for further Order of this Court.

17. The Receiver and the Purchaser shall be at liberty to apply for such further and other directions as may be necessary to carry out the terms of this Order.

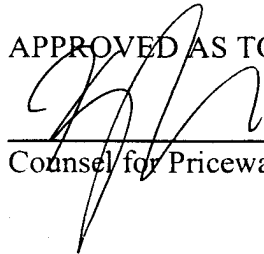
18. Endorsement of this Order by counsel appearing on this application, except counsel for PricewaterhouseCoopers Inc., is hereby dispensed with.

BY THE COURT



DISTRICT REGISTRAR

APPROVED AS TO FORM:



Counsel for PricewaterhouseCoopers Inc.



**SCHEDULE "A"**

**ADDITIONAL PETITIONERS**

Pope & Talbot, Inc.

MacKenzie Pulp Landing 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

SCHEDULE "B"

LIST OF COUNSEL

Name	Party
SHELLEY FITZPATRICK + SCOTT ANDERSON	CANFOR
Bill Kaplan, Q.C., Peter Rubin	ABLECO
Dan Rogers	CEP 1092
Sandra Banister	USW.
Stephanie Doherty	PPWC Local 8
DAVID HATTER	HMQB
Bill Skelley	Canexus Chemicals
John Sandrelli	- 0832498 B.C. Ltd.
John McLean / MIKE ANCEM	FURNACE OPERATOR & DRIVER.
Jane Milton	Western Forest Products.

## SCHEDULE C

### DESCRIPTION OF THE LANDS AND OTHER INTERESTS IN LAND REFERENCED IN PARAGRAPH 2 OF THE ORDER

#### Part 1 – Lands

1.	024-184-489	Lot B District Lot 12478 Cariboo District Plan PGP42628	1000 Coquiwaldy Road, Mackenzie, B.C.	Mackenzie Pulp Land Ltd.
2.	023-271-299	Lot A District Lot 12479 Cariboo District Plan PGP39531	1000 Coquiwaldy Road, Mackenzie, B.C.	Mackenzie Pulp Land Ltd.
3.	024-184-501	Lot D, District Lot 12478 Cariboo District Plan PGP42628	1000 Coquiwaldy Road, Mackenzie, B.C.	Mackenzie Pulp Land Ltd.
4.	004-350-448	Lot 8, District Lot 12463, Cariboo District Plan 17642	1000 Coquiwaldy Road, Mackenzie, B.C.	Mackenzie Pulp Land Ltd.
5.	015-219-208	District Lot 3470, Cariboo District except Plans 21721 and 22417	1000 Coquiwaldy Road, Mackenzie, B.C.	Mackenzie Pulp Land Ltd.

#### Part 2 – Other Interests in Land

1. Lease no. 2926 between BCR Properties Ltd. and Fletcher Challenge Canada Limited made February 6, 1996 registered against PID 024-252-255, Lot A District Lots 12478 and 12479 Cariboo District Plan PGP42967 under Charge No. PK6583, as assigned to Mackenzie Pulp Land Ltd. on June 14, 2001.
2. Lease no. 2509 between BCR Properties Ltd. and Fletcher Challenge Canada Limited made March 27, 1995 for PID 023-623-951, as modified by modification of lease dated March 25, 1997, as amended by letter dated May 4, 1998, as assigned to Mackenzie Pulp Land Ltd. on June 14, 2001 (unregistered).
3. Lease between 683090 B.C. Ltd. and Pope & Talbot made November 1, 2005 for PID 011-176-814 (unregistered).
4. Statutory right of way dated March 13, 2000 in favour of Fletcher Challenge Canada Limited (now Mackenzie Pulp Land Ltd.) registered against PID 024-184-497, Lot C District Lot 12478 Cariboo District Plan PGP42628 under Charge No. PP20919.

5. Possibility of reverter dated November 11, 1970 in favour of Mackenzie Pulp Land Ltd. each as to an undivided half interest, registered against PID 010-908-005, Lot A District Lot 12478 Cariboo District Plan 18789 under Charge No. E14788.
6. Statutory right of way no. 703398 dated July 3, 1996 in favour of Fletcher Challenge Canada Limited (now Mackenzie Pulp Land Ltd.) registered against PID 023-366-583, that part of unsurveyed crown land within Cariboo District and being the bed of Williston Lake shown on Plan PGP39849 under Charge No. PK28849.
7. Easement in favour of Fletcher Challenge Canada Limited (now Mackenzie Pulp Land Ltd.) registered against PID: 024-184-411, Lot A, District Lot 12478, Cariboo District, Plan PGP42628 under Charge No. PM45177, appurtenant to Easement PM45176, in respect of the use of the moorage site, docks and related facilities thereon.

## SCHEDULE D

### DESCRIPTION OF ENCUMBRANCES TO BE DISCHARGED BY COURT ORDER

In respect of all Lands and Other Interests in Land charging PID's 024-184-497, 010-908-005 and 023-366-583:

- (a) Mortgage registered under Charge No. BA296170 in favour of Ableco Finance LLC, Incorporation No. LLC0000147;
- (b) Assignment of Rents registered under Charge No. BA296171 in favour of Ableco Finance LLC, Incorporation No. LLC0000147;
- (c) Mortgage registered under Charge No. BB603521 in favour of Ableco Finance LLC, Incorporation No. LLC0000147; and
- (d) Assignment of Rents registered under Charge No. BB603522 in favour of Ableco Finance LLC, Incorporation No. LLC0000147.

In Respect Only of PID's 024-184-489, 023-271-299 and 024-184-501

- (a) Claim of Builders Lien registered under Charge No. BB594346 in favour of Cascade Mechanical Ltd., Incorporation No. 0540556; and
- (b) Claim of Builders Lien registered under Charge No. BB594347 in favour of Viking Construction Ltd., Incorporation No. 0155024.

In Respect Only of PID's 024-184-489 and 024-184-501

- (a) Claim of Builders Lien registered under Charge No. CA631984 in favour of Simon Tozer doing business as Simto Industrial Automation; and
- (b) Claim of Builders Lien registered under Charge No. CA645957 in favour of Joe Boileau doing business as KJ Contracting Ltd., Incorporation No. BC0514811

In Respect Only of PID 024-184-489

- (a) Claim of Builders Lien registered under Charge No. BB602361 in favour of Eveready Industrial Western Ltd., Incorporation No. A56012.