

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 *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 1057863 B.C. LTD.,
NORTHERN RESOURCES NOVA SCOTIA CORPORATION, NORTHERN PULP NOVA SCOTIA
CORPORATION, NORTHERN TIMBER NOVA SCOTIA CORPORATION, 3253527 NOVA
SCOTIA LIMITED, 3243722 NOVA SCOTIA LIMITED and NORTHERN PULP NS GP ULC

PETITIONERS

NOTICE OF APPLICATION

Name of applicant: the Petitioners

TO: Those parties set out in schedule "A".

TAKE NOTICE that an application will be made by the applicant to Madam Justice Fitzpatrick at the courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia, by Microsoft Teams, on Friday the 24th day of July, 2020 at 9:00 AM for the order set out in Part 1 below.

PART 1: ORDER SOUGHT

1. The Petitioners seek an amended and restated initial order in the form enclosed at Schedule "B" to this Notice of Application.

PART 2: FACTUAL BASIS

1. The facts that support this application are fully set out in the Affidavit No. 4 of Bruce Chapman (“**Fourth Chapman Affidavit**”). A glossary of the defined terms referred to in this Notice of Application and the Fourth Chapman Affidavit is appended to Mr. Chapman’s affidavit at Exhibit “**A**”.
2. On June 19, 2020, the Petitioners sought and obtained an Initial Order in these proceedings, granting a stay of proceedings for a ten day period (the “**Stay Period**”). On June 25, 2020, the Petitioners sought and obtained a four-day extension of the Stay Period. On July 3, 2020, the Petitioners sought and obtained a further extension of the Stay Period until July 31, 2020. The Petitioners now seek additional relief through the granting of various amendments to the Initial Order, in the form enclosed as schedule “**B**” to this Notice of Application.
3. The critical relief sought by the Petitioners on this application is consistent with the underlying purpose of the CCAA and largely premised on the British Columbia Model CCAA Initial Order, and includes, among other things, the following:
 - a) **Stay Extension.** The Petitioners seek an extension of Stay Period up to and including December 31, 2020 to allow the Petitioners to continue to advance their restructuring initiatives;
 - b) **Interim Financing.** The Petitioners seek approval of an interim financing facility (the “**Interim Financing Facility**”), in the amount of \$50,000,000, with initial advances authorized up to the amount of \$15,000,000 together with additional advances as may be approved by this Honourable Court on subsequent applications, to allow future expenses in connection with the shutdown of the BH-ETF, hibernation of the Mill in an environmentally sustainable manner, ongoing efforts to obtain environmental approval for the construction of the Replacement ETF, the 2020 Judicial Review Application, the Appeal of the Ministerial Order, and the BHA Claim Resolution (each as defined in the Fourth Chapman Affidavit);
 - c) **KERP.** The Petitioners seek approval of their key employee retention program (the “**KERP**”) to secure the continued service of a select subset of

critical employees, to maintain and preserve the Mill and corresponding forestry infrastructure;

- d) **Charges.** The Petitioners seek the following charges against the Petitioners' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the "**Property**"), for the purposes of securing the payment and performance of:
 - (i) the Petitioners' obligations outstanding from time to time in connection with the Interim Financing Facility (the "**Interim Financing Charge**"); and,
 - (ii) in favour of the beneficiaries of the KERP, up to the maximum amount of \$342,207 (the "**KERP Charge**");
- e) **Priority of Charges.** The Petitioners seek a declaration that the Interim Financing Charge, the KERP Charge, the Directors' Charge (as defined in the Initial Order, up to the amount of \$500,000), and the Administration Charge (as defined in the Initial Order, up to the amount of \$500,000) (collectively, the "**Charges**") rank in priority to all existing liens, security interests, encumbrances, or claims, with respect to, concerning, or as and against all of the Petitioners' Property; and,
- f) **Payment of severance and salary continuance.** The Petitioners seek authorization to pay Severance Obligations.

- 4. The Petitioners' ultimate goals in these proceedings continue to include ensuring the orderly shutdown of the BH-ETF, the hibernation, care and maintenance of the Mill facilities and equipment and forestry assets, and engaging in settlement discussions with the Province of Nova Scotia, with the objectives of restoring the Mill and relevant forestry assets to an operational state, and re-engaging their respective workforces as soon as possible.
- 5. Since the granting of the Initial Order, the Petitioners have acted, and are acting, in good faith and with due diligence.

