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

AFFIDAVIT OF DUFF MacKAY MONTGOMERIE

I, Duff MacKay Montgomerie, of Dartmouth, Nova Scotia make oath and swear that:

1. This Affidavit is sworn in support of the Province of Nova Scotia's response to the Petitioner's application under the *Companies' Creditors Arrangement Act* (Canada) c. C-36, as amended (the "**CCAA**").

2. I am the Deputy Minister of Labour and Advanced Education for the Province of Nova Scotia ("the **Province**"). I have held this position since 2014. Previous to being appointed to this position, I served as Deputy Minister in the provincial departments of Natural Resources (2011-2014) and Health Promotion and Protection (2007-2011) and director of community relations in the Premier's office. Apart from the period from 1992 to 1999, I have been a public servant of the Province of Nova Scotia since 1978. From my employment with the Province I have personal knowledge of the information sworn to in this Affidavit, except where I state that my knowledge is based on information from others, in which case I set out the source of that information and believe the same to be true.

3. As outlined in the Report of the Nova Scotia Commission on Building Our New Economy completed in February 2014 (also known as the "OneNova Scotia Report" or the "Ivany Report" after its chair), Nova Scotia has a diversified economy with important employers in virtually all sectors. The prosperity of all sectors is essential to the economic health of the Nova Scotia economy. The forestry sector is one such sector and of particular importance to rural Nova Scotia. In light of this, the Province has supported the forestry sector and wishes for it to succeed. This objective has extended to and continues to extend

to the mill ("**Mill**") which is owned by Northern Pulp Nova Scotia Corporation ("**Northern Pulp**") in Pictou, Nova Scotia.

4. The Province has to take into consideration all aspects of the public interest in relation to any form of support it offers to any industry. Such public interest considerations include the obligations of the Province as a representative of the Crown to uphold the honour of the Crown by consulting with First Nations whose asserted rights and claims may be affected by any government action or decision. This factor has particular importance in connection with the Mill and its effect upon the Pictou Landing First Nation ("**PLFN**").

5. Public interest considerations also include the need to ensure that the Mill and any modifications to it obtain any required environmental approvals and permits and operate in accordance with these approvals and permits. The integrity of the environmental assessment and approval processes is important to the Province and people of Nova Scotia and these processes are administered independently under the direction of the Minister of Environment. The Province itself is subject to these same processes and approvals when it is the proponent of a new or modified undertaking, such as a new highway or highway twinning project.

6. The expenditure of public funds to support or promote particular sectors requires the Province to consider the public interest in determining the justification, utility, and benefit of doing so in priority to other responsibilities of the Province and in light of the limited resources of the Province.

BACKGROUND TO THE BOAT HARBOUR EFFLUENT TREATMENT FACILITY

7. From my employment with the Province particularly during my tenure as Deputy Minister of Natural Resources, I am generally familiar with the history of the Mill and the Boat Harbour Effluent Treatment Facility ("**BHETF**"). Attached as Exhibit A to my affidavit is "Boat Harbour Chronology of Events 1954-2005" prepared by the Government of Canada as represented by the Federal Department of Justice, the Province, PLFN, and Neenah Paper Company of Canada ("**Neenah**"). This document provides an abbreviated overview of the history of the facility up to 2005.

8. The history of the Mill and the BHETF is complex and dates back to 1954 when a hurricane destroyed the pulp mill in Sheet Harbour, Nova Scotia leaving the Province without a market for pulp in the northeastern end of the Province.

9. In the early 1960s the Province entered into discussions with Scott Maritimes Limited ("Scott") about the construction of a new mill to be located at Abercrombie Point in Pictou County, Nova Scotia. Arising out of these discussions, the *Scott Maritimes Limited Agreement (1965) Act* was enacted. This Act served as the Agreement between the Province and Scott and set out their respective obligations in relation to the new mill ("1965 Agreement"). Under this agreement, the Province undertook to expropriate the lands necessary for the Mill, construct a water supply and wastewater infrastructure, and obtain the necessary Federal approvals to construct the facility. Scott was granted a license to harvest trees on large tracts of Crown land for which it paid stumpage to the Province. Scott was able to process the pulpwood taken from the licensed lands, but was required to plant trees to regenerate the supply.

10. The Government of Canada authorized the Province to flood a portion of the Boat Harbour shoreline, including some of the lands set aside for the PLFN, to construct the BHETF. Construction of the Mill and BHETF was completed in 1967.

11. The Mill has had the following different operators:

    (a) from 1967 to 1996 Scott;

    (b) from 1996 to Kimberly-Clark Inc. ("**Kimberly-Clark**");

    (c) from 2004 to 2008 Neenah; and

    (d) from 2008 to 2020 Northern Pulp.

12. On September 30, 1970, the Province and Scott entered into an Agreement (the "1970 Agreement") confirming the Province would continue to supply water for the Mill, as contemplated in the earlier 1965 Agreement, and provide effluent treatment for the Mill for a period of 25 years. The 1970 Agreement required the Province to operate the BHETF in compliance with the *Federal Pulp and Paper Regulations*.

13. PLFN sued the Government of Canada in 1986 for damages for the adverse effects upon the PLFN of allowing Boat Harbour to be used to treat the effluent from the Mill and for the flooding of PLFN's lands. The Government of Canada reached a settlement with PLFN in 1993.

14. In the early 1990s, the Federal Government introduced new pulp and paper effluent treatment regulations. Although the BHETF did not meet the new regulations, the Federal Government issued a Transitional Authorization Extension allowing the Province to continue operating the BHETF until December 31, 1995.

15. In 1995, changes were proposed for the Mill to bring it into compliance the new Federal regulations. These changes included constructing a pipeline to divert the treated effluent to a different discharge point off MacKenzie Head, Nova Scotia. The proposed pipeline was met with substantial opposition from fishermen and others concerned about the impact on the lobster fishery. The pipeline was not constructed.

16. On December 1, 1995 the Province and Scott entered into a Memorandum of Understanding ("the 1995 MOU") to confirm their respective positions, undertakings and agreements reached as of the date of the MOU, noting in particular, the Province's desire to submit a plan under Section 37(2) of the *Fisheries Act* (Canada) which would result in the immediate closure of part of the BHETF with a definitive termination date for the remainder of the Reconfigured Facility. The Reconfigured Facility referred to modifications to the BHETF to improve performance and to change the location of the discharge for treated effluent to Point C.

17. The Reconfigured Facility contemplated changes to be made to the BHETF which would no longer require the stabilization basin for the operation.

18. The 1995 MOU confirmed the parties would translate their contractual arrangement as described in the MOU into a series of Agreements:

    (a) Water Supply Agreement;

    (b) Lease Agreement;

    (c) Indemnity Agreement;

(d) Equipment Lease; and

(e) License Agreement.

19. The Water Supply Agreement has a termination date of March 31, 2021.

20. By Order in Council #96-621 dated August 14, 1996, the Governor in Council ratified the various agreements between the Province and Kimberly-Clark confirming the transfer of all operating responsibility for the BHETF from the Province to Kimberly-Clark for a maximum period of 10 years, as well as authorizing the Province to transfer such portion of the BHETF lands when they were to be no longer needed to the PLFN.

21. In 1998 a risk assessment was conducted for the sludge that had been disposed of in an area near the BHETF known as "IR37". PLFN agreed to a proposal to let the IR37 revert to a wetland through natural processes rather than require intrusive and expensive work to be carried out to remove the sediment.

