



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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE

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TUESDAY, THE 29TH

)

MR. JUSTICE MORAWETZ

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DAY OF JUNE, 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.

ORDER

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

- (a) abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that the motion is properly returnable on Tuesday, June 29, 2010;
- (b) approving settlement agreements between:
 - (i) the United Steel Workers, Local 665 (the "USW") and Terrace Bay (the "USW Agreement"), and
 - (ii) the International Brotherhood of Electrical Workers, Local 1861 (the "IBEW") and together with the USW, the "Unions") and Terrace Bay (the "IBEW Agreement"),

both dated June 11, 2010 (collectively, the “Union Agreements”);

- (c) declaring that the claim filed by Her Majesty the Queen in Right of Ontario pursuant to a Proof of Claim dated February 8, 2010 in the Claims Process with respect to certain offences under the *Environmental Protection Act* (Ontario) that occurred in February and May, 2008 (the “Crown Environmental Claim”), is a Proven Unsecured Claim as defined in the Applicant’s plan of compromise and arrangement (the “Plan”) in the amount of \$187,515 as set out in the Monitor’s Notice of Revision or Disallowance dated June 11, 2010 (the “Notice of Revision”), that is subject to compromise in the Plan;
- (d) declaring that, upon execution of an agreement between Terrace Bay and Praxair Canada Inc. (“Praxair”) with respect to Praxair’s claims in the Claims Process and post-CCAA arrangements between Terrace Bay and Praxair, and without further Order of the Court, the Notice of Repudiation issued by Terrace Bay with respect to the VPSA Oxygen Supply Agreement dated March 31, 2003 between Terrace Bay and Praxair (the “Praxair Repudiation Notice”) shall be withdrawn, be deemed not to have been issued and to be of no force and effect *nunc pro tunc* to the date of its delivery by Terrace Bay;
- (e) extending the Stay Period (as defined in the Initial Order of this Court dated March 11, 2009) until July 30, 2010; and
- (f) approving the Thirteenth Report of Ernst & Young Inc. in its capacity as Monitor of Terrace Bay (the “Monitor”) dated June 17, 2010 (the “Thirteenth Report”) and the Fourteenth Report of the Monitor dated June 23, 2010 (the “Fourteenth Report”) and the conduct and activities of the Monitor and its counsel as reported on therein,

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

ON READING the Thirteenth Report, the Fourteenth Report and the Affidavit of Russell York sworn June 23, 2010, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor,

SERVICE

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 Notice of 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 and that service in the manner effected by the Applicant is validated in all respects.

UNION AGREEMENTS

2. **THIS COURT ORDERS** that the Union Agreements be and are hereby approved.
3. **THIS COURT ORDERS** that the Applicant be and is hereby authorized and directed to execute the Union Agreements and to perform its obligations under the Union Agreements.
4. **THIS COURT ORDERS** that the Applicant be and is hereby authorized to execute and deliver such additional ancillary documents as may be necessary to give effect to the Union Agreements, subject to the prior approval of such documents by the Monitor or as may be ordered by this Court.

CROWN ENVIRONMENTAL CLAIM

5. **THIS COURT ORDERS AND DECLARES** that the Crown Environmental Claim is a Proven Unsecured Claim in the amount of \$187,515 as set out in the Notice of Revision that is subject to compromise pursuant to the Plan.

PRAXAIR

6. **THIS COURT ORDERS AND DECLARES** that, upon execution of an agreement between Terrace Bay and Praxair with respect to Praxair's claims in the Claims Process and post-CCAA arrangements between Terrace Bay and Praxair, and without further Order of the Court, the Praxair Repudiation Notice shall be withdrawn, be deemed not to

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.

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Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

Pamela Huff LSUC#: 27344V
Tel: (416) 863-2958

Michael McGraw LSUC#46679C
Tel: (416) 863-4247
Fax: (416) 863-2653

Lawyers for the Applicant