PART 3: LEGAL BASIS

Stay Extension

1. The Petitioners seek to extend the stay to run to and include October 1, 2020. This Court has the jurisdiction to approve the proposed extension of the Stay Period pursuant to section 11.02(2) of the *Companies' Creditors Arrangements Act*, RSC 1985, c. C-36, as amended (the "CCAA").
2. It is well established that the CCAA is a flexible instrument and that a debtor company is entitled to seek protection in the context of a wide range of restructuring options.¹ The Petitioners require additional time in order to continue the restructuring of their affairs, in the best interest of their creditors and other stakeholders.
3. A stay of proceedings preserves the *status quo* for the debtor company, facilitates the ongoing operations of the debtor company's business, preserves the value of the business, and provides the debtor company with the necessary time, flexibility and "breathing room" to carry out a supervised restructuring or organized sale process.²
4. The relief sought is consistent with the remedial purposes of the CCAA, intended to facilitate restructuring and compromise as the alternative to bankruptcy and liquidation.³
5. Provided that the Interim Financing Facility is approved, the Petitioners have confirmed with the assistance of the Monitor that they will have sufficient liquidity to continue as a going concern during the extended Stay Period. In compliance with section 11.02(3) of the CCAA, the circumstances exist that make the order appropriate and the Petitioners have acted, and are acting, in good faith and with due diligence. The stay extension is required. Absent the extension of the stay, there would be an immediate and significant erosion of value to the detriment of all the Petitioners' stakeholders.

Interim Financing Facility and Lender's Charge

6. The Petitioners' liquidity position continues to deteriorate. They do not have access to alternative sources of funding, except obtaining interim financing within these proceedings.

¹ *Century Services Inc. v Canada (Attorney General)*, 2010 SCC 60 at para. 57, citing *Re Metcalfe & Mansfield Alternative Investments II Corp.*, 2008 ONCA 587 at para. 44.

² *Re Lehndorf General Partners Ltd.*, 1993 CarswellOnt 183, 17 C.B.R. (3d) 24 (Ont. Gen. Div.), at paras. 5-7.

³ *Re North American Tungsten Corp.*, 2015 BCSC 1376 at para. 25.

PEC and Pacific Harbor North American Resources Ltd. (in this capacity and if so approved, collectively, the “**Interim Lenders**”) have agreed to provide the Petitioners with an interim financing facility (the “**Interim Financing Facility**”) on terms advantageous to the Petitioners. The Interim Financing Facility will be available in the initial maximum principal amount of \$50 million. The initial advance under the Interim Financing Facility will be \$15 million, with further advances as approved by this Honourable Court on subsequent applications. The Petitioners intend to apply from time to time to for authorization to make further draws, in accordance with the Interim Financing Budget (as defined below) or as may otherwise be necessary in the circumstances.

7. The Petitioners’ funding requirements under the Interim Financing Facility are supported by a budget prepared by the Petitioners (the “**Interim Financing Budget**”), which is appended to the Fourth Chapman Affidavit. As shown in the Interim Financing Budget the Petitioners require the Interim Financing Facility to meet, among others, the following critical and necessary obligations: environmental protection and compliance costs; environmental assessment costs; payroll and human resources costs; operating and maintenance expenses; insurance, taxes, and finance costs; and, restructuring and non-restructuring professional fees.
8. Without the Interim Financing Facility, the Petitioners will be unable to meet the demands of critical suppliers and employees. The Petitioners will be unable to meet basic operating expenses, including the costs associated with care and maintenance of the key forestry assets and the Mill, in an environmentally sustainable manner. The Petitioners will be unable to continue negotiations with the Province and other stakeholders. The prospects for a successful restructuring would be greatly impaired, to the detriment of all affected stakeholders, and the general body of creditors.
9. The Petitioners approached various potential interim lenders and no other lenders were interested in providing such financing, in particular due to the environmental issues posed by the Petitioners’ assets, and the uncertain length of these proceedings.
10. Section 11.2(4) of the CCAA addresses the approval of interim financing facilities and associated charges:

Factors to be considered

(4) In deciding whether to make an order, the court is to consider, among other things,

- (a) the period during which the company is expected to be subject to proceedings under this Act;
- (b) how the company's business and financial affairs are to be managed during the proceedings;
- (c) whether the company's management has the confidence of its major creditors;
- (d) whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company;
- (e) the nature and value of the company's property;
- (f) whether any creditor would be materially prejudiced as a result of the security or charge; and
- (g) the monitor's report referred to in paragraph 23(1)(b), if any.⁴

11. As Gascon J. (as he then was) put it, "[Interim] Financings of a priming nature are neither unusual, nor unheard of."⁵ CCAA courts have long exercised their jurisdiction to approve interim financing facilities and associated charges to secure the obligation with the debtor company's assets, with priority, where appropriate, over prior security interests.⁶ This is appropriate where the benefits to all stakeholders outweigh the potential prejudice to some creditors, particularly if the only alternative is liquidation.⁷
12. The Interim Lenders are unwilling to provide the Interim Financing Facility without approval of a lender's charge and priority accorded to that charge.
13. The overall guiding consideration, however, is what will best serve the interests of the debtor as a whole.⁸
14. These considerations support the approval of the Interim Financing Facility and the granting of the Interim Financing Charge.
15. Accordingly, the Petitioners submit that the Interim Financing Facility and the corresponding Interim Financing Charge will increase the likelihood of a viable compromise or arrangement in respect of the Petitioners, and should be approved.