22. Monitoring of the IR37 undertaken in 2000 showed the area was progressing as a wetland succession as predicted in the 1998 study.

23. In recognition of the improvements in the quality of the effluent as a result of changes made to the Mill in 1995 and 1996, the Province, Kimberly Clark and PLFN opened negotiations for the continued use of the BHETF beyond 2005.

24. The Chief of PLFN and the Mill entered into a Memorandum of Understanding (the "2001 PLFN MOU") on September 27, 2001 regarding their arrangement for the continued operation of the Mill. In July 2002, the 2001 PLFN MOU was approved by the members of PLFN by referendum.

25. On October 22, 2002, the Province entered into a Lease Extension Agreement with Kimberly-Clark. The Lease Agreement was for Kimberly-Clark as tenant and provided a leasehold interest in the BHETF and the effluent pipe from the Mill to the BHETF. It also provided Kimberly-Clark with an easement for the remaining term of the Agreement to enable Kimberly-Clark to install a pipeline for the transmission of effluent through the BHETF, Boat Harbour and into the Northumberland Strait. This Lease Extension Agreement had a new expiration date of December 31, 2030.

26. By Order in Council 2004-457, the Agreement with Kimberly-Clark was transferred to Neenah.

27. On November 30, 2006 the Province wrote to the legal representative for the Mill operator indicating the Province would consent to an extension of the License Agreement to allow sufficient time for a more thorough examination of the appropriate way to return Boat Harbour to a tidal estuary. The extension date for the Lease was tied to the extension period negotiated with PLFN.

28. By Order in Council 2008-338, the Agreement was transferred from Neenah to Northern Pulp.

29. Around the time when Northern Pulp purchased the Mill from Neenah, the Province entered an Acknowledgement Agreement dated May 12, 2008, that the earlier agreements associated with the 1995 MOU continued for the benefit of Northern Pulp.

30. In May 2008 the Province communicated with Northern Pulp regarding the extension of the Boat Harbour License on a month to month basis. This was consistent with its communications with Neenah that the extension of the license would be conditioned on PLFN agreeing to the continued operation of the Mill and agreed to work in good faith to achieve the objectives of the Mill owner, the Province and the PLFN. The extension was for a short period of time until the effluent could be discharged elsewhere.

31. PLFN and Northern Pulp entered into an Accommodation Agreement on December 31, 2008. The Agreement refers to the 2001 PLFN MOU with Kimberly-Clark (later assigned to Neenah), and the Amending Agreement dated January 1, 2006. The Accommodation Agreement confirmed Neenah had recently sold the Mill and assigned the Lease to Northern Pulp, which had taken over operation of the Mill. In the Accommodation Agreement the PLFN acknowledged receiving notice from the Province of Northern Pulp's request to extend the License Agreement, and stated PLFN's position that any extension of the License would interfere with its aboriginal, treaty and constitutional and other rights. PLFN agreed it would not oppose the temporary extension of the License until January 31, 2009 to allow for the continued operation of the BHETF while the Province and PLFN were engaged in negotiations to return Boat Harbour to a tidal estuary and the relocation of the effluent treatment facility.

THE PETITIONERS' INDEBTEDNESS TO THE PROVINCE

32. The debts of Northern Pulp and Northern Timber Nova Scotia Corporation ("**Northern Timber**") to the Province and the security supporting the loans made by the Province to Northern Pulp and Northern Timber are generally as set out in paragraphs 50 to 64 of the First Affidavit of Bruce Chapman dated sworn to June 16, 2020 and reflected in the exhibits referred to in these paragraphs.

33. The Province has advanced funds to Northern Pulp and Northern Timber through the *Industrial Expansion Act* and the *Nova Scotia Jobs Fund Act*, on specific terms and conditions, which included the provision of security and particular terms of repayment.

34. The Province's loans and numerous accommodations and modifications to those loans to Northern Pulp and Northern Timber were each considered on their separate merit and reflect the evaluation in each instance of the public benefit to the Province in light of the creditworthiness of the borrower and the strength of the security.

35. I am advised by Christine Chisholm, Manager Business Financing of Nova Scotia Business Inc. that the principal balances of the loans by the Province to Northern Pulp and Northern Timber are as follows:

Company/Loan	Principal Balance Outstanding
Northern Pulp 2009 Loan	$9,068,700.00
Northern Pulp 2013 Loan	$11,025,000.00
Northern Timber 2010 Loan	$64,780,546.45
TOTAL	$84,874,246.45

36. These balances do not include accumulated arrears of interest. The Province has a first charge on the Northern Timber timberlands and a second charge on the timberlands to support the Northern Pulp loans.

37. A summary of these loans and amendments to them prepared at my request by Christine Chisholm, Nova Scotia Business Inc. is attached as Exhibit B.

38. The purpose of the Northern Pulp 2009 Loan was to enable the purchase and installation of new effluent pipeline and maintenance and capital expenditures aimed to increase Northern Pulp's productivity and reliability. A first priority security interest was to be granted over all assets of Northern Pulp.

39. The 2009 Northern Pulp Loan was later amended by:

    (a) letter dated April 19, 2013, to re-advance $5.382 million that was repaid to increase the outstanding debt to $15 million;

    (b) letter dated June 17, 2019, to consent to extend the filing of the 2018 financial statements to November 30, 2019 (5 months) which was extended on November 13, 2019 to April 30, 2020;

    (c) letter dated September 14, 2019, to postpone the 2019 annual payment (greater of $1.875 million or 25% of the prorated FY2018 free cash flow) from July 31, 2019 to January 31, 2020 (6 months); and

    (d) letter dated May 19, 2020, to postpone monthly regular payments for 3 months (April 1 to June 1, 2020) and defer until the end of the Loans; and

    (e) letter dated June 3, 2020 under which the Province agreed to defer all interest and principal payments on loans granted to Northern Pulp and Northern Timber so long as Northern Pulp was taking active steps to obtain regulatory approval for the Mill.

40. The Northern Timber 2010 Loan was for an amount not to exceed $75 million with a thirty-year term. The purpose of the loan was to assist Northern Timber's purchase of approximately 475,000 acres of timberland owned by Neenah. The Province's loan represented 90% of the purchase price of the timberland with Northern Timber required to contribute $7.5 million towards the total cost $82.5 million.

41. The first five years of the Northern Timber 2010 Loan required the payment of interest only; thereafter, principal was to be repaid in equal blended monthly payments of principal and interest such that the loan would be amortized over the remaining 25 years of the loan term. A first priority security interest was to be granted over all assets of Northern Timber, the unlimited guarantee of Northern Pulp, pledge of shares, and assignment of rents, licenses and leases.

42. The Northern Pulp 2013 Loan was for the purpose of allowing Northern Pulp to improve the productivity and competitiveness of the Mill through the replacement of the recovery boiler precipitator and the construction of a chipping facility at or near the Mill. In respect of the precipitator project only, a portion of the loan was forgivable (not to exceed $2.5 million) on conditions.

43. On April 4, 2013, the Province provided a further loan to Northern Pulp in an amount not to exceed $17.2 million under the *Jobs Fund Act*; as well as providing access to the $5.382 million previously paid by Northern Pulp on the earlier loan provided in 2009 (authorized by OIC 2009-136).

