

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	TUESDAY, THE 8 TH
	)	
MR. JUSTICE MORAWETZ	)	DAY OF SEPTEMBER, 2009



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.

ORDER

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

- (a) abridging the time for service of the Notice of Motion and Motion Record herein, validating the service of such motion material and dispensing with the service of such motion material on interested parties not served;
- (b) directing that all capitalized terms not otherwise defined herein have the same meaning as in the Fourth Report of Ernst & Young Inc., in its capacity as Monitor (the "**Monitor**") dated September 1, 2009 (the "**Fourth Report**");
- (c) authorizing and directing the Applicant to make payments up to a maximum amount of \$6,000,000 to Lucky Star in repayment of the principal amount outstanding pursuant to a certain debenture dated May 5, 2008 (the "**Debenture**");

- (d) authorizing and directing the Monitor to release to the Applicant the reserve in the amount of \$200,000 being held by the Monitor pursuant to paragraph 3 of the Order of the Honourable Mr. Justice Morawetz dated June 19, 2009 (the “**Reserve**”) and authorizing and directing the Applicant to pay to Nexcap the amount of \$79,764.67 and up to a maximum of \$7,500.00 for the final account of Aird & Berlis LLP (subject to review by the Applicant of such final account) in full and final satisfaction of Nexcap’s claims against the Reserve, with the balance of the Reserve to be retained by the Applicant, as more particularly described in the letter agreement between the Applicant and Nexcap attached as Exhibit “A” to the Affidavit of Russell York sworn September 3, 2009 (the “**York Affidavit**”);
- (e) authorizing and ratifying the Applicant entering into a forest management agreement with GreenForest Management Inc. (“**GMI**”) dated April 1, 2009 (the “**Forest Management Agreement**”) *nunc pro tunc* as of April 1, 2009, and authorizing and directing the Applicant to pay to GMI the amount of \$288,027.16 pursuant to the Forest Management Agreement, as more particularly described in the Fourth Report;
- (f) approving the Fourth Report and the conduct and activities of the Monitor and its counsel as reported on therein; and
- (g) such further and other relief as this Honourable Court may deem just;

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

ON READING the Fourth Report and the York Affidavit, filed, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor,

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged so that this Motion is properly returnable today and

that any requirement for service of the Motion and the Motion Record on any parties other than the parties actually served with the Notice of Motion and the Motion Record is hereby dispensed with.

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein have the same meaning as in the Fourth Report.
3. **THIS COURT ORDERS** that the Monitor be and it is hereby authorized and directed to release to Terrace Bay the full amount of the Reserve, and that the Applicant be and it is hereby authorized and directed to pay to Nexcap the amount of \$79,764.67 and up to a maximum of \$7,500.00 for the final account of Aird & Berlis LLP (subject to review by the Applicant of such final account) in full and final satisfaction of Nexcap's claims against the Reserve with the balance of the Reserve to be retained by the Applicant, as more particularly described in the letter agreement between Terrace Bay and Nexcap attached as Exhibit "A" to the York Affidavit.
4. **THIS COURT ORDERS** that the balance of the relief sought on this motion be and it is hereby adjourned to ^{9R)} ~~a date to be set by the Commercial List~~ *September 14, 2009* ^{9R)}



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

SEP 08 2009

PER / PAR: ⁵⁴ Joanne Nicoara
Registrar, Superior Court of Justice

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985 c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
TERRACE BAY PULP INC.

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

Applicant

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SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

ORDER

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