Severance Payments

⁴ *Re Great Basin Gold Ltd.*, 2012 BCSC 1459 at para. 14 [**Re Great Basin**].

⁵ *Re AbitibiBowater Inc.*, 2009 QCCA 6453 at para. 37 [**Re AbitibiBowater**].

⁶ *Re Temple City Housing Inc.*, 2007 ABQB 786 at para. 14 (leave to appeal refused 2008 ABCA 1); *Re Skydome Corp.*, 1998 CarswellOnt 5922 at para. 9.

⁷ *Re AbitibiBowater*, *supra* note 5 at para. 16.

⁸ *Re Great Basin*, *supra* note 4 at para. 15.

16. As a result of being unable to continue pulp production, Northern Pulp, in consultation with Unifor, agreed to make severance payments and salary continuation payments to the employees it has laid off as follows.
 - a) pay in lieu of notice obligations and all severance obligations payable to approximately 280 former unionized employees; and,
 - b) salary continuation for approximately 55 non-unionized employees,(collectively, the “**Severance Obligations**”).
17. The payments proposed to be made to the unionized employees have been calculated in accordance with the respective collective bargaining agreements of Unifor.
18. Northern Pulp’s remaining severance obligations are estimated to be \$1,939,269.25. Remaining salary continuance obligations are estimated at \$4,959,129.58.
19. Payment of the Severance Obligations will assist the Petitioners in mitigating the adverse effects of the Mill’s closure, particularly in the current environment in which COVID 19 exacerbates the impact of the lay-offs, in the communities in which Northern Pulp operates, and will preserve the Petitioners’ relationships with those employees, while permitting Northern Pulp to comply with its legal obligations.
20. In these circumstances, it is just and appropriate for this Honourable Court to approve the payment of the Severance Obligations.

KERP and KERP Charge

21. The Petitioners seek approval of the KERP to secure the continued service of key employees throughout the CCAA proceedings, and the granting of the related KERP Charge, in the maximum amount of \$342,207. The KERP will rank after the Administration Charge, the Directors’ Charge and the Interim Financing Charge.
22. The approval of a KERP and associated charge is within the jurisdiction of the CCAA court. In *Walter Energy*, Your Ladyship identified several important factors for the Court to consider when approving a KERP:
 - (i) Whether the beneficiaries of the KERP are important in the restructuring process;

- (ii) Whether the beneficiaries of KERP have specialized knowledge that cannot easily be replaced;
 - (iii) Whether the KERP is developed through a consultative process involving the Monitor and other professionals;
 - (iv) Whether the Monitor supports the KERP and associated priority charge; and
 - (v) Whether the employee will consider other employment options if the KERP is not approved.⁹
23. The KERP was developed by the Petitioners, in consultation with the Monitor, to incentivize certain employees (the “**Key Employees**”) considered to be critical to remain in their positions through the restructuring process. The Key Employees perform critical functions to place the Mill in hibernation and to preserve the value of the Petitioners’ assets. The Key Employees are essential to the preservation of the Petitioners’ going concern value during the restructuring process. Absent the KERP, the Key Employees may seek alternative employment. It would be detrimental to the Petitioners’ business and the restructuring process if they are required to replace the Key Employees during this critical time.
24. The scope and quantum of the KERP, and the identification and number of Key Employees, are appropriately tailored to the Petitioners’ circumstances and are consistent with the KERPs granted in other similar restructuring proceedings.

The KERP Sealing Order

25. The Petitioners seek a sealing order authorizing them to file the KERP under seal. The Petitioners believe a sealing order is necessary to preserve the privacy of the individuals involved.
26. This Court has jurisdiction to order that certain materials be filed under seal when:
- (i) such an order is necessary in order to prevent serious risk to an important interest, including a commercial interest, in the context of litigation because reasonable alternative measures will not prevent the risk; and
 - (ii) the salutary effects of the confidentiality order, including the effects on the right of civil litigants to a fair trial, outweigh the deleterious effects, including

⁹ *Walter Energy Canada Holdings, Inc. Re*, 2016 BCSC 107 at para. 57-59.

the effects on the right to free expression, which in this context includes the public interest in open and accessible Court proceedings.¹⁰

27. The KERP contains sensitive commercial and personal information, the disclosure of which would compromise the commercial interests of the Petitioners and would directly impinge upon the privacy interests of the employees participating in the KERP. The benefits of sealing the KERP outweigh any possible deleterious effects. No other person has a reasonable expectation of accessing the confidential KERP information.
28. The Petitioners submit the KERP sealing order is necessary and appropriate in the circumstances.