44. On April 4, 2013, the Province provided further assistance in loans and incentives to Northern Pulp in amount not to exceed $4.5 million under the *Jobs Fund Act*. A loan was made to Northern Pulp in an amount not to exceed $3.6 million with a four-year term, and an incentive not to exceed $900,000. The purpose of the loan was to allow Northern Pulp to improve the productivity and competitiveness of the Mill through the building of a natural gas pipeline into the Mill replacing bunker C oil. Repayment in the 2014 calendar year was to be from free cash flow and in each year thereafter, the greater of free cash flow or $1.8 million. Northern Pulp was able to earn an incentive not to exceed 20% of the project costs or $900,000 upon submission of reports detailing the costs of equipment associated with the program.

45. The forgivable portions of the loan in the amount of $2.5 million was earned and forgiven. The 900,000 incentive was earned and advanced.

46. The 2013 Letters of Offer were amended by:

    (a) letter dated Oct 10, 2018 with respect to the outstanding principal balance, and terms of repayment;

    (b) letter dated October 17, 2018 with respect to timing of the annual principal payment;

    (c) letter dated November 20, 2018, to postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 Free Cash Flow) from November 1, 2018 to April 1, 2019 (5 months);

    (d) letter dated June 17, 2019, to postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 Free Cash Flow) from April 1, 2019 to September 1, 2019 (5 months) and consent to extend the filing of the 2018 financial statements to November 30, 2019 (5 months) which was later extended to April 30, 2020;

    (e) letter dated September 4, 2019, to postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 Free Cash Flow) and the 2019 annual

payment (greater of $1.8375M or 25% of the prorated FY2018 Free Cash Flow) from September 1, 2019 to January 31, 2020 (5 months);

(f) letter dated May 19, 2020, to postpone monthly regular payments for 3 months (April 1 to June 1, 2020) and defer until the end of the Loans.

47. In January 2020, amendments for both Northern Pulp and Northern Timber, which required a duty to consult with PLFN, were prepared, but have not been authorized to date. The proposed Northern Pulp amendment included:

(a) 2010 LOO – Postpone the 2019 annual payment ($7,537,374 based on 25% of prorated the FY2018 Free Cash Flow) from January 31, 2020 to June 30, 2020 (5 months);

(b) 2013 LOO's – Postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 Free Cash Flow and the 2019 annual payment ($7,386,626 based on 25% of the prorated FY2018 Free Cash Flow) from January 31, 2020 to June 30, 2020 (5 months); and

(c) 2010 and 2013 LOO's- Consent to extend the filing of the 2018 & 2019 financial statements for both Northern Pulp & Northern Resources from November 30, 2019 to September 30, 2020 (10 months).

INDUSTRIAL APPROVALS

48. Northern Pulp operated the Mill and associated works including the BHETF under the authority of various industrial approvals issued by Nova Scotia Environment pursuant to the *Environment Act*. On May 10, 2011 an industrial approval (Approval 2011-076657) was issued with an expiry of April 19, 2013. Subsequent identical approvals were issued in 2013, 2014 extending the expiry in each instance by one year.

2014 EFFLUENT SPILL

49. On June 10, 2014, there was a spill of effluent caused by a break in the pipeline connecting the Mill to the BHETF. Northern Pulp as tenant under the Lease respecting the BHETF had responsibility for the maintenance and repair of the pipe. In responding to the break and the spill, the Province's first priority was to protect the health of residents and the environment. Provincial staff attended the site to identify what damage had been done, and what Northern Pulp would need to do to clean up the spill. This break required the Mill to shut down to allow investigators to determine the source of the spill, how much untreated effluent went into the environment, and the necessary repairs to the pipe.

50. The 2014 spill was not the first pipe break; in 2008, an underwater pipe broke and caused a lengthy shutdown of the Mill.

51. The 2014 spill precipitated strong and renewed opposition from PLFN to the continued use of Boat Harbour as an effluent treatment facility. Members of PLFN blockaded the location of the pipe break.

52. The Province recognized that the honour of the Crown compelled it to consult with PLFN to understand its long-standing grievance with the BHETF. The Province engaged with PLFN to reach an accommodation through discussions between the Premier and PLFN led by its Chief.

53. On June 16, 2014, the Province and PLFN entered into an Agreement in Principle to address the long-standing issues with Boat Harbour. Under the Agreement in Principle, the Province undertook to introduce legislation by June 30, 2015 which would prescribe a timeline for the cessation of the use of the BHETF for the reception and treatment of effluent from the Mill. The Province and PLFN also agreed to negotiate in good faith to reach Agreement on the closure of the BHETF and its remediation. PLFN and the Province agreed to negotiate reasonable timelines for the cessation of the use of the BHETF for the reception and treatment of effluent from the Northern Pulp Mill. The PLFN agreed to cease its blockade of the BHETF.

(Provincial News Release, June 16, 2014 and a true copy of the Agreement in Principle are attached as Exhibits C and D)

54. The Province intended that the timelines provided for in the Agreement in Principle with the PLFN would allow sufficient time for Northern Pulp to identify and obtain approval for an alternative effluent treatment facility.

IMMEDIATE PROVINCIAL SUPPORT FOR NORTHERN PULP TO RESPOND TO BOAT HARBOUR ACT

55. Consistent with the Province's accommodation with PLFN, the Provincial Legislature with the support of all political parties represented in the Legislature introduced Bill 89, *Boat Harbour Act,* on April 17, 2015. This legislation received Royal Assent on May 11, 2015 and set a legislated deadline of January 31, 2020 by which Northern Pulp was to cease use of the BHETF for the reception and treatment of effluent from the Mill.

56. As outlined in the affidavit of Ken Swain also filed in these proceedings, the Province took early steps to assist and encourage Northern Pulp to proceed with the design and approval applications for a replacement effluent treatment facility.

57. The Province also agreed to provide the following financial support to Northern Pulp to assist it in proceeding with plans and applications for environmental approvals:

    (a) On December 28, 2016, the Province entered a Contribution Agreement with Northern Pulp under which it agreed to reimburse Northern Pulp for expenses Northern Pulp incurred in relation to an engineering and design study for a replacement facility for the BHETF;

    (b) On September 27, 2017, the Province and Northern Pulp entered an Amending Agreement referring to the Contribution Agreement of December 28, 2016 where the Province agreed to contribute up to 50% of Eligible Expenses to a limit of $300,000 for the design and engineering costs and consultations, exclusive of an Environmental Assessment and up to a maximum of $250,000 in respect of an Environmental Assessment;

    (c) On December 13, 2017, the Province entered an Agreement with Northern Pulp agreeing to contribute a maximum of $8 million towards the costs of obtaining a detailed design and engineering study for a replacement for the BHETF. Approximately, $6.1 million was eventually disbursed by the Province to Northern Pulp against invoices of approved costs.

58. Despite this financial support from the Province, Northern Pulp did not take timely or effective steps to advance the required environmental assessment of a replacement

effluent treatment facility. It failed to engage adequately and on a timely basis with the public and PLFN.

2018 NEGOTIATIONS WITH NORTHERN PULP

59. Throughout 2018, the Province and Northern Pulp were engaged in negotiations regarding the Province providing financial support for an effluent treatment facility to replace the BHETF. While the Departments of Natural Resources, Finance and Treasury and Transportation and Infrastructure Renewal were represented in these negotiations, it was considered inappropriate for Nova Scotia Environment as the regulator to participate and it was not privy to the negotiations. Nova Scotia Environment engaged directly with Northern Pulp regarding its pending application for environmental assessment approval pursuant to the *Environment Act*.

