

**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

**SUPPLEMENTARY MOTION RECORD
(Returnable August 27, 2010)**

August 24, 2010

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

**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

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TAB 1

**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

SUPPLEMENTARY AFFIDAVIT OF RUSSELL YORK
(Sworn August 24, 2010)

I, **RUSSELL YORK**, of the City of Thunder Bay, in the Province of Ontario,
MAKE OATH AND SAY AS FOLLOWS:

INTRODUCTION

1. I am the Vice President and Treasurer of the Applicant, Terrace Bay Pulp Inc. (the "Applicant" or "Terrace Bay"), and as such have knowledge of the matters deposed to in this Affidavit. Where this Affidavit is not based on my personal knowledge, it is based on information and belief, the source of which I have identified and I verily believe such information to be true.
2. This affidavit is sworn as a supplement to my affidavit sworn August 23, 2010 (the "August 23 Affidavit"). Any defined terms not otherwise defined herein shall have the meaning given to them in my August 23 Affidavit.
3. The August 23 Affidavit was sworn in support of Terrace Bay's motion returnable Friday, August 27, 2010 for an Order, among other things, authorizing Terrace Bay to agree to amendments to the two Union Agreements, such that all references therein to "August 31, 2010" shall be extended to "September 15, 2010".

4. The Unions have agreed to the above-described extension by each executing letter agreements with Terrace Bay (the "Extension Agreements"). The Extension Agreements are attached hereto as **Exhibits "A" and "B"**. Terrace Bay requests that this Honourable Court approve the Extension Agreements.
5. This Supplemental Affidavit is therefore made in support of Terrace Bay's request for an Order approving the Extension Agreements, and for no other or improper purpose.

SWORN BEFORE ME at the City of
 Thunder Bay, in the Province of Ontario
 this 24th day of August, 2010



 A Commissioner, etc.

)
)
)
)
)



 RUSSELL YORK

EXHIBIT “A”



Terrace Bay Pulp

21 Mill Road
Terrace Bay, ON
P0T 2W0
Tel (807) 825-3211/Fax (807) 825-3322

August 18, 2010

Mr. Paul Gerlach
President, United Steelworkers
Local 665
P. O. Box 57
Terrace Bay, ON
P0T 2W0

Dear Paul:

RE: MEMORANDUM OF SETTLEMENT DATED JUNE 11, 2010

In order to accommodate the finalization of financing and the Company's exit from CCAA protection, it is necessary to extend the closing date of the transaction. Following discussions with our lender, we plan to conclude the closing of transactions and CCAA exit during the week of September 6, 2010.

As a result we are asking for your agreement to extend the application of the terms of our Memorandum of Settlement to September 15, 2010. This requires the parties to agree to change all references to "August 31, 2010" in the Memorandum of Settlement to read "September 15, 2010".

We very much appreciate your assistance and cooperation in helping to bring this matter to a successful conclusion. Accordingly, if you are agreeable to the above, we ask that you sign this letter as noted below and return it to me.

Further in respect of the severance payments discussed in the Memorandum of Settlement, I can advise that they will be made on October 8, 2010.

I trust the above meets with your satisfaction and I thank you for your cooperation.

Yours truly,

A handwritten signature in dark ink, appearing to read "R. H. Bryson".

Robert H. Bryson
General Manager

We agree to the extension of the Memorandum of Settlement dated June 11, 2010 and the amendment of references therein of August 31, 2010 to read September 15, 2010.

SIGNED AT TERRACE BAY, ONTARIO THIS 20th DAY OF AUGUST 2010.

FOR THE UNION

N Bouchard

C. or J. or any

EXHIBIT “B”

**Terrace Bay Pulp**

21 Mill Road
Terrace Bay, ON
P0T 2W0
Tel (807) 825-3211/Fax (807) 825-3322

August 18, 2010

Mr. James Irwin
President, International Brotherhood of Electrical Workers
Local 1861
IBEW P. O. Box 565
Terrace Bay, ON
P0T 2W0

Dear James:

RE: MEMORANDUM OF SETTLEMENT DATED JUNE 11, 2010

In order to accommodate the finalization of financing and the Company's exit from CCAA protection, it is necessary to extend the closing date of the transaction. Following discussions with our lender, we plan to conclude the closing of transactions and CCAA exit during the week of September 6, 2010.

As a result we are asking for your agreement to extend the application of the terms of our Memorandum of Settlement to September 15, 2010. This requires the parties to agree to change all references to "August 31, 2010" in the Memorandum of Settlement to read "September 15, 2010".

We very much appreciate your assistance and cooperation in helping to bring this matter to a successful conclusion. Accordingly, if you are agreeable to the above, we ask that you sign this letter as noted below and return it to me.

Further in respect of the severance payments discussed in the Memorandum of Settlement, I can advise that they will be made on October 8, 2010.

I trust the above meets with your satisfaction and I thank you for your cooperation.

Yours truly,

A handwritten signature in cursive script, reading "R. H. Bryson".

Robert H. Bryson
General Manager

6

We agree to the extension of the Memorandum of Settlement dated June 11, 2010 and the amendment of references therein of August 31, 2010 to read September 15, 2010.

SIGNED AT TERRACE BAY, ONTARIO THIS 19th DAY OF AUGUST 2010.

FOR THE UNION

Two handwritten signatures are present, each written over a horizontal line. The top signature is a cursive name, possibly "S. Hoon". The bottom signature is a more elaborate cursive name, possibly "L. J. Hoon".