Proposed Priority of Charges

29. The Petitioners propose the following priority in respect of the Charges:
 - (i) **First** - Administration Charge (to the maximum amount of \$500,000, as provided for in the Initial Order);
 - (ii) **Second** - Interim Financing Charge;
 - (iii) **Third** - Directors' Charge (to the maximum amount of \$500,000, as provided for in the Initial Order); and,
 - (iv) **Fourth** - KERP Charge (to the maximum amount of \$342,207).

PART 4: MATERIAL TO BE RELIED ON

1. Affidavit No. 1 of Bruce Chapman, sworn June 16, 2020;
2. Affidavit No. 2 of Bruce Chapman, sworn June 23, 2020;
3. Affidavit No. 3 of Bruce Chapman, sworn June 30, 2020;
4. Affidavit No. 4 of Bruce Chapman, sworn July 17, 2020; and
5. Such further and other materials as counsel may advise and this Honourable Court may permit.

The Petitioners estimate that the application will take 1 day.

¹⁰ *Timminco Limited (Re)*, 2012 ONSC 948 at para. 76, citing *Sierra Club of Canada (Minister of Finance)*, 2002 SCC 41, at para. 53.

This matter is not within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application

- (a) file an Application Response in Form 33
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following
 - (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

DATED: July 17, 2020



SEAN COLLINS
Counsel for the Petitioners

To be completed by the court only:

Order made

in the terms requested in paragraphs
of Part 1 of this Notice of Application

with the following variations and additional terms:

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DATED: _____ Signature of Judge
 Master

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts

**SCHEDULE "A"
NOTICE**

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
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IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 1057863 B.C.
LTD., NORTHERN RESOURCES NOVA SCOTIA CORPORATION, NORTHERN PULP NOVA
SCOTIA CORPORATION, NORTHERN TIMBER NOVA SCOTIA CORPORATION, 3253527
NOVA SCOTIA LIMITED, 3243722 NOVA SCOTIA LIMITED, and NORTHERN PULP NS GP
ULC,

PETITIONERS

SERVICE LIST

As at July 6, 2020

<p>McCarthy Tétrault LLP 745 Thurlow Street, Suite 2400 Vancouver, BC V6E 0C5</p> <p>Attention: Michael Feder, Q.C. Sean Collins James D. Gage</p> <p>E-mail: mfeder@mccarthy.ca scollins@mccarthy.ca jgage@mccarthy.ca</p> <p><i>Counsel to the Petitioners</i></p>	<p>Mehigan LLP Suite 4408A, 44th Floor COSCO Tower 183 Queen's Road Central Hong Kong</p> <p>Attention: Bertie Mehigan Darinne Ko Daniel Lee Wai Yong Yong Shi Kai</p> <p>E-mail: bmehigan@mehiganllp.com dko@mehiganllp.com dlee@mehiganllp.com skyong@mehiganllp.com</p> <p><i>International Restructuring Counsel to the Petitioners</i></p>
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<p>Ernst & Young Inc. Proposed Monitor of the Petitioners Pacific Centre 700 West Georgia Street Vancouver, BC V7Y 1C7</p> <p>Attention: Kevin B. Brennan George Kinsman Holly Palmer</p> <p>E-mail: george.c.kinsman@ca.ey.com kevin.b.brennan@ca.ey.com Holly.Palmer@ca.ey.com</p> <p>Fax: 604-643-5422</p> <p><i>Proposed Monitor</i></p>	<p>Stikeman Elliott LLP 5300 Commerce Court West 199 Bay Street Toronto, ON M5L 1B9</p> <p>Attention: Ashley John Taylor Elizabeth Pillon</p> <p>E-Mail: ataylor@stikeman.com lpillon@stikeman.com</p> <p>Tel: 416 869-5623 Fax: 416 947 0866</p> <p><i>Counsel to the Proposed Monitor</i></p>
<p>Nathanson Schachter & Thompson LLP 750 – 900 Howe Street Vancouver, BC V6Z 2M4</p> <p>Attention: Peter J. Reardon Jessica Pinard</p> <p>E-mail: preardon@nst.bc.ca jpinard@nst.bc.ca</p> <p><i>Counsel to Paper Excellence Canada Holdings Corporation</i></p>	<p>Stewart McKelvey Queen's Marque 600-1741 Lower Water Street Halifax, NS B3J 0J2</p> <p>Attention: Robert Grant, Q.C. Maurice Chiasson, Q.C.</p> <p>E-mail: rgrant@stewartmckelvey.com mchiasson@stewartmckelvey.com</p> <p>Tel: 902 420-3328</p> <p><i>Counsel to the Province of Nova Scotia</i></p>
<p>Chernos Flaherty Svonkin LLP 220 Bay Street, Suite 700 Toronto, Ontario M5J 2W4</p> <p>Attention: Patrick Flaherty Brendan Brammall</p> <p>Email: PFlaherty@cfscounsel.com BBrammall@cfscounsel.com</p> <p><i>Counsel to the DIP Financier</i></p>	<p>Unifor 205 Placer Court Toronto, ON M2H 3H9</p> <p>Attention: Anthony F. Dale</p> <p>Email: Anthony.Dale@unifor.org</p> <p><i>Counsel to Unifor and its local unions that represent the employees of Northern Pulp and/or the other petitioners in Nova Scotia</i></p>