60. Northern Pulp represented to the Province in these negotiations the status of its work on the environmental assessment of the replacement effluent treatment facility and presented schedules for the completion of the environmental assessment and construction of the new effluent treatment facility in time to ensure the Mill would be able to operate in compliance with *Boat Harbour Act* with no loss in operations as it commissioned and used the new effluent treatment facility. The negotiations, therefore, proceeded on this premise.

61. In paragraph 31 of Bruce Chapman's Affidavit No.4 he implies that the cessation of settlement discussions with the Province of Nova Scotia were related to the decision of the Nova Scotia Supreme Court regarding the PLFN's challenge regarding the Province's decision to supply funding to Northern Pulp respecting the environmental assessment. I am advised by Jo Ann Fewer, Vice President Nova Scotia Lands Inc., was a member of the Province's negotiation team that the cessation of negotiations related to advice from Northern Pulp on October 2, 2018 that it was approximately one year behind schedule and that it would not complete the effluent treatment facility by January 31, 2020 in light of the lack of progress it had made on the environmental assessment for the replacement facility. Around that time, Northern Pulp had advised the Province that it was exploring a different outfall location than it had discussed publically. The negotiations broke off as a result of the failure of the premise upon which they had proceeded, namely that Northern Pulp would not have to suspend operations to complete a replacement effluent treatment facility.

62. Northern Pulp did not file with Nova Scotia Environment the Registration Document for the Environmental Assessment of a new effluent treatment facility until January 31, 2019. This registration document proposed a different outfall diffuser for the effluent treatment facility than had been publically discussed in 2018.

63. The Province's position is that it has no liability to Northern Pulp as a result of the passage of the *Boat Harbour Act* and that if Northern Pulp had acted reasonably it would have been able to obtain a decision on the environmental assessment of a replacement effluent treatment facility in time to have continued operations after January 31, 2020. Despite these positions, the Province has always indicated a willingness to negotiate assistance for Northern Pulp as it may be in the public interest and so long as the integrity of the environmental assessment and approval processes can be preserved and the Province is able to discharge its duty to consult with the PLFN.

MARCH 2020 CONTRIBUTION AGREEMENT

64. In January 2020 just before the closure of the Mill, Brian Baarda, the then president of Paper Excellence Canada Holdings Corporation ("**PEC**") approached me through an

intermediary requesting to meet with me regarding the pending closure of the Mill. After informing the Premier's office of the request, I was directed to engage with him which I did. Mr. Baarda indicated that he was acting on behalf of the shareholder of Northern Pulp. He said the Mill had been a profitable one. He expressed the frustration of Northern Pulp about the *Boat Harbour Act* but indicated it wished take care of the environmental liabilities and to hibernate the Mill in a safe way. He asserted that the shareholder was serious about wanting to reopen the Mill. I told him that the Province wished for the Mill to succeed if it could obtain environmental approvals and reach an accommodation with the PLFN.

65. Mr. Baarda on January 13, 2020 made the Province aware of a number challenges Northern Pulp was facing including severance payments to employees, deferral of principal and interest payments under the loans with the province, and environmental clean-up costs. The Province agreed to assist in allowing for deferral of interest and principal payments under the loans to Northern Pulp and in providing a contribution towards environmental clean- up costs.

66. In March 17, 2020, entered into a Contribution Agreement ("the March 2020 Contribution Agreement") with Northern Pulp to provide a fifty (50) percent contribution to a maximum of $10 million towards the overall costs of Northern Pulp in carrying out its plan for the environmentally-safe shutdown of the BHETF. The Province's contribution was only to be used for "eligible expenses" as defined in the March 2020 Contribution Agreement to support the cleanup of the Mill through the removal and/or treatment of leachate and runoff, including trucking and processing, as well as for the planned decommissioning of the pipeline, ditches, settling and aeration basins of the BHETF. The March 2020 Contribution Agreement provided that if Northern Pulp used the funds for a purpose other than stipulated in the March 2020 Contribution Agreement or the overall expenses were less than $20 million (based on the 50 percent contribution), Northern Pulp would have to pay to the Province the amount used for other purposes or the difference between the total expenses and the Province's contribution, if Northern Pulp's contribution was less than $10 million. The amounts owing would be considered a debt owing to the Province. Such debts would be secured by the existing security granted by Northern Pulp in favour of the Province under the April 14, 2009 Security Agreement and the April 14, 2009 Collateral Mortgage.

67. The March 2020 Contribution Agreement appears as Exhibit "OO" to the First Affidavit of Bruce Chapman.

68. At no time in the discussions leading to the March 2020 Contribution Agreement did Northern Pulp representatives indicate that the funding arrangements contemplated in the agreement were inadequate to cover the work identified in the agreement. In addition, Mr. Baarda told the Premier, Byron Rafuse who is the Deputy Minister of Finance and Treasury Board and me on January 22, 2020 in the course of discussing a $10 million contribution from the Province for environmental clean-up costs that Northern Pulp would take care of employees' severance payments and continuance payments.

DISCUSSIONS IN ADVANCE OF THE PETITIONERS' COMMENCEMENT OF THESE PROCEDDINGS

69. Following the conclusion of the March 2020 Contribution Agreement, Mr. Baarda approached me again and requested that the Province hold further discussions with Northern Pulp regarding steps to return the Mill to operations. He said the shareholder was prepared to invest a further $50 million in this effort but was looking for the Province to provide "a backstop" in the event an environmental assessment was not successful. He said that alternatively the same result could occur through a CCAA process.

70. The Province decided to assemble a negotiation team to engage with Northern Pulp in connection with this request and there were a series of discussions by way of telephone conferences beginning in April.

71. As indicated by Bruce Chapman in his Affidavit No. 4 at paragraph 40, Northern Pulp's initial projected financing needs were over $70 million. The Province and its advisors reviewed the supporting documentation (which consisted primarily of summary spreadsheets) and expressed the concern that the environmental cleanup and hibernation and other expenses included in these materials appeared to include eligible expenses that the parties had agreed to fund under the March 2020 Contribution Agreement without taking into account the funds which the Province had advanced and the expenses Northern Pulp had agreed to pay.

72. The Northern Pulp representatives assured the Province that the expenses shown on the repeated iterations of the spreadsheets showing the projected cash flow requirements were "incremental" to that covered in the March 2020 Contribution Agreement. The lack of supporting documentation or detail in the spreadsheets showing Northern Pulp's projected cash flow requirements made this difficult to understand.

73. In the course of discussions regarding the $50 million financing proposal the Province requested and received internally prepared unaudited financial statements of Northern Pulp and Northern Timber for the year 2018. It learned from these statements that approximately $59.9 million in loan repayments were directed from Northern Pulp to Paper Excellence Canada Holdings Corporation. During this 2018 year, Northern Pulp asked for and received accommodations regarding the timing of its loan repayments to the Province. The Province finds incongruous the actions of Northern Pulp in paying down large portions of its debt to its shareholder while seeking accommodation from the Province in following its payment obligations especially in light of Northern Pulp's asserted current liquidity problems.

