

Court File No. CV-09-8062-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	WEDNESDAY THE
	)	
MR. JUSTICE MORAWETZ	)	15 th DAY OF AUGUST, 2010

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TERRACE BAY PULP INC.

CONSENT ORDER

THIS MOTION, made by Terrace Bay Pulp Inc. (the "Applicant"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an Order:

- (a) directing the Applicant, upon the receipt of the loan proceeds (the "Funds") pursuant to the Provincial Loan Agreement (as defined in the Applicant's Second Amended and Restated Plan of Compromise and Arrangement dated June 25, 2010 (the "Plan")), to forthwith make payment in accordance with the schedule attached hereto as Schedule A (the "Required Payments"), to the parties listed therein (the "Beneficiaries");

- (b) directing the Applicant to execute any directions that may be required by the Toronto-Dominion Bank, or any other bank into which the Funds are deposited, in order to make the Required Payments to the Beneficiaries;
- (c) ordering and declaring that the delivery today by counsel for Ernst & Young Inc., the Monitor of the Applicant (the "Monitor") of a PDF copy of the Monitor's Certificate (the "Monitor's Certificate"), as defined in the Sanction Order dated July 27, 2010 (the "Sanction Order") to the Honourable Mr. Justice Morawetz ("Justice Morawetz") by email transmission ^{JS} ~~and the email confirmation by Justice Morawetz to counsel for the Monitor of his receipt of the Monitor's Certificate,~~ ^{JS} and the delivery today by counsel for the Monitor of a copy of the Monitor's Certificate by facsimile transmission to the Commercial List Office at (416) 327-6228, together, shall constitute compliance with the provisions of paragraph 8 of the Sanction Order and section 8.3 of the Plan that the Monitor's Certificate be filed by the Monitor with the Court, and that, in such case, the Effective Date as defined in the Sanction Order (the "Effective Date") shall be the date of this Order being the date set out in the Monitor's Certificate;
- (d) ordering that the terms of this Order shall satisfy the requirements contained in paragraph 18 of the Sanction Order;
- (e) ordering and declaring that the Administration Charge (as defined in the Initial Order dated March 11, 2010) (the "Initial Order") shall continue to attach with full force and effect to the Funds and the cash reserve held by the Applicant in the amount of \$750,000 for the beneficiaries of the Administration Charge as provided for in the Initial Order for the purposes of funding the professional fees

(the "Administration Charge Reserve") only to the extent of and until the Required Payments are paid in full to those Beneficiaries that are the beneficiaries of the Administration Charge as provided for in the Initial Order (the "Administration Charge Beneficiaries"); and

- (f) that the provisions of the Initial Order, and specifically paragraphs 26 and 28-33 thereof, shall continue to apply to the Administration Charge after the Effective Date, *mutatis mutandis*, in relation to the Funds and the Administration Charge Reserve only to the extent of, and until, the Required Payments are paid in full.

was heard this day at 330 University Avenue, Toronto, Ontario.

ON BEING ADVISED of the consent of the Beneficiaries; **AND UPON** being satisfied that this Order is necessary to allow for the implementation of the Applicant's Plan;

1. **THIS COURT ORDERS** that all capitalized terms in this Order not otherwise defined herein shall have the meaning ascribed to them in the Plan.
2. **THIS COURT ORDERS** that, upon receipt of the Funds, the Applicant is hereby directed to forthwith make the Required Payments to the Beneficiaries, pursuant to wire transfer instructions provided by each of the Beneficiaries.
3. **THIS COURT ORDERS** that the Applicant is hereby directed, upon request from any of the Beneficiaries, to forthwith execute any directions or other such documentation that may be required by the Toronto-Dominion Bank, or any other bank into which the Funds are deposited, in order to make the Required Payments to the Beneficiaries.

4. **THIS COURT ORDERS AND DECLARES** that the delivery today by counsel for the Monitor of a PDF copy of the Monitor's Certificate as defined in the Sanction Order to Justice Morawetz by email transmission ^{MRJ} and the email confirmation by Justice Morawetz to counsel for ^{MRJ} the Monitor of his receipt of the Monitor's Certificate, and the delivery today by counsel for the Monitor of a copy of the Monitor's Certificate by facsimile transmission to the Commercial List Office at (416) 327-6228, together, shall constitute compliance with the provisions of paragraph 8 of the Sanction Order and section 8.3 of the Plan that the Monitor's Certificate be filed by the Monitor with the Court, and that, in such case, the Effective Date shall be the date of this Order being the date set out in the Monitor's Certificate.

5. **THIS COURT ORDERS** that the terms of this Order shall satisfy the requirements contained in paragraph 18 of the Sanction Order.

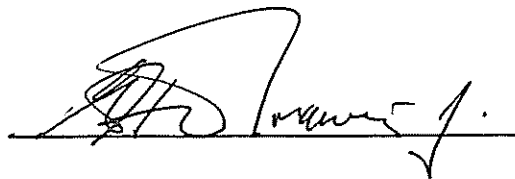
6. **THIS COURT ORDERS AND DECLARES** that notwithstanding the filing of the Monitor's Certificate, the Administration Charge shall continue to attach with full force and effect to the Funds and the Administration Charge Reserve only to the extent of and until the Required Payments are paid in full to the Administration Charge Beneficiaries,

7. **THIS COURT ORDERS AND DECLARES** that the provisions of the Initial Order, and specifically paragraphs 26 and 28-33 thereof, shall continue to apply to the Administration Charge after the Effective Date, *mutatis mutandis*, in relation to the Funds and the Administration Charge Reserve only to the extent of, and until, the Required Payments are paid in full to the Administration Charge Beneficiaries.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 15 2010

PER / PAR: JSN



SCHEDULE A

BENEFICIARY	REQUIRED PAYMENT
Callidus Capital Corporation	\$300,000
Aird & Berlis LLP	\$120,000
Lang Michener LLP	\$110,000
Blake, Cassels & Graydon LLP	\$985,738.88
Ernst & Young Inc.	\$120,602.76

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TERRACE BAY PULP INC.

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Applicant

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Proceeding commenced at Toronto

CONSENT ORDER

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