

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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.

Applicant

**NOTICE OF MOTION
(Returnable June 19, 2009)**

The Applicant will make a motion to a Judge presiding over the Commercial List on Friday, June 19, 2009 at 10:00 a.m., or as soon after that time as the motion can be heard, at the Court House, 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard

☐ in writing under subrule 37.12.1(1)

☐ in writing as an opposed motion under subrule 37.12.1(4);

☒ orally.

THE MOTION IS FOR an Order substantially in the form attached hereto as Schedule "A";

- (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 capitalized terms not otherwise defined in the draft Order have the same meaning as in the Monitor's Third Report dated June 12, 2009 (the "Third Report");
- (c) authorizing and directing the Applicant to, upon payment in full to Nexcap, commence repayments to Lucky Star in respect of its security up to a maximum amount of \$7,000,000;
- (d) authorizing and directing Ernst & Young Inc., in its capacity as Monitor (the "Monitor"), to release the Insurance Proceeds to the Applicant;
- (e) authorizing and directing the Applicant to enter into the Temporary Services Agreement;
- (f) extending the Stay until September 30, 2009;
- (g) approving the Third Report of the Monitor dated June 12, 2009 (the "Third Report") and the conduct and activities of the Monitor and its counsel as reported on therein; and
- (h) such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE

- (a) the reasons described in the Third Report;
- (b) Section 11 of the CCAA; and
- (c) such further and other grounds as counsel may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Third Report; and
- (b) Such other materials as counsel may advise and this Honourable Court permit.

June 12, 2009

BLAKE CASSELS & GRAYDON LLP
Barristers and Solicitors
199 Bay Street,
Suite 2800, Commerce Court West
Toronto, ON M5L 1A9

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

Katherine McEachern LSUC#: 38345M
Tel : 416-863-2566
Fax: 416-863-2653

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

Lawyers for the Applicant

TO: **SERVICE LIST ATTACHED**

SERVICE LIST

Terrace Bay Pulp Inc.

TO: BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Box 25, Commerce Court West
199 Bay Street, Suite 2800
Toronto, ON M5L 1A9

Pamela Huff LSUC#27344V
Tel: (416) 863-2958
Fax: (416) 863-2653
Email: Pamela.huff@blakes.com

Katherine McEachern LSUC#38345M
Tel: (416) 863-2566
Fax: (416) 863-2653
Email: Katherine.mceachern@blakes.com

Lawyers for the Applicant

AND TO: ERNST & YOUNG INC.
222 Bay Street
Toronto-Dominion Centre
P.O. Box 251
Toronto, ON M5K 1J7

Alex Morrison
Tel: (416) 941-7743
Fax: (416) 943-3300
Email: alex.f.morrison@ca.ey.com

Todd Ambachtsheer
Tel: (416) 943-2018
Fax: (416) 943-3300
Email: todd.j.ambachtsheer@ca.ey.com

The Monitor

AND TO: LANG MICHENER LLP

Barristers & Solicitors
Brookfield Place, Box 747
2500-181 Bay Street
Toronto, ON M5J 2T7

Sheryl E. Seigel

Tel: (416) 307-4063
Fax: (416) 365-1719
Email: sseigel@langmichener.ca

Alex Ilchenko

Tel: (416) 307-4116
Fax: (416) 365-1719
Email: ailchenko@langmichener.ca

Lawyers for the Monitor,
Ernst & Young Inc.

AND TO: AIRD & BERLIS LLP

Brookfield Place
1800 - 181 Bay Street
Toronto, ON M5J 2T9

Steven L. Graff

Tel: (416) 865-7726
Fax: (416) 863-1515
Email: sgraff@airdberlis.com

Lawyers for Nexcap Finance Corp.

AND TO: STIKEMAN ELLIOTT LLP

Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Maya Poliak

Tel: (416) 869-6866
Fax: (416) 947-0866
Email: mpoliak@stikeman.com

Lawyers for the Respondent,
Canexus Chemicals Canada Limited Partnership

AND TO: McLEAN & KERR LLP
Barristers & Solicitors
2800-130 Adelaide Street West
Toronto, ON M5H 3P5

G.F. Camelino
Tel: (416) 369-6621
Fax: (416) 366-8571
Email: gcamelino@mcleankerr.com

Lawyers for the Respondent,
Vector Construction Ltd.