74. The Province decided against agreeing to subordinate its security to new financing in the amount of $50 million as requested Northern Pulp. Its reasoning included the following:

    (a) Northern Pulp presented no clear plan for obtaining environmental assessment approvals for the Replacement Effluent Treatment Facility;

    (b) the proposal lacked documentation for the projected cash flows supporting the asserted needs of $50 million;

    (c) the funding supplied by the March 2020 Contribution Agreement was not accounted for in any understandable manner in the cash flow requirements put forward;

    (d) the Province disagreed with being asked to fund litigation against it and against the Minister of the Environment;

    (e) payment of employee severance and continuation expenses was contrary to Mr. Baarda's assurances to the Province in discussions leading to the March 2020 Contribution Agreement;

    (f) there was no certainty that the additional financing would result in the Mill returning to operations in the event that an environmental assessment were approved for the Replacement Effluent Treatment Facility; and

(g) the Province did not identify any benefit to it in losing its security for loans to Northern Pulp and Northern Timber which were advanced for the purposes of acquiring the assets against which the Province's security was charged.

75. In response to Northern Pulp's request to subordinate the Province's security to new financing in the amount of $50 million, the Province directed on June 3, 2022 a letter to be sent to legal counsel for Northern Pulp and Northern Timber advising the Province was prepared to defer all interest and principal payments on loans granted to Northern Pulp and Northern Timber so long as Northern Pulp was taking active steps to obtain regulatory approval for the Mill as determined by the Province in its absolute discretion. In the event the Province determined that Northern Pulp is not actively taking steps to obtain regulatory approval, it will provide Northern Pulp with 60 days' notice of the cessation of the deferral of payments.

BREACH OF MARCH 2020 CONTRIBUTION AGREEMENT

76. The Province was advised by Paul Bradley FCA of information that he received in a conference call on July 9, 2020 arranged by the Monitor in these proceedings and attended by Holly Palmer representing the Monitor, Tom Dewtie of Northern Pulp and him as the Province's advisor. In this call as related by Mr. Bradley, Mr. Dewtie acknowledged that the $10 million advanced by the Province under the March 2020 Contribution Agreement was taken into the Northern Pulp bank account and not directed exclusively to the environmental clean-up expenses as required under the March 2020 Contribution Agreement. The Province also learned in that conference call that Northern Pulp had not directed matching funds of $10 million towards identified eligible expenses such as mill hibernation costs which continue to appear on its most current cash requirements spreadsheet. The failure to match these funds is breach of a condition of the March 2020 Contribution Agreement. The Province's first notification of this came from the report of Mr. Bradley immediately following the meeting.

77. In paragraph 38 of his Affidavit No. 4, Bruce Chapman acknowledges that the funds received from the Province "have been utilized to pay necessary and ordinary course business expenses incurred by Northern Pulp, including obligations owing to employees." This is contrary to the March 2020 Contribution Agreement which required the Province's contribution to be used exclusively for eligible expenses which were defined as "related to the removal and /or treatment of leachate and runoff, including but not limited to the trucking and processing, and planning for and decommissioning of the pipeline, ditches, settling basins and aeration basin of the BHETF related to the shutdown of the BHETF".

78. Also in paragraph 38 of Affidavit No. 4, Bruce Chapman asserts that it "has incurred $7.63 million in third party supplier costs since January 2020 (largely consisting of costs relating to the removal, trucking, processing and /or treatment of leachate and runoff, and planning for and decommissioning of the pipeline, ditches, settling basins and aeration basin of the BHETF". The Province cannot verify this as Northern Pulp has not yet provided monthly supporting documentation to the Province validated by the auditors of Northern Pulp as required under the March 2020 Contribution Agreement. The only documentation received to date from Northern Pulp refers to $4,526,984 in expenditures. I am advised by Dianne Saurette, CPA, CMA Executive Director of Finance and Strategic Capital with Finance and Treasury Board the majority of these expenses do not appear to be eligible expenses under the March 2020 Contribution Agreement.

79. The proposed interim order if granted would therefore be used, in part, to finance expenses that were already covered in the March 2020 Contribution Agreement. To the

extent Northern Pulp did not apply the funds as required under the March 2020 Contribution Agreement or did not contribute $10 million in payment of eligible expenses, Northern Pulp and Northern Timber were in default under that agreement and the extent of default is to be considered a debt to the Province secured by the security interests already granted to the Province. The proposed interim order would subordinate the Province's security to the DIP financing. The Province believes this to be prejudicial to its position and inherently unfair.

OBJECTIONS TO PROPOSED TERM SHEET

80. The Province opposes the motion on the basis that it does not put forward a restructuring plan. The proposed expenditure of $50 million will not result in the Mill returning to an operating going concern. It will only, if successful, reach a point where the Petitioners have either obtained an environmental approval to construct the Replacement Effluent Treatment Facility or been denied such approval.

81. As Section 21 Default and Section 25 Milestones of the Term Sheet attached as Exhibit "B" to Mr. Chapman's Affidavit No. 4 make clear, the Lenders may declare default and realize upon the proposed priority charge in the event that the Borrowers have not reached an agreement by June 30, 2022 with the Province for settlement of all claims related to losses associated with the shutdown of the BHETF, hibernation of the Mill, cessation of operations and costs of approvals and construction of the Replacement ETF.

82. The entire cost of the loan contemplated by the Term Sheet is to be borne by the Province and the end result of the financing is a negotiation with the Petitioners or a lawsuit with the Petitioners. This is not a restructuring plan but rather a proposed course of action to advance a lawsuit or claim against the Province.

APPROACH TO OBTAINING AN ENVIRONMENTAL ASSESSMENT APPROVAL

83. The Province respects the right of any person to challenge decisions or actions of government or government agencies. However, it does not consider the proposal by the Petitioners to challenge by way of an application for judicial review the decision of the Minister of the Environment to require an environmental assessment of the replacement effluent treatment facility and by way of appeal to the Supreme Court of Nova Scotia the issuance of a Ministerial Order to be reasonable steps in advancing the environmental assessment as expeditiously as possible. As the primary secured creditor of the Petitioners, the Province strongly objects to the use of interim financing for this purpose and particularly to its security being compromised for the pursuit of these proceedings which it does not consider will advance the objective of restoring the Mill to operations.

LITIGATION AGAINST THE PROVINCE

84. The Province objects to the proposal to use DIP financing to fund legal expenses of pursuing a claim against the Province arising out of the passage of the *Boat Harbour Act*. This proposal would require the Province in essence to finance the prosecution and defence of a claim against it with no prospect for recovery of costs in the event the litigation is unsuccessful.

EFFECT OF SUBORDINATION OF PROVINCE'S SECURITY

85. The Province has not recently had appraisals conducted of the property of Northern Pulp and Northern Timber over which it holds security for its loans. Our internal estimate is that the property of Northern Pulp in liquidation will not likely cover its indebtedness to the Province and may actually represent a liability.

86. The Province provided $75 million representing 90% financing to Northern Timber in its acquisition of 475,000 acres of timberland in 2010 for $82.5 million. Northern Timber contributed $7.5 to the purchase price. Northern Timber has subsequently sold 55,000 acres. Our internal estimates from the Department of Lands and Forests are that the remaining timberland is worth about $85.5 million which is about $200 per acre. The current loans extended to Northern Pulp and Northern Timber for which the timberlands are provided as primary security exclusive of accrued interest are $84,874,246.45. This amount does not include additional debt owing as a result of breach of the March 2020 Contribution Agreement.

