

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**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., 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, AND  
P&T FINANCE THREE LLC  
(Collectively referred to as "P&T" or the "Company")**

**INTERIM RECEIVER'S TENTH REPORT TO COURT  
[Prepared for the October 21, 2008 Court Hearing]**

**OCTOBER 20, 2008**

**POPE & TALBOT LTD. et al  
INTERIM RECEIVER'S TENTH REPORT TO COURT**

**OCTOBER 20, 2008**

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**1 INTRODUCTION**

1.1 By Court Order made on May 10, 2008 (the "Order"), PricewaterhouseCoopers Inc. ("PwC") was appointed Interim Receiver and Receiver of the Company (in such capacities, the "Interim Receiver" or the "Receiver").

1.2 The Receiver's last Report to Court was dated October 10, 2008.

1.3 This is the Receiver's Tenth Report to Court since its appointment on May 10, 2008. This report is prepared to inform this Court on:

1.3.1 the status of the transfer of the Schedule A Surplus Lands from TFL 23;  
and

1.3.2 the offer on the Fostall property.

**2 BACKGROUND OF THE CCAA AND THE RECEIVERSHIP**

2.1 This administration began in October 2007 with P&T making an application under the *Companies' Creditors Arrangement Act* (the "CCAA").

2.2 PwC has established a website at [www.pwc.com/car-poptal](http://www.pwc.com/car-poptal) where all materials filed with this Court by P&T and PwC, as well as any Orders granted by this Court, including the Petition and the Order, are available in electronic form to creditors and other interested parties.

2.3 On October 17, 2008, the stay of proceedings under the CCAA lapsed as the Receiver believed that all matters that required a stay of proceedings under the CCAA had been resolved.

2.4 Full details of the CCAA and receivership proceedings are set out in Appendix A.

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**3 UPDATE ON SCHEDULE A LANDS – TFL 23**

- 3.1 14 of the 35 parcels of Surplus Lands are private lands under Tree Farm Licence 23 (“TFL 23”) in the Arrow/Boundary Forest District. Each of the sales of the private lands under TFL 23 is conditional on the removal of those lands from TFL 23. This removal requires the consent of the Ministry of Forests and Range (the “MoFR”).
- 3.2 On June 5, 2007, P&T, as part of its pre-CCAA restructuring, initiated a request for consent to the MoFR to withdraw the private lands from TFL 23.
- 3.3 Since its appointment, the Receiver has been actively involved in concerted discussions with the MoFR surrounding the terms and conditions under which the approvals would be provided. Of paramount concern to the MoFR was that adequate consideration be provided to affected parties.
- 3.4 On October 19, 2008, the Receiver was formally notified that the MoFR had consented to the withdrawal of the Schedule A lands from the TFL 23.
- 3.5 In order to obtain the MoFR’s consent to withdraw the private lands from the TFL 23, the Receiver has agreed to the following:
  - 3.5.1 Donation of the Eagle Bay recreation site to the BC Government;
  - 3.5.2 Purchase and sale agreements associated with the private lands for continued access to and usage of the log dumps and gravel sources;
  - 3.5.3 Distribution from the sale proceeds of up to \$4.1 million for claims of Arrow / Boundary local suppliers and logging contractors, whose primary business emanated from woodlands operation of P&T. These claims consist of both pre and post CCAA filing amounts;
  - 3.5.4 Distribution from the sale proceeds of \$211,000 to Arrow / Boundary contractors that provided pre-CCAA surety bonds to P&T; and
  - 3.5.5 Donation of \$50,000 to the Nakusp Community Forest.

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3.6 With the MoFR consent received, the Receiver is now in a position to complete the sale of the Schedule A Surplus Lands. Most of these lands have conditional agreement of purchase and sale in place and will be completed over the next 45 days. The Receiver will continue to market through Colliers International (“Colliers”) the unsold lands.

**4 APPROVAL OF SURPLUS LAND SALES**

4.1 The Receiver has received and accepted, subject to Court approval, an offer for the sale of Fosthall (Property # 11 – TFL).

4.2 The Receiver is seeking the Court’s approval for the sale of the Fosthall property to Terry and Julie Chambers (the “Chambers”) for gross sale proceeds of \$185,000 which is 5% less than the listing price of \$195,000. Under the current market conditions, the Receiver believes that the Chambers’ offer is acceptable. A copy of the purchase and sale agreement dated September 29, 2008 between the Receiver and the Chambers is attached hereto as Appendix B.

4.3 The Receiver recommends that the Court approve the sale of this surplus lands on the terms of the attached agreement of purchase and sale.

This report is respectfully submitted this 20<sup>th</sup> day of October 2008.

