

**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 September 8, 2009)**

The Applicant will make a motion to a Judge presiding over the Commercial List on Tuesday, September 8, 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 Fourth Report dated September 1, 2009 (the "Fourth Report");
- (c) authorizing and directing the Applicant to make payments up to a maximum amount \$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 directing and authorizing the Applicant to pay to Nexcap an amount to be agreed upon prior to the return of this Motion in full and final satisfaction of Nexcap's claims against the Reserve, as more particularly described in the Fourth Report and the York Affidavit, with the balance of the Reserve to be retained by the Applicant;
- (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.

THE GROUNDS FOR THE MOTION ARE

- (a) the reasons described in the Fourth Report and the York Affidavit;
- (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 Fourth Report;
- (b) the York Affidavit; and
- (c) such other materials as counsel may advise and this Honourable Court permit.

September 1, 2009

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SCHEDULE "A"

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

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 directing and authorizing the Applicant to pay to Nexcap the amount of [S●] in full and final satisfaction of Nexcap’s claims against the Reserve, as more particularly described in the Fourth Report and the York Affidavit, with the balance of the Reserve to be retained by the Applicant;
- (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 Affidavit of Russell York sworn September ●, 2009 (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 Applicant be and is hereby authorized and directed to make payments to Lucky Star up to a maximum amount of \$6,000,000 in repayment of the Debenture.
 4. **THIS COURT ORDERS** that the Monitor be 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 [S●] in full and final satisfaction of Nexcap's claims against the Reserve with the balance of the Reserve to be retained by the Applicant.
 5. **THIS COURT ORDERS** that the Applicant be and it is hereby authorized to enter into the Forest Management Agreement, and that the entering into by the Applicant of the Forest Management Agreement is hereby ratified and approved, *nunc pro tunc* as of April 1, 2009, and that the Applicant is authorized and directed to pay to GMI the amount of \$288,027.16 pursuant to the Forest Management Agreement.
 6. **THIS COURT ORDERS** that the Fourth 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

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**ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceeding commenced at Toronto

**NOTICE OF MOTION
(RETURNABLE SEPTEMBER 8, 2009)**

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