<p>Pink Larkin Suite 201, 1463 South Park Street PO Box 36036 Halifax, NS B3J 3S9</p> <p>Attention: Ronald A. Pink</p> <p>Email: rpink@pinklarkin.com</p> <p><i>Counsel to Unifor Local 440</i></p>	<p>Boyneclarke LLP 99 Wyse Road, Suite 600 P.O. Box 876, Dartmouth Main Halifax Regional Municipality, NS B2Y 3Z5</p> <p>Attention: Tim Hill, Q.C.</p> <p>Email: thill@boyneclarke.ca</p> <p><i>Counsel for Heritage Gas Limited</i></p>
<p>Nova Scotia Department of Justice 1690 Hollis St, 8th Floor PO Box 7 Halifax, NS B3J 3J9</p> <p>Attention: Sheldon Choo, LLB, MHSA</p> <p>Email: Sheldon.Choonovascotia.ca</p> <p><i>Counsel to the Superintendent of Pensions</i></p>	<p>Praxair Canada Inc. 1 City Centre Drive, Suite 1200 Mississauga, ON L5B 1M2</p> <p>Attention: Sheryl E. Nisenbaum, Director of Legal Affairs Sophie C. Traub, Assistant Director of Legal Affairs</p> <p>Email: sheryl_nisenbaum@praxair.com sophie_traub@praxair.com</p> <p>Fax: 905-803-1716</p>
<p>Whiteley Litigation 310 Stouffville Road Richmond Hill, ON L4E 3P4</p> <p>Attention: Heath P.L. Whiteley</p> <p>Email: heath@whiteleylitigation.com</p> <p>Tel: 905 773-7700 Fax: 905 773-7666</p> <p><i>Counsel to Terrapure Environmental</i></p>	<p>Davies Ward Phillips & Vineberg LLP 155 Wellington Street West Toronto ON M5V 3J7</p> <p>Attention: Natasha MacParland Gillian Stacey</p> <p>Email: nmacparland@dwpv.com gstacey@dwpv.com</p> <p><i>Counsel to Atlas Holdings LLC and Blue Wolf Capital Management, LLC</i></p>

SCHEDULE "B"
FORM OF AMENDED AND RESTATED INITIAL ORDER

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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NOVA SCOTIA LIMITED, 3243722 NOVA SCOTIA LIMITED and NORTHERN PULP NS GP
ULC

PETITIONERS

ORDER MADE AFTER APPLICATION

(AMENDED AND RESTATED INITIAL ORDER)

BEFORE THE HONOURABLE)) FRIDAY, THE 24th DAY
MADAM JUSTICE))
FITZPATRICK)) OF JULY, 2020

THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 3rd day of July, 2020; AND UPON noting the Initial Order issued in the within proceedings on June 19, 2020 (the "**Order Date**"); AND ON HEARING Sean F. Collins, counsel for the Petitioners and those other counsel listed on Schedule "**A**" hereto; AND UPON READING the material filed, including the First Affidavit of Bruce Chapman sworn on June 16, 2020, the Second Affidavit of Bruce Chapman sworn on June 23, 2020, the Third Affidavit of Bruce Chapman sworn on June 30, 2020, the Fourth Affidavit of Bruce Chapman sworn on July 17, 2020, the First Report of Ernst & Young Inc., in its capacity of Monitor of the Petitioners, dated July 2, 2020 and the Second Report of Ernst & Young Inc., in its capacity of Monitor of the Petitioners, dated July ●, 2020; AND UPON BEING ADVISED that the secured creditors and others who are likely to be

affected by the charges created herein were given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "**CCAA**"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

JURISDICTION

1. The Petitioners are companies to which the CCAA applies. For greater certainty, Northern Pulp Nova Scotia Limited Partnership and Northern Timber Nova Scotia Limited Partnership shall enjoy the benefits of the protections provided herein, and shall be subject to the same restrictions hereunder.