AND TO: ECCLESTON LLP
Barristers & Solicitors
66 Wellington Street West
Suite 3820, Toronto Dominion Bank Tower
P.O. Box 230, Toronto-Dominion Centre
Toronto, ON M5K 1J3

Kenneth P. Eccleston
Tel: (416) 504-3364
Fax: (416) 504-2686
Email: ken@ecclestonllp.com

Lawyers for Skyway Canada Limited

AND TO: FRASER MILNER CASGRAIN LLP
Barristers & Solicitors
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2

Daniel R. Dowdall
Tel: (416) 863-4700
Fax: (416) 863-4592
Email: dan.dowdall@fmc-law.com

Jane O. Dietrich

Tel: (416) 863-4467

Fax: (416) 863-4592

Email: jane.dietrich@fmc-law.com

Lawyers for the Independent Electricity Systems Operator

**AND TO: HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF ONTARIO AS REPRESENTED BY
THE MINISTER OF FINANCE (Income Tax, PST)**
PO Box 620
33 King Street West, 6th Floor
Oshawa, ON L1H 8E9

Kevin J. O'Hara

Email: kevin.ohara@ontario.ca

AND TO: DEPARTMENT OF JUSTICE
The Exchange Tower
130 King Street West
Suite 3400
P.O. Box 36
Toronto, ON M5X 1K6

Diane Winters

Tel: 416 973-3172

Fax: 416 973-0810

Email: diane.winters@justice.gc.ca

AND TO: LIFT CAPITAL CORPORATION
300 The East Mall, Suite 401
Toronto, ON M9B 6B7

Finella Grosso

Tel: (416) 621-5522

Fax: (416) 621-0522

Email: fgrosso@liftcapital.ca

AND TO: ILLINGWORTH & ILLINGWORTH
201-1151 Barton Street
Thunder Bay, ON P7B 5M3

John G. Illingworth

Tel: (807) 623-7222

Fax: (807) 622-5297

Email: lawyers@tbaytel.net

Lawyers for Lucky Star Holdings Inc.

AND TO: NATIONAL LEASING GROUP INC.

1558 Willson Place

Winnipeg, MB R3T 0Y4

Charlotte Taylor

Tel: (204) 954-9029

Fax: 1 (800) 882-0560

Email: charlotte.taylor@nationalleasing.com

AND TO: NEXCAP FINANCE CORPORATION

5420 North Service Road, Suite 504

Burlington, ON L7L 6C7

Henry Shewfelt

Tel: (905) 637-4467

Fax: (905) 637-1882

Email: hshewfelt@nexcap.com

AND TO: CITICORP VENDOR FINANCE, LTD.

123 Front St W 16th Fl

Toronto, ON M5J 2M3

Customer Service

Tel: 1 (800) 991-4046

Fax: 1 (800) 574-0610

Email: cef.customerservicecanada@citi.com

AND TO: KINECOR LP.

2202 52^e avenue

Lachine, QC H8T 2Y3

Caroline Vallée

Tel: (514) 636-7366

Fax: (514) 636-7363

Email: cvallee@kinecor.com

AND TO: DELOITTE & TOUCHE INC.
In its capacity as Receiver of Buchanan Forest Products Ltd.
Brookfield Place
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1

Arif Dhanani
Tel: (416) 601-6446
Fax: (416) 601-6690
Email: adhanani@deloitte.ca

AND TO: OLTHUIS, KLEER, TOWNSHEND
229 College Street
Toronto, ON M5T 1R4

Kimberley Wolfe
Tel: (416) 981-9347
Fax: (416) 981-9350
Email: kwolfe@oktlaw.com

Lawyers for Matawa First Nations

AND TO: DAVIS LLP
1 First Canadian Place
Suite 5600, 100 King Street West
Toronto, ON M5X 1E2

Lana Finney
Tel: (416) 941-5409
Fax: (416) 777-7405
Email: lfinney@davis.ca

Bruce Darlington
Tel: (416) 365-3529
Fax: (416) 369-5210
Email: bdarlington@davis.ca

Lawyers for Pacific Regeneration Technologies Inc.

AND TO: MILLER THOMSON LLP

2700, Commerce Place
10155-102 Street
Edmonton, AB T5J 4G8

Satpal S. Bhurjee

Tel: (780) 429-9753
Fax: (780) 424-5866
Email: sbhurjee@millerthomson.com

Lawyers for Andritz (USA) Ltd.

AND TO: BUSET & PARTNERS LLP

1121 Barton Street
Thunder Bay, ON P7B 5N3

Chantal M. Brochu

Tel: (807) 623-2500
Fax: (807) 622-7808
Email: cbrochu@buset-partners.com

Derek E. Zulianello

Tel: (807) 623-2500
Fax: (807) 622-7808
Email: dezulianello@buset-partners.com

Lawyers for 1171263 Ontario Inc., 1401350 Ontario Limited operating as Re-Nel Chipping, D N J Timber Limited, Get It Done Contracting Inc., P and P Logging Inc., Parsons Timber Contracting Inc. and Stephane Dubé Slashing Inc.