**PricewaterhouseCoopers Inc.**  
**Court Appointed Interim Receiver and Receiver of**  
**Pope & Talbot Ltd. and its affiliates**



**Michael J. Vermette**  
**Senior Vice President**

## **APPENDIX A**

### **BACKGROUND OF THE CCAA AND THE RECEIVERSHIP**

**BACKGROUND OF THE CCAA AND THE RECEIVERSHIP**

1. On October 29, 2007, P&T made an application under the *Companies' Creditors Arrangement Act* (the "CCAA") and an initial order (the "Initial Order") was granted by the Ontario Superior Court of Justice (Commercial List). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor of the Company.
2. On November 21, 2007, an application was made by the Company to the Supreme Court of British Columbia (this "Court" or where appropriate the "Canadian Court") to have the CCAA Proceedings transferred from the Ontario Court and for this Court to assume primary jurisdiction of the CCAA Proceedings. This Court granted such order.
3. On November 21, 2007, this Court made an order amending, restating, and confirming the Initial Order. Pursuant to this order, the stay of proceedings was extended to January 16, 2008.
4. On November 19, 2007, P&T together with its U.S. Parent company and several U.S. affiliates filed a voluntary petition in the United States Bankruptcy Court (the "U.S. Court") for relief under Chapter 11 of the U.S. Bankruptcy code.
5. As a result of the cross-border nature of this restructuring, on December 14, 2007, this Court and the U.S. Court each approved a Cross-Border Insolvency Protocol that was intended to assist with the administration.
6. On January 15, 2008, this Court made an order extending the stay of proceedings until February 15, 2008.
7. On February 12, 2008, this Court made an order extending the stay of proceedings until April 4, 2008.
8. On March 28, 2008, this Court made an order extending the stay of proceedings until April 25, 2008.
9. On April 22, 2008, this Court made an order extending the stay of proceedings until April 28, 2008.
10. On April 28, 2008, this Court made an order extending the stay of proceedings until May 5, 2008.

**BACKGROUND OF THE CCAA AND THE RECEIVERSHIP**

11. On May 5, 2008, this Court made an order extending the stay of proceedings until May 12, 2008.
12. On May 10, 2008, this Court appointed PricewaterhouseCoopers Inc. as Interim Receiver and Receiver of certain assets of the Petitioners, as defined in the Amended and Restated and Confirmed Initial Order. On the same day, this Court made an order extending the stay of proceedings until May 15, 2008.
13. On May 15, 2008, this Court made an order extending the stay of proceedings until May 20, 2008.
14. On May 20, 2008, this Court made an order extending the stay of proceedings until June 13, 2008.
15. On June 13, 2008, this Court made an order extending the stay of proceedings until July 7, 2008.
16. On July 7, 2008, this Court made an order extending the stay of proceedings until July 17, 2008.
17. On July 17, 2008, this Court made an order extending the stay of proceedings until September 2, 2008.
18. On August 27, 2008, this Court made an order extending the stay of proceedings until October 17, 2008.
19. On October 17, 2008, the stay of extension lapsed.
20. PwC, in its capacity as Monitor, has filed fourteen reports with this Court with respect to the CCAA proceedings. The most recent report was dated May 4, 2008.
21. PwC, in its capacity as Receiver, has filed nine reports to this Court with respect to the Receivership proceedings. The last report was dated October 10, 2008.
22. Capitalized terms not defined in this Report are as defined in the Initial Order and Monitor's previous reports.

## **APPENDIX B**

# **FOSTALL PURCHASE AND SALE AGREEMENT**

**AGREEMENT OF PURCHASE AND SALE**

THIS AGREEMENT OF PURCHASE AND SALE (the "**Agreement**") dated for reference September \_\_, 2008 and made between the following parties:

**POPE & TALBOT LTD.**  
P.O. Box 817, 1500 SW First Avenue  
Portland, OR, 97201 ("**Pope & Talbot**"),

By its court appointed receiver,  
**PRICEWATERHOUSE COOPERS INC.**  
Suite 700 – 250 Howe Street,  
Vancouver, B.C. V6C 3S7 (the "**Receiver**")  
Fax No. \_\_\_\_\_

(as vendor, and hereinafter the "**Vendor**")

**TERRY CHAMBERS and**  
**JULIE CHAMBERS**

Fax No. \_\_\_\_\_

(as purchaser, and hereinafter the "**Purchaser**")

WITNESSES THAT WHEREAS:

A. Pope & Talbot is the owner of the following land and premises in Central Kootenays, British Columbia legally described as follows:

PID: 014-025-001                      District Lot 7682, Kootenay District except Plan NEP20435

(the "**Lands**");

B. By order of the Supreme Court of British Columbia (the "**Court**") granted on May 10, 2008 (the "**Receivership Order**") in British Columbia Supreme Court Action No. S077839 ( the "**Court Action**") the Receiver was appointed Receiver and Interim Receiver of all of the Property (as that term is defined in the Amended and Restated and Confirmed Initial Order of the Court dated November 21, 2007) of Pope & Talbot that is located or payable in Canada;

C. Pursuant to the Receivership Order and a subsequent order of the Court granted May 29, 2008 (together with the Receivership Order, the "**Order**"), the Receiver has been expressly empowered and authorized, inter alia, to take possession and control of the Property on terms satisfactory to the Receiver, to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of Pope & Talbot, to sell, convey, transfer, lease, assign or otherwise dispose of the Property or any part or parts thereof out of the ordinary course of business and to take any steps reasonably incidental to the exercise of these powers; and

D. Pursuant to the authority provided by the Order, the Vendor has agreed to sell the Lands to the Purchaser, and the Purchaser has agreed to purchase the Lands from the Vendor, on the terms and conditions herein contained.