PLAN OF ARRANGEMENT

2. The Petitioners shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

3. Subject to this Order and any further Order of this Court, the Petitioners shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), and continue to carry on their business (the "**Business**") in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioners shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.
4. The Petitioners shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Order Date:
 - (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (including severance

pay obligations) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively “**Wages**”); and

- (b) the fees and disbursements of any Assistants retained or employed by the Petitioners which are related to the Petitioners’ restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioners, whenever and wherever incurred, in respect of:
 - (i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioners or any subsidiaries or affiliated companies of the Petitioners are domiciled;
 - (ii) any litigation in which the Petitioners are named as a party or is otherwise involved, whether commenced before or after the Order Date; and
 - (iii) any related corporate matters.

5. Except as otherwise provided herein, the Petitioners shall be entitled to pay all expenses reasonably incurred by the Petitioners in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors’ and officers’ insurance), maintenance and security services, provided that any capital expenditure exceeding \$50,000 shall be approved by the Monitor;
- (b) all obligations incurred by the Petitioners after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioners following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioners’ obligations incurred prior to the Order Date); and
- (c) fees and disbursements of the kind referred to in paragraph 4(b) which may be incurred after the Order Date.

6. The Petitioners are authorized to remit, in accordance with legal requirements, or pay:
 - (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;
 - (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioners in connection with the sale of goods and services by the Petitioners, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date; and
 - (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors.
7. Until such time as a real property lease is disclaimed in accordance with the CCAA, the Petitioners shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated between the Petitioners and the landlord from time to time ("**Rent**"), for the period commencing from and including the Order Date, twice-monthly in equal payments on the first and fifteenth day of the month in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including Order Date shall also be paid.
8. Except as specifically permitted herein, the Petitioners are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners to any of their creditors as of the Order Date except as authorized by this Order;
- (b) to make no payments in respect of any financing leases which create security interests;
- (c) to grant no security interests, trust, mortgages, liens, charges or encumbrances upon or in respect of any of its Property, nor become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order;
- (d) to not grant credit except in the ordinary course of the Business only to its customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioners to such customers as of the Order Date; and
- (e) to not incur liabilities except in the ordinary course of Business.

RESTRUCTURING

9. Subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), the Petitioners shall have the right to:
- (a) permanently or temporarily cease, downsize or shut down all or any part of its Business or operations and commence marketing efforts in respect of any of its redundant or non-material assets and to dispose of redundant or non-material assets not exceeding \$_____ in any one transaction or \$_____ in the aggregate;
 - (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
 - (c) pursue all avenues of refinancing for its Business or Property, in whole or part;

all of the foregoing to permit the Petitioners to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

10. The Petitioners shall provide each of the relevant landlords with notice of the Petitioners’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Petitioners’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors who claim a security interest in the fixtures, such landlord and the Petitioners, or by further Order of this Court upon application by the Petitioners, the landlord or the applicable secured creditors on at least two (2) clear days’ notice to the other parties. If the Petitioners disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any dispute concerning such fixtures (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Petitioners’ claim to the fixtures in dispute.
11. If a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours on giving the Petitioners and the Monitor 24 hours’ prior written notice; and (b) at the effective time of the disclaimer, the landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims the landlord may have against the Petitioners, or any other rights the landlord might have, in respect of such lease or leased premises and the landlord shall be entitled to notify the Petitioners of the basis on which it is taking possession and gain possession of and re-lease such leased premises to any third party or parties on such terms as the landlord considers advisable, provided that nothing herein shall relieve the landlord of its obligation to mitigate any damages claimed in connection therewith.
12. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the “**Relevant Enactment**”), the Petitioners, in the course of

these proceedings, are permitted to, and hereby shall, disclose personal information of identifiable individuals in their possession or control to stakeholders, their advisors, prospective investors, financiers, buyers or strategic partners (collectively, “**Third Parties**”), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioners or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners.

STAY OF PROCEEDINGS, RIGHTS AND REMEDIES

13. Until and including December 31, 2020, or such later date as this Court may order (the “**Stay Period**”), no action, suit or proceeding in any court or tribunal (each, a “**Proceeding**”) against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, shall be commenced or continued except with the written consent of the Petitioners and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioners or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.
14. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Petitioners or the

Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioners and the Monitor or leave of this Court.

15. Nothing in this Order, including paragraphs 13 and 14, shall: (i) empower the Petitioners to carry on any business which the Petitioners are not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioners.

NO INTERFERENCE WITH RIGHTS

16. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioners, except with the written consent of the Petitioners and the Monitor or leave of this Court.