NOVA SCOTIA'S HANDLING OF OTHER MILL CLOSURES IN NOVA SCOTIA

87. The Province has not used public funds to cover employer obligations to employees for severance, salary continuance or pension top ups in connection with either the closing down of the Bowater Mersey paper mill in Liverpool, Nova Scotia nor the sale and restructuring of the NewPage Port Hawkesbury mill in Port Hawkesbury. It considers the use of interim financing for such purpose (as proposed by the Petitioners) to be inconsistent with the manner in which it dealt with these earlier disruptions to employees in this industry.

88. The Province also opposes the payment of such debts incurred prior to the date of the Initial Order in preference to other creditors. Such payments are also inconsistent with what Mr. Baarda told the Province in discussions regarding the March 2020 Contribution Agreement.

SUMMARY

89. The Province has provided significant financial support to the Mill and its past and current owners. The Province considers the Mill to be an important economic driver in the northern part of the Province. As such, the Province was prepared and continues to be prepared to provide reasonable financial support to the Mill in the event it has secured approvals for a Replacement Effluent Treatment Facility and successful consultation with the PLFN aimed at accommodating the interests of its members can be achieved. The program put forward by the Petitioners is vague and expensive and does nothing to ensure this outcome. The only certainty of the proposed program is the devaluing of the Province's security for the purpose of creating additional leverage for the Petitioners in the negotiations identified as milestones in the DIP Term sheet, whereby refusal by the Petitioners-whether acting reasonably or not- to reach agreement with the Province can trigger enforcement of the DIP security. In simple terms the entirety of the Province's loans and the collateral on the land used to secure these loans is rendered worthless to the detriment of the people of the Province with no countervailing benefit. These loans on lenient terms were the very funds which facilitated Northern Pulp and Northern Timber to acquire their assets. As such, the Province opposes the Petitioners' motion.

SWORN TO at Halifax, in the Province of Nova Scotia, the 22 day of July, 2020 before me:

A Barrister of the Supreme Court of Nova Scotia

ROBERT G. GRANT

Duff MacKay Montgomerie

No. S206189
Vancouver Registry

This is Exhibit "A" referred to in the Affidavit
of Duff MacKay Montgomerie, sworn before me this
22nd day of July, 2020.

A Barrister of the Supreme Court of Nova Scotia

ROBERT G. GRANT

BOAT HARBOUR
CHRONOLOGY OF EVENTS
1954-2005
FINAL VERSION

The following chronology of events ("the chronology") has been prepared by the Province of Nova Scotia, represented by the Department of Transportation and Public Works (TPW); Pictou Landing First Nation (PLFN); Canada, represented by the Department of Justice; and Neenah Paper Company of Canada (Neenah). The information contained in the chronology is provided on an entirely without prejudice basis to any party participating in its preparation. None of the parties warrants the completeness or accuracy of any of the data contained in the chronology which is in summary form and for convenience of reference only. The chronology contains general information only and does not purport to contain all material facts and information. In no event shall any party be liable for any damages of any kind related to the use or misuse of the information contained in the chronology.

DATE	EVENT
1954	Hurricane Edna destroys the pulp mill at Sheet Harbour leaving no market for pulp in the northeastern end of the Province.
Early 1960s	The Province and Scott Paper Company agree on an incentive package for the construction of a new mill at Abercrombie Point to include: • The Province provides the right to cut wood on large tracts of Crown land and agrees to build water supply and wastewater infrastructure to be made available on an operating cost recovery basis to the Mill and others. • To fulfill this obligation the province agrees to build and operate the Middle River Utility to provide water supply and Boat Harbour Treatment Facility (BHTF) to provide waste water treatment. The Mill is the major user of both systems. • In order to build BHTF the Province expropriates substantial land from private land owners. • The Province sought to acquire certain rights from the federal government for the purpose of developing the Boat Harbour Treatment Facility and in 1966 an Order in Council was passed by the federal government.
1964 -1967	The Mill, Middle River Utility and BHTF are constructed.
1967-1972	In 1970 a contractual arrangement for the operation of BHTF are established between the Province and the Mill to run until December 31, 1995 with a right of renewal the term of which was to be agreed or set by arbitration. The Middle River Utility and BHTF are operated by the Nova Scotia Department of Environment. There are many complaints from the PLFN and others about odour, discolouration, foam and noise resulting from

	the operation of BHTF and the discharge of effluent into Northumberland Strait. BHTF treatment at this time consists of the following: • Effluent flows by gravity to a point east of Highway 348 where it is released to a natural swampy area. • The effluent then flows to a lagoon, which was formed by constructing a dam at the entrance to Boat Harbour near Pictou Road. This dam raises the water level about one meter above high tide level. Effluent is discharged to Pictou Road.
1972	Improvement are made to BHTF including: • The pipeline is converted to a forcemain. • The effluent stream is directed through new pipelines and effluent ditches to newly constructed twin settling basins to remove the coarse solids from the effluent. The basins are designed to be cleaned out on a regular basis. • An 18 ha aerated stabilization basin (ASB) is constructed by dyking the freshwater inlet to the main stabilization lagoon and installing aerators. • Runoff from the swampy areas is rerouted through a series of ditches to Boat Harbour. The majority of Boat Harbour (142 ha) now functions as a final polishing pond before release of the treated effluent to Northumberland Strait.
1986	PLFN sues the Federal Government.
1991	Responsibility for the operation of BHTF is transferred to the Department of Supply & Services, now the Department of Transportation and Public Works (TPW).
1992	The first integrated environmental characterization of BHTF is conducted by the Province.
1993	PLFN and the Federal Government reach a settlement.
1993-1994	The operation of BHTF will not meet the new federal pulp and paper effluent regulations for an off-site (i.e. non-mill owned) effluent treatment facility (to come into effect December 31, 1995). Major changes in the facility are proposed including the construction of a pipeline diverting the treated effluent to a discharge point off McKenzie Head. The McKenzie Head pipeline proposal faces substantial opposition, primarily from fishing interests who are concerned about impact on the lobster fishery.
1995	The pipeline proposal is scrapped in favour of a proposal made by TPW and PLFN for "Closure, Clean-up and Land" including: • BHTF would be leased to the Mill for a period of 10 years during which time it was assumed the Mill would build a

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	new treatment plant somewhere else. • Assuming the Mill no longerwould use the BHTF, BHTF would then be closed, cleaned up by the Province and returned to a tidal state. • When this process was completed the bulk of the lands expropriated to build the facility would be given to the Band as compensation for tolerating the continuing operation in its unimproved state.
1995	The Mill eliminates wood room thereby improving effluent quality.
1995-1996	Improvements are made by the Province and the Mill to the ASB including dredging, upgrading the aeration system, construction and operation of the disposal cell. Improvements are made by the Province to the primary settling basins including a system of continuous sediment removal and the installation of a permanent dewatering system (filter press). The Mill becomes operator of BHTF under a leasing arrangement with the Province effective January 1, 1996.
1996	The Mill begins use of material from primary settling basins as hog fuel rather than placing the material in the disposal cell.
1997	The Mill installs a nutrient management facility to improve the operation of the ASB.
1997-1998	The water level in Boat Harbour is lowered. The work includes: modification of the control structure at Point D, replacement of the culverts under Highway 348 with larger box culverts, replacement of the rock berm at the beach with a box culvert, characterization of shoreline conditions, preparation of a risk assessment for the exposed shoreline and a public consultation process.
1998	Characterization and risk assessment is conducted for the sludge that accumulated in and around IR37 during the interval 1967-1972.
1998	The Mill completes the progressive elimination of the chlorine bleaching process thereby stopping the generation of dioxins and furans as by-products of the pulping process.
1998	The Band agrees to permit IR37 to revert to a wetland through natural processes rather than conduct intrusive and expensive work to remove the sediment that had accumulated during the interval 1967-1972.
1998-1999	Additional chemical, physical and toxicity testing is conducted of the accumulated sediment in Boat Harbour to assess temporal changes.
1999	Due to improved oxygen levels in the effluent and a breach of the beach, the box culvert, which was designed to prevent fish kills, is