NOW THEREFORE, in consideration of the mutual premises and covenants herein contained, and other good and valuable consideration, the Vendor and the Purchaser hereby covenant and agree as follows:

1. The Vendor shall sell the Lands to the Purchaser, and the Purchaser shall buy the Lands from the Vendor, free and clear of all liens, charges, claims and encumbrances of every kind and nature save and except the Permitted Encumbrances (defined at paragraph 1.2 of Schedule A) and those financial charges, if any, to be paid out by the Vendor's solicitors on closing as provided herein, all on and subject to the terms and conditions herein contained.

2. The purchase price (the "**Purchase Price**") for the Lands is ONE HUNDRED EIGHTY FIVE THOUSAND Dollars (\$185,000.00) in Canadian currency, which is exclusive of federal goods and services tax and any and all other taxes applicable thereto.

3. The Purchaser will pay the Purchase Price as follows:

DEPOSIT (the "**Deposit**") payable upon the Vendor and the Purchaser both executing and delivering this Agreement in the amount of: \$10,000.00

The balance of the Purchase Price on the Completion Date (defined at paragraph 6 of this Agreement): \$175,000.00

4. The Vendor's obligation to complete the sale of the Lands is subject to the following conditions precedent in favour of the Vendor:

- (a) the Vendor obtaining, on or before ~~September 30, 2008~~ <sup>October 31, 2008</sup> an Order of the Court in the Court Action approving the sale of the Lands pursuant to this Agreement and providing for a vesting of all of the right, title and interest of the Vendor, in and to the Lands in the Purchaser, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of Pope & Talbot, and all financial charges held by Ableco Finance LLC, but specifically subject to the Permitted Encumbrances (defined at paragraph 1.2 of Schedule A) (a "**Vesting Order**"); and
- (b) the Vendor giving written notice to the Purchaser on or before ~~September 30, 2008~~ <sup>October 31, 2008</sup> that the Vendor has obtained all required approvals from the Province of British Columbia (the "**Province**") to remove the Lands from Tree Farm Licence 23;

(collectively, the "**Vendor's Conditions Precedent**").

The Vendor shall have the unilateral right to extend the subject removal date in paragraph 4(b) two (2) times for periods of one (1) month each on delivery of written notice from the Vendor to the Purchaser of the Vendor's exercise of such right.

5. The Purchaser's obligation to complete the sale of the Lands is not subject to any conditions precedent in favour of the Purchaser.

6. The date on which the parties will complete the transfer of the Lands from the Vendor to the Purchaser (the "**Completion Date**") will be the first Business Day (defined at paragraph 1.3 of Schedule A) that is twenty (20) days after the last of the Vendor's Conditions Precedent is satisfied, removed or waived, provided that the Completion Date determined pursuant to this paragraph 6 shall not be later than January 31, 2009.

7. **THIS AGREEMENT INCLUDES THE FOLLOWING SCHEDULES, ALL OF WHICH FORM A PART OF THIS AGREEMENT AND CLARIFY AND QUALIFY THE FOREGOING.**

- (a) **Schedule A: Terms and Conditions attached to Agreement of Purchase and Sale;**
- (b) **Schedule B: Permitted Encumbrances; and**
- (c) **Schedule C: Release and Indemnity**

**THE PURCHASER ACKNOWLEDGES HAVING RECEIVED AND HAD THE OPPORTUNITY TO READ THE SCHEDULES PRIOR TO SIGNING THIS AGREEMENT.**

8. The Purchaser acknowledges and agrees that:

- (a) In accordance with the Code of Ethics of the Canadian Real Estate Association, Colliers International (represented by Mark Lester, collectively, the "**Agent**") has disclosed that it is representing the Vendor only in the transaction described in this Agreement;
- (b) the Agent's primary responsibility is to protect and promote the Vendor's interest; and
- (c) the Vendor shall pay the commission and compensation due to the Agent pursuant to the transaction described in this Agreement.

IN WITNESS WHEREOF the Purchaser has executed this Agreement this 29<sup>th</sup> day of September, 2008:



SIGNED, SEALED AND DELIVERED by THE PURCHASER in the presence of:

\_\_\_\_\_  
Witness – Signature

\_\_\_\_\_  
Witness – Name

\_\_\_\_\_  
Address

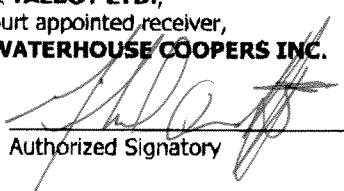
\_\_\_\_\_  
Occupation

)  
  
\_\_\_\_\_  
TERRY CHAMBERS  
  
\_\_\_\_\_  
JULIE CHAMBERS

AND the Vendor has executed this Agreement this 10<sup>th</sup> <sup>other</sup> day of September, 2008.

**POPE & TALBOT LTD.,**  
by its court appointed receiver,  
**PRICEWATERHOUSE COOPERS INC.**

Per:

  
\_\_\_\_\_  
Authorized Signatory