CONTINUATION OF SERVICES

17. During the Stay Period, all Persons having oral or written agreements with the Petitioners or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioners, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioners, and that the Petitioners shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioners in accordance with normal payment practices of the Petitioners or such other practices as may be agreed upon by the supplier or service provider and the Petitioners and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. Notwithstanding any provision in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioners on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioners or Paper Excellence Canada Holdings Corporation ("**PEC**") with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioners whereby the directors or officers of the Petitioners or PEC are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioners, if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioners or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioners or PEC that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

20. The Petitioners shall indemnify their directors and officers and the directors and officers of PEC against obligations and liabilities that they may incur as directors or officers of the Petitioners after the commencement of the within proceedings , except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
21. The directors and officers of the Petitioners and PEC shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000, as security for the indemnity provided

in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

22. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the directors and officers of the Petitioners and PEC shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioners with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioners and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioners pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.
24. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:
 - (a) monitor the Petitioners' receipts and disbursements;
 - (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
 - (c) assist the Petitioners, to the extent required by the Petitioners, in the dissemination, to the Interim Lender (as hereinafter defined) and its counsel on a monthly basis of financial and other information as agreed to between the Petitioners and the Interim Lender which may be used in these proceedings including reporting on a basis to be agreed with the Interim Lender;

- (d) advise the Petitioners in the preparation of the Petitioners' cash flow statements and reporting required by the Interim Lender, which information shall be reviewed with the Monitor and delivered to the Interim Lender and its counsel on a periodic basis, but not less than monthly, or as otherwise agreed to by the Interim Lender;
 - (e) advise the Petitioners in the development of the Plan and any amendments to the Plan;
 - (f) assist the Petitioners, to the extent required by the Petitioners, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
 - (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioners, to the extent that is necessary to adequately assess the Petitioners' business and financial affairs or to perform its duties arising under this Order;
 - (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
 - (i) perform such other duties as are required by this Order or by this Court from time to time.
25. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.
26. Nothing herein contained shall require or allow the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection,

conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act* (Canada), the *Fisheries Act* (Canada), the *British Columbia Environmental Management Act* (British Columbia), the *British Columbia Fish Protection Act* (British Columbia), the *Environment Act* (Nova Scotia), the *Water Resources Protection Act* (Nova Scotia), the *Wilderness Areas Protection Act* (Nova Scotia) and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. The Monitor shall provide any creditor of the Petitioners and the Interim Lender with information provided by the Petitioners in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioners is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioners may agree.
28. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA or any applicable legislation.

ADMINISTRATION CHARGE

29. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioners shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioners as part of the cost of these proceedings. The Petitioners are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor and counsel to the Petitioners on a periodic basis and, in addition, the Petitioners are

hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Petitioners retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court who may determine the manner in which such accounts are to be passed, including by hearing the matter on a summary basis or referring the matter to a Registrar of this Court.
31. The Monitor, counsel to the Monitor, if any, and counsel to the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$500,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order which are related to the Petitioners’ restructuring. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

INTERIM FINANCING

32. The Petitioners are hereby authorized and empowered to obtain and borrow under a credit facility from PEC and Pacific Harbor North American Resources Ltd. (collectively, the “**Interim Lender**”) in order to finance the continuation of the Business and preservation of the Property, provided that borrowings under such credit facility shall not exceed \$15,000,000 unless permitted by further Order of this Court.
33. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Petitioners and the Interim Lender dated as of July 17, 2020 (the “**Commitment Letter**”), filed.
34. The Petitioners are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Commitment Letter or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Petitioners are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations

to the Interim Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Interim Lender’s Charge**”) on the Property. The Interim Lender’s Charge shall not secure an obligation that exists before this Order is made. The Interim Lender’s Charge shall have the priority set out in paragraphs 40 and 42 hereof.
36. Notwithstanding any other provision of this Order:
- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender’s Charge or any of the Definitive Documents;
 - (b) upon the occurrence of an event of default under any of the Definitive Documents or the Interim Lender’s Charge, the Interim Lender, upon five (5) days notice to the Petitioners and the Monitor, may exercise any and all of its rights and remedies against the Petitioners or the Property under or pursuant to the Commitment Letter, Definitive Documents and the Interim Lender’s Charge, including without limitation, to cease making advances to the Petitioners and set off and/or consolidate any amounts owing by the Interim Lender to the Petitioners against the obligations of the Petitioners to the Interim Lender under the Commitment Letter, the Definitive Documents or the Interim Lender’s Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Petitioners and for the appointment of a trustee in bankruptcy of the Petitioners; and
 - (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Petitioners or the Property.
37. The Interim Lender, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed by the Petitioners under the CCAA, or any proposal filed

by the Petitioners under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), with respect to any advances made under the Definitive Documents.