The following chronology of events ("the chronology") has been prepared by the Province of Nova Scotia, represented by the Department of Transportation and Public Works (TPW); Pictou Landing First Nation (PLFN); Canada, represented by the Department of Justice; and Neenah Paper Company of Canada (Neenah). The information contained in the chronology is provided on an entirely without prejudice basis to any party participating in its preparation. None of the parties warrants the completeness or accuracy of any of the data contained in the chronology which is in summary form and for convenience of reference only. The chronology contains general information only and does not purport to contain all material facts and information. In no event shall any party be liable for any damages of any kind related to the use or misuse of the information contained in the chronology.

December, 2003	Based on concerns from the fishing community, the Province prepares a Sediment Management Plan to deal with the removal by mechanical means of a significant volume of accumulated sediment and the management of the residual sediment by tidal flushing.
2003-2004	A work plan is prepared to support closure activities and the EA. Work includes the development of a website, a toll free line, the placement of relevant documents in a public library, disposal cell modifications, provincial permits, and various studies to assess clean-up options.
Winter, 2003-04	The Province conducts additional sediment characterization in the Stabilization Lagoon in accordance with the Sediment Management Plan.
2003 to present	Engineering plans are prepared for the construction of a pipeline through Boat Harbour, the removal of the existing culverts and dam and the construction of a new highway bridge so that Boat Harbour can be cleaned-up and returned to a tidal state. Detailed planning for this unique, complicated and difficult project reveal many challenges to be overcome placing pressure on initial preliminary estimates of time and cost. This has forced a broader examination of alternative approaches to achieve the original and continuing objectives of all parties.
Summer, 2004	The Province conducts a Pilot Scale Dredging and Dewatering Test in the Stabilization Lagoon to evaluate the efficiency and effectiveness of dredging and various dewatering technologies.
September, 2004	The Mill engages CBCL to develop detailed plans for pipeline and diffuser.
September, 2004	The Mill commits to purchase additional aerators for the ASB to improve the quality of the effluent at Point C to the quality now achieved at Point D.
Fall, 2004	The Mill participates with Province for meetings with fishing interests and media.
October 15, 2004	The Province submits a draft Screening Environmental Assessment for the Re-Introduction of Tidal Influence to Boat Harbour.
October, 2004	The Mill meets with pipeline construction experts.
Nov-Dec, 2004	The Province and the Mill develop logistical plans for the coordination of construction and clean-up activities.
Nov-Dec, 2004	Federal authorities review the draft Environmental Assessment and provide comments.
December, 2004	The Mill installs new aerators.
Jan-Feb, 2005	The proponent prepares response to the comments prepared by federal authorities and develops a revised EA document.

The following chronology of events ("the chronology") has been prepared by the Province of Nova Scotia, represented by the Department of Transportation and Public Works (TPW); Pictou Landing First Nation (PLFN); Canada, represented by the Department of Justice; and Neenah Paper Company of Canada (Neenah). The information contained in the chronology is provided on an entirely without prejudice basis to any party participating in its preparation. None of the parties warrants the completeness or accuracy of any of the data contained in the chronology which is in summary form and for convenience of reference only. The chronology contains general information only and does not purport to contain all material facts and information. In no event shall any party be liable for any damages of any kind related to the use or misuse of the information contained in the chronology.

No. S206189
Vancouver Registry

This is Exhibit "B" referred to in the Affidavit
of Duff MacKay Montgomerie, sworn before me this
22nd day of July, 2020.

A Barrister of the Supreme Court of Nova Scotia

ROBERT G. GRANT

Northern Pulp & Northern Timber Summary

Northern Pulp Financial Assistance

March 17, 2009	$15M IEF Repayable Loan (78000022) for New Effluent Pipeline & Capital
April 19, 2013	$17.2M JF ($14.7M Loan – 78000051 & $2.5M Forgivable Loan - 78000050) for Precipitator & Chip Plant Projects
April 19, 2013	$4.5M JF ($3.6M Loan & $900K Incentive) for Clean Energy Project

Note – the Clean Energy $3.6M Loan was repaid & the $900K Incentive was earned & advanced; and the $2.5M Forgivable Loan (78000050)was earned & forgiven.

Northern Pulp Amendments Approved

April 19, 2013	78000022 – Re-advanced $5,382,000 that was repaid to increase O/S to $15M.
September 25, 2013	78000022, 78000050, & 78000051 – Extension of Disbursement Period & Consent on Use of Funds.
October 10, 2018	78000051 – Postpone the 2018 annual principal payment ($2,164,773 based on 25% of the prorated FY2017 Free Cash Flow ["FCF"]) from September 1, 2018 to October 1, 2018 (1 month).
October 17, 2018	78000051 – Postpone the 2018 annual principal payment ($2,164,773 based on 25% of the prorated FY2017 FCF) from October 1, 2018 to November 1, 2018 (1 month).
November 20, 2018	78000051 – Postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 FCF) from November 1, 2018 to April 1, 2019 (5 months).
June 17, 2019	7800051 – Postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 FCF) from April 1, 2019 to September 1, 2019 (5 months).
June 17, 2019	78000022 & 78000051 – Consent to extend the filing of the 2018 financial statements for both Northern Pulp & Northern Resources to November 30, 2019 (5 months).
September 4, 2019	78000022 – Postpone the 2019 annual payment (greater of $1.875M or 25% of the prorated FY2018 FCF) from July 31, 2019 to January 31, 2020 (6 months); and 78000051 – Postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 FCF) and the 2019 annual payment (greater of $1.8375M or 25% of the prorated FY2018 FCF) from September 1, 2019 to January 31, 2020 (5 months).
November 13, 2019	78000022 & 78000051 – Consent to extend the filing of the 2018 financial statements for both Northern Pulp & Northern Resources to April 30, 2020 (5 months).
May 19, 2020	78000022 & 78000051 – Postpone monthly regular payments for 3 months (April 1 to June 1, 2020) and defer until the end of the Loans.

Notes:

1) In January 2020, amendments for both Northern Pulp and Northern Timber, which required a DTC with PLFN, were prepared, but have not been authorized to date. The proposed Northern Pulp amendment included:

   78000022 – Postpone the 2019 annual payment ($7,537,374 based on 25% of prorated the FY2018 FCF) from January 31, 2020 to June 30, 2020 (5 months);

   78000051 – Postpone the 2018 annual payment ($2,164,773 based on 25% of the prorated FY2017 FCF) and the 2019 annual payment ($7,386,626 based on 25% of the prorated FY2018 FCF) from January 31, 2020 to June 30, 2020 (5 months); and

78000022 & 78000051 - Consent to extend the filing of the 2018 & 2019 financial statements for both Northern Pulp & Northern Resources from April 30, 2020 to September 30, 2020 (5 months).