AND TO: ERICKSON & PARTNERS

Barristers, Solicitors, Notaries
291 Court Street South
Thunder Bay, ON P7B 2Y1

Etienne G.D. Esquega

Tel: (807) 345-1213
Fax: (807) 345-2526
Email: eesquega@erickson-law.com

Lawyers for 4 K Business Trust, operating as Four K's Logging, Lake Nipigon Forest Products Limited, Animbiigoosagagun Economic Development Trust, Red Rock First Nation Business Trust and RLN Forestry Limited

AND TO: Peter T. Hollinger, B.A., LL.B.
Barrister and Solicitor
218 Tupper Street
Thunder Bay, ON P7A 3Y3

Tel: (807) 344-1313
Fax: (807) 344-1340
Email: hollinger@tbaytel.net

Lawyers for Peterson Machine & Supply Inc.

AND TO: WEILER, MALONEY, NELSON
1001 William Street, Suite 201
Thunder Bay, ON P7B 6M1

B. Paul Jasiura
Tel: (807) 625-8881
Fax: (807) 623-4947
Email: pjasiura@wmnlaw.com

Nick Melchiorre
Tel: (807) 625-8883
Fax: (807) 627-6819
Email: nmelchio@wmnlaw.com

Lawyers for Eagle Logging Inc., Long Lake Forest Products Inc., Northern Sawmills Inc. and Great West Timber Limited

AND TO: CARREL & PARTNERS LLP
1136 Alloy Drive
Thunder Bay, ON P7B 6M9

Roderick W. Johansen
Tel: (807) 346-3000
Fax: (807) 346-3600
Email: johansen@carrel.com

Lawyers for KMH Engineering Inc.

AND TO: WALTER C. WIECKOWSKI LAW OFFICE
293 Park Avenue
Thunder Bay, ON P7B 1C4

WALTER C. WIECKOWSKI
Tel: (807) 345-6566
Fax: (807) 345-9982
Email: wcwlaw@shaw.ca

Lawyers for Brima Logging Inc.

AND TO: PETRONE HORNAK GAROFALO MAURO
Barristers and Solicitors
76 N. Algoma Street
Thunder Bay, ON P7A 4Z4

James P. Garofalo
Tel: (807) 344-9191
Fax: (807) 345-8391
Email: james@petronelaw.on.ca

Lawyers for Edmond Timber Inc.

AND TO: LOUIS FILION PROFESSIONAL CORPORATION
1101 Front Street, P.O. Box 1626
Hearst, ON P0L 1N0

LOUIS R. FILION
Tel: (705) 372-6333
Fax: (705) 372-6334
Email: lrfilion@ntl.sympatico.ca

Lawyers for 1183855 Ontario Inc.

SCHEDULE "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 19 TH
	)	
MR. JUSTICE MORAWETZ	)	DAY OF JUNE, 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 Third Report;
- (c) authorizing and directing the Applicant to, upon payment in full to Nexcap, commence repayments to Lucky Star in respect of its security up to a maximum amount of \$7,000,000;
- (d) authorizing and directing Ernst & Young Inc., in its capacity as Monitor (the "Monitor"), to release the Insurance Proceeds to the Applicant;

- (e) authorizing and directing the Applicant to enter into the Temporary Services Agreement;
- (f) extending the Stay until September 30, 2009;
- (g) approving the Third Report of the Monitor dated June 12, 2009 (the "Third Report") and the conduct and activities of the Monitor and its counsel as reported on therein; and
- (h) 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 Third Report 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 Third Report.
3. **THIS COURT ORDERS** that the Applicant be and is hereby authorized and directed to, upon payment in full to Nexcap, commence repayments to Lucky Star in respect of its security up to a maximum amount of \$7,000,000.
4. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to release the Insurance Proceeds to the Applicant.

5. **THIS COURT ORDERS** that the Applicant be and is hereby authorized and directed to enter into the Temporary Services Agreement with BSI.
 6. **THIS COURT ORDERS** that the Stay be and is hereby extended until September 30, 2009.
 7. **THIS COURT ORDERS** that the Third Report and the conduct and activities of the Monitor and its counsel as reported on therein, be and they are hereby approved.
-

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

Katherine McEachern LSUC#: 38345M
Tel: (416) 863-2566
Fax: (416) 863-2653

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF MOTION
(RETURNABLE JUNE 19, 2009)

BLAKE, CASSELS & GRAYDON LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

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

Katherine McEachern LSUC#: 38345M
Tel: (416) 863-2566
Fax: (416) 863-2653

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

Lawyers for the Applicant