KERP AND KERP CHARGE

38. The Key Employee Retention Plan described in the Confidential Exhibit “1” to the Third Affidavit of Bruce Chapman sworn on July 17, 2020 (the “**KERP**”) is hereby authorized and approved and the Applicants are authorized and directed to make the payments contemplated in the KERP in accordance with the terms of the KERP. Directors and officers of the Petitioners shall have no liability for the payments contemplated in the KERP.
39. The beneficiaries of the KERP are hereby granted a charge (the “**KERP Charge**”) on the Property to secure all obligations under the KERP, up to the maximum amount of \$342,207. The KERP Charge shall have the priority set out in paragraphs 40 and 42 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. The priorities of the Administration Charge, the Directors’ Charge and the Interim Lender’s Charge, as among them, shall be as follows:
- First – Administration Charge (to the maximum amount of \$500,000);
- Second – Interim Lender’s Charge;
- Third - Directors’ Charge (to the maximum amount of \$500,000);
- Fourth - KERP Charge (to the maximum amount of \$342,207);
41. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the Interim Lender’s Charge, the Directors’ Charge and the KERP Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.

42. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person, save and except for:
- (a) claims for valid, enforceable and perfected purchase-money security interests under applicable statutes, but only as against the specific Property that is subject to such purchase-money security interest claim;
 - (b) claims for deemed trust amounts provided for in subsection 37(2) of the CCAA;
 - (c) those claims contemplated by section 11.8(8) of the CCAA.
43. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioners shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioners obtain the prior written consent of the Monitor, the Interim Lender and the beneficiaries of the Administration Charge, Director's Charge and the KERP Charge.
44. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the Interim Lender shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Petitioners; and notwithstanding any provision to the contrary in any Agreement:
- (a) the creation of the Charges shall not create, nor be deemed to constitute a breach by the Petitioners of any Agreement to which it is a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Petitioners entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
 - (c) the payments made by the Petitioners pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.
45. Any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Petitioners' interest in such real property leases.

SERVICE AND NOTICE

46. The Monitor shall (i) without delay, publish a notice containing the information prescribed under the CCAA, (ii) within five days after Order Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioners of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.
47. The Petitioners and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Petitioners' creditors or other interested parties at their respective addresses as last shown on the records of the Petitioners and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.
48. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery

or electronic transmission a request to be added to a service list (the “**Service List**”) to be maintained by the Monitor. The Monitor shall post and maintain an up to date form of the Service List on its website at: www.ey.com/ca/northernpulp.

49. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels’ email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on its website at: www.ey.com/ca/northernpulp.
50. Notwithstanding paragraphs 47 and 49 of this Order, service of the Petition, the Notice of Hearing of Petition, any affidavits filed in support of the Petition and this Order shall be made on the Federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the Federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

GENERAL

51. The Petitioners or the Monitor may from time to time apply to this Court for directions in the discharge of its powers and duties hereunder.
52. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioners, the Business or the Property.
53. This Court requests the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order.

54. Each of the Petitioners and 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 and the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Petitioners to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.
55. The Petitioners may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioners determine that such a filing is appropriate.
56. The Petitioners are hereby at liberty to apply for such further interim or interlocutory relief as they deem advisable within the time limited for Persons to file and serve Responses to the Petition.
57. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.
58. Any interested party (including the Petitioners and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
59. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

60. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the date hereof.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

SEAN F. COLLINS
Counsel for the Petitioners

BY THE COURT

MADAM JUSTICE FITZPATRICK

SCHEDULE "A"

(List of Counsel)

Counsel Name	Appearing For
Sean F. Collins / Walker W. MacLeod	Counsel for the Petitioners
Peter J. Reardon	Paper Excellence Canada Holdings Corporation
Robert G Grant, Q.C. Maurice P. Chiasson, Q.C.	Province of Nova Scotia
Elizabeth Pillon	Monitor, Ernst & Young
Ronald Pink	UNIFOR Local 440
Patrick Flaherty Brendan Brammall	Interim Lender

NO. S206189
VANCOUVER REGISTRY

**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 *BUSINESS*
CORPORATIONS ACT, S.B.C. 2002, c. 57

AND

IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF 1057863 B.C. LTD.,
NORTHERN RESOURCES NOVA SCOTIA
CORPORATION, NORTHERN PULP NOVA
SCOTIA CORPORATION, NORTHERN TIMBER
NOVA SCOTIA CORPORATION, 3253527 NOVA
SCOTIA LIMITED, 3243722 NOVA SCOTIA
LIMITED and NORTHERN PULP NS GP ULC

PETITIONERS

AMENDED AND RESTATED ORDER

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