2) On June 3, 2020, Robert Grant of Stewart McKelvey issued a letter to John Roberts of McInnes Cooper (Northern Pulp & Northern Timber's solicitor) that stated the following:

On behalf of the Province of Nova Scotia and Nova Scotia Business Inc. (collectively the "Province"), I hereby confirm that they agree to defer all interest and principal payments on loans granted to Northern Pulp Nova Scotia Corporation ("Northern Pulp") and Northern Timber Nova Scotia Corporation. This deferral will extend so long as Northern Pulp is actively taking steps to obtain regulatory approval for the Pictou mill as determined by the Province in their absolute discretion. In the event the Province determines that Northern Pulp is not actively taking steps to obtain regulatory approval, they will provide Northern Pulp with 60 days' notice of the cessation of the deferral of payments.

All other terms of the loan agreements and security will continue to apply apart from as outlined above.

Northern Timber Financial Assistance

February 24, 2010	$75M IEF Repayable Loan (78000029) to acquire 475,000 acres of timberlands from Neenah Paper

Northern Timber Amendments Approved

September 30, 2011	Consent for borrowing & repayment changes.
May 19, 2020	78000029 – Postpone monthly regular blended payments for 3 months (April 1 to June 1, 2020) and extend to the end of the Loan.

Notes:

1) In January 2020, amendments for both Northern Pulp and Northern Timber, which required a DTC with PLFN, were prepared, but have not been authorized to date. The proposed Northern Timber amendment included:

78000029 – Postpone and accrue the February 1 to June 1 monthly blended payments, (5 months), and schedule the accrued amount (estimated at $2,151,214.45) for July 1, 2020; and

Consent to extend the filing of the 2019 financial statements for Northern Timber and the 2018 & 2019 financial statements for Northern Resources until September 30, 2020.

2) On June 3, 2020, Robert Grant of Stewart McKelvey issued a letter to John Roberts of McInnes Cooper (Northern Pulp & Northern Timber's solicitor) that stated the following:

On behalf of the Province of Nova Scotia and Nova Scotia Business Inc. (collectively the "Province"), I hereby confirm that they agree to defer all interest and principal payments on loans granted to Northern Pulp Nova Scotia Corporation ("Northern Pulp") and Northern Timber Nova Scotia Corporation. This deferral will extend so long as Northern Pulp is actively taking steps to obtain regulatory approval for the Pictou mill as determined by the Province in their absolute discretion. In the event the Province determines that Northern Pulp is not actively taking steps to obtain regulatory approval, they will provide Northern Pulp with 60 days' notice of the cessation of the deferral of payments.

All other terms of the loan agreements and security will continue to apply apart from as outlined above.

No. S206189
Vancouver Registry

This is Exhibit "C" referred to in the Affidavit
of Duff MacKay Montgomerie, sworn before me this
22nd day of July, 2020.

A Barrister of the Supreme Court of Nova Scotia

ROBERT G. GRANT

State of emergency declared. See Novel Coronavirus (COVID-19) updates (https://novascotia.ca/coronavirus/) and check for location, program and service closures, cancellations and changes (https://novascotia.ca/closures/).

News release

Agreement in Principle Reached with Pictou Landing First Nation

Environment (../search?dept=124)
June 16, 2014 - 3:17 PM

Government and Pictou Landing First Nation reached an agreement in principle today, June 16, to address long-standing issues at Boat Harbour.

The agreement gives government until June 30, 2015, to introduce a bill in the legislature to make law timelines for stopping the effluent from the Northern Pulp Mill going into Boat Harbour. The agreement also formalizes government's commitment to remediate Boat Harbour.

Positive discussions between Pictou Landing First Nation Chief Andrea Paul, the Band Council, and Environment Minister Randy Delorey into the weekend led to the agreement.

"This agreement in principle underscores government's commitment to make real progress on Boat Harbour," said Premier Stephen McNeil. "My personal thanks go to Chief Paul and the Band Council for their willingness to work with us in reaching this agreement.

"My thanks also go to Minister Delorey for skillfully managing the file with Chief Paul and her council under difficult circumstances. I am pleased constructive work is underway, and I'm very optimistic that the province is on track to a solution that works for everyone."

Mr. Delorey echoed the premier's optimism.

"As I've said since taking office nine months ago, government is committed to cleaning up Boat Harbour," said Mr. Delorey. "Building trust among the First Nations community and the broader Pictou area community is going to take time. It will only grow as tangible action takes place. That's what this agreement is all about."

Negotiating reasonable timelines to stop the use of the Boat Harbour receiving and treating effluent from Northern Pulp will begin in coming weeks.

FOR BROADCAST USE:

Government and Pictou Landing First Nation reached an agreement in principle today (June 16th), to address long-standing issues at Boat Harbour.

The agreement gives the province until next June to introduce a bill to make law timelines to stop effluent from the Northern Pulp Mill going into Boat Harbour.

The agreement also formalizes government's commitment to remediate Boat Harbour.

Negotiating timelines will begin in coming weeks.

-30-

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No. S206189
Vancouver Registry

This is Exhibit "D" referred to in the Affidavit
of Duff MacKay Montgomerie, sworn before me this
22nd day of July, 2020.

A Barrister of the Supreme Court of Nova Scotia

Agreement in Principle

BETWEEN: **Province of Nova Scotia,**
represented by the Minister of Environment

AND:

Pictou Landing First Nation,
represented by the Chief and Band Council

The Parties Agree as follows:

1. The Province agrees that on or before June 30, 2015, it shall introduce a Bill in the Nova Scotia House of Assembly enacting into law timelines for the cessation of the use of the Boat Harbour Effluent Treatment Facility for the reception and treatment of the effluent from the Northern Pulp Mill.

2. The Province and the Band agree to negotiate in good faith, and to execute an Agreement respecting the Boat Harbour Effluent Treatment Facility closure and remediation, and such Agreement shall include the following terms:

   a. The Province and the Band agree to negotiate reasonable timelines for the cessation of the use of the Boat Harbour Effluent Treatment Facility for the reception and treatment of the effluent from the Northern Pulp Mill;

   b. The Province and the Band will negotiate reasonable costs, such as travel and accommodation expenses, community participation, and such other reasonable expenses as shall be hereafter negotiated, to allow the Band to participate in the said negotiations;

   c. The Province will work with the Band to identify any Mi'kmaq burial sites or burial grounds at Indian Cross Point, and the Province will protect any such sites;

   d. Should the Province fail to finalize, by good faith negotiations, the timelines for cessation of effluent described in paragraph 2a herein, the Province shall pay to the Band an ex gratia payment in the amount of $ 1 Million. This clause shall be of no force and effect should the Band fail to negotiate in good faith such reasonable timelines.

3. The Band agrees, forthwith, to dismantle and disband its blockade of the Boat Harbor Effluent Treatment Facility.

Dated, signed, and witnessed by the duly authorized representatives of the Parties at Pictou Landing, Pictou County, Nova Scotia, this 16th day of June, 2014.

Province of Nova Scotia

Honourable Randy Delorey,
Minister of Environment

Witness:

BRIAN J. HEBERT

Pictou Landing First Nations

Chief Andrea Paul

Witness:

BRIAN J. HEBERT

Witness:

BRIAN J. HEBERT

Councillor Wayne Denny

Councillor Dominic Denny

Councillor Crystal Denny

Councillor Anthony Nicholas

Councillor Gordie Prosper

Councillor Derek Francis