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.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**SUPPLEMENTARY AFFIDAVIT OF
RUSSELL YORK
(Sworn August 24, 2010)**

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TAB 2

TAB 2-A

SCHEDULE "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 27 TH
	)	
MADAM JUSTICE PEPALL	)	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.

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) abridging the time for service of the Notice of Motion, the Eighteenth Report of the Monitor, Ernst & Young Inc. (the "Monitor") (the "Eighteenth Report") and the Motion Record, and declaring that the motion is properly returnable on Friday, August 27, 2010;
- (b) approving the Eighteenth Report and the actions and activities of the Monitor as described therein;
- (c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz dated March 11, 2009 (the "Initial Order")) to and including September 17, 2010; and

- (d) declaring that the stay of proceedings contained in paragraph 11 of the Initial Order and paragraphs 12 and 15 of the Sanction Order of the Honourable Mr. Justice Morawetz dated July 27, 2010 (the "Sanction Order"), is lifted for the purposes of allowing the Ontario Assessment Review Board (the "ARB") to issue final Orders in the proceedings commenced by the Applicant pursuant to Section 40 of the *Assessment Act*, R.S.O. 1990, C. A-31 in connection with Roll No. 5854000 001 00401 0000 for the 2005, 2006, 2007 and 2008 taxation years (the "ARB Proceedings"); and
- (e) approving the agreements attached as Exhibits "A" and "B" to the Supplementary Affidavit of Russell York sworn August 24, 2010 (the "Extension Agreements"), as between:
 - (i) the United Steel Workers, Local 665 and Terrace Bay, and
 - (ii) the International Brotherhood of Electrical Workers, Local 1861 and Terrace Bay.

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

ON READING the Eighteenth Report and the affidavits of Russell York sworn August 23, 2010, and August 24, 2010, all 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 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.
2. **THIS COURT ORDERS** that the Eighteenth Report and the actions and activities of the Monitor as described therein are hereby approved.

3. **THIS COURT ORDERS** that the Stay Period is hereby extended until and including September 17, 2010.
 4. **THIS COURT ORDERS AND DECLARES** that the stay of proceedings contained in paragraph 11 of the Initial Order and paragraphs 12 and 15 of the Sanction Order is hereby lifted for the purposes of allowing the ARB to issue final Orders in the ARB Proceedings, and to take any and all necessary steps and actions in connection therewith.
 5. **THIS COURT ORDERS** that the Extension Agreements are hereby approved, and the Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable to give effect to the Extension Agreements.
-

Applicant

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

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TAB 2-B

SCHEDULE "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 27 TH
	)	
MADAM JUSTICE PEPALL	)	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.

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:

- (a) abridging the time for service of the Notice of Motion, the Eighteenth Report of the Monitor, Ernst & Young Inc. (the "Monitor") (the "Eighteenth Report") and the Motion Record, and declaring that the motion is properly returnable on Friday, August 27, 2010;
- (b) approving the Eighteenth Report and the actions and activities of the Monitor as described therein;

- (c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Morawetz dated March 11, 2009 (the "Initial Order") to and including September 17, 2010; and
- (d) declaring that the stay of proceedings contained in paragraph 11 of the Initial Order and paragraphs 12 and 15 of the Sanction Order of the Honourable Mr. Justice Morawetz dated July 27, 2010 (the "Sanction Order"), is lifted for the purposes of allowing the Ontario Assessment Review Board (the "ARB") to issue final Orders in the proceedings commenced by Terrace Bay the Applicant pursuant to Section 40 of the *Assessment Act*, R.S.O. 1990, C. A-31 in connection with Roll No. 5854000 001 00401 0000 for the 2005, 2006, 2007 and 2008 taxation years (the "ARB Proceedings"); and
- (e) authorizing Terrace Bay to agree to amendments to the two (2) ~~settlement~~ approving the agreements attached as Exhibits "A" and "B" to the Supplementary Affidavit of Russell York sworn August 24, 2010 (the "Extension Agreements"), as between:
 - (i) the United Steel Workers, Local 665 and Terrace Bay, and
 - (ii) the International Brotherhood of Electrical Workers, Local 1861-
(together with the United Steel Workers, Local 665, the "Unions") and Terrace Bay, both dated June 11, 2010 (the "Union Agreements"), such that all references therein to "August 31, 2010" shall be extended to "September 15, 2010".

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

ON READING the Eighteenth Report and the ~~affidavit~~ affidavits of Russell York sworn August 23, 2010, and August 24, 2010, all 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 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.

2. **THIS COURT ORDERS** that the Eighteenth Report and the actions and activities of the Monitor as described therein are hereby approved.
3. **THIS COURT ORDERS** that the Stay Period is hereby extended until and including September 17, 2010.
4. **THIS COURT ORDERS AND DECLARES** that the stay of proceedings contained in paragraph 11 of the Initial Order and paragraphs 12 and 15 of the Sanction Order is hereby lifted for the purposes of allowing the ARB to issue final Orders in the ARB Proceedings, and to take any and all necessary steps and actions in connection therewith.
5. **THIS COURT ORDERS** that ~~Terrace Bay~~ the Extension Agreements are hereby approved, and the Applicant is hereby authorized and directed to agree to amendments to the Union Agreements such that all references therein to "August 31, 2010" shall be extended to "September 15, 2010" take such additional steps and execute such additional documents as may be necessary or desirable to give effect to the Extension Agreements.

Applicant

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

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Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
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**SUPPLEMENTARY MOTION RECORD
(RETURNABLE AUGUST 27, 2010)**

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