EXHIBIT A (PART 2/2)

obligations, liabilities, fees and disbursements secured by the Administration Charge shall be released to the Applicant by the Monitor upon payment of such obligations in full.

5.3 Effectuating Documents

The Vice-President and Treasurer of the Applicant shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures and other agreements or documents, and take such other actions, as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of this Plan. The secretary or assistant secretary of the Applicant shall be authorized to certify or attest to any of the foregoing actions.

ARTICLE 6
PROVISIONS GOVERNING DISTRIBUTIONS

6.1 Voting and Distributions on Proven Unsecured Claims

Any Affected Creditor (i) that has not disputed the nature or amount of its Unsecured Claim as set out in the Claim Amount Notice, or (ii) has submitted a Proof of Claim in respect of its Unsecured Claim in accordance with the procedure set out in the Claims Process Order prior to the applicable Bar Date and has not been sent a Notice of Disallowance prior to the Creditors' Meeting, will be entitled to vote and receive distributions based on its Proven Unsecured Claim.

With respect to any Unsecured Claim not set out in a Claims Amount Notice, any Affected Creditor that has not submitted a Proof of Claim in respect of such Unsecured Claim in accordance with the procedure set out in the Claims Process Order prior to the applicable Bar Date will not be entitled to vote or receive distributions under this Plan in respect of such Unsecured Claim, unless otherwise ordered by the Court or agreed to by the Applicant and the Monitor in writing.

6.2 Voting and Distributions on Disputed Claims

(a) Any Affected Creditor holding a Disputed Claim as of the date of the Creditors' Meeting will be entitled to vote based on the amount of its Disputed Claim, subject to the terms of the Creditors' Meeting Order.

(b) The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Applicant and the Monitor from disputing the Disputed Claim.

(c) To the extent that any Disputed Claim becomes a Proven Unsecured Claim in accordance with the Claims Process Order and this Plan from and after the Effective Date, the holder of such a Proven Unsecured Claim will exchange its Proven Unsecured Claim for a Pro Rata Share of the Plan Note, and, from and after the exchange, such holder will have the rights and obligations of a holder under the Note Indenture.

(d) The Monitor will finalize the allocation of each Affected Creditor's Pro Rata Share once all Disputed Claims have been finally determined to be either Proven Unsecured Claims or Disallowed Claims in accordance with the Creditors' Meeting Order.

6.3 Interest on Affected Claims

No interest or penalties shall accrue or be paid on an Affected Claim from and after or in respect of the period following the Filing Date and no holder of an Affected Claim will be entitled to any interest in respect of such Affected Claim accruing on or after or in respect of the period following the Filing Date. All interest accruing on any Affected Claim after or in respect of the period following the Filing Date shall be forever extinguished and released under this Plan.

6.4 Distributions in respect of Transferred or Assigned Claims

The Applicant and the Monitor shall not be obligated to give notice to or otherwise deal with any transferee or assignee of an Affected Claim as the holder of an Affected Claim unless actual notice of transfer or assignment, together with satisfactory evidence of such transfer and assignment has been delivered to the Applicant and the Monitor in accordance with the procedure set out in the Claims Process Order.

6.5 Tax Matters

(a) **Tax on Distributions**. Notwithstanding any other provision of this Plan, including subsection (b) below, each Affected Creditor that is to receive a distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Authorized Authority on account of such distribution.

(b) **Withholding Rights**. All distributions under the Plan Note shall be subject to any withholding and reporting requirements imposed by any Applicable Law or any Taxing Authority, and such other restrictions as may be set out in the Note Indenture.

ARTICLE 7
CREDITORS' MEETING

7.1 Creditors' Meeting and Conduct

The Creditors' Meeting to consider and vote on this Plan shall be held and conducted by the Applicant and the Monitor in accordance with the terms of the Creditors' Meeting Order.

7.2 Acceptance of Plan

If the Plan is approved by the required majority of Affected Creditors entitled to vote at the Creditors' Meeting, this Plan shall be approved and shall be deemed to have been agreed to, accepted and approved by the Affected Creditors and shall be binding upon all Affected Creditors.

ARTICLE 8
CONDITIONS OF PLAN IMPLEMENTATION

8.1 Sanction Order

If this Plan is approved by the required majority of Affected Creditors entitled to vote at the Creditors' Meeting, the Applicant shall bring a motion before the Court for the Sanction Order, which Sanction Order shall provide, among other things, that:

(a) (i) this Plan has been approved by the required majority of Affected Creditors entitled to vote at the Creditors' Meeting in conformity with the CCAA; (ii) the Applicant acted in good faith and has complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Applicant has not done nor purported to do anything that is not authorized by the CCAA; and (iv) this Plan and the transactions contemplated by it are fair and reasonable;

(b) this Plan (including the compromises, arrangements and releases set out herein) shall be sanctioned and approved pursuant to Section 6 of the CCAA and will be binding and effective as herein set out on the Applicant, all Affected Creditors and all other Persons as provided for in this Plan or in the Sanction Order;

(c) subject to the performance by the Applicant of its obligations under this Plan, and except to the extent expressly contemplated by this Plan or the Sanction Order, all obligations or agreements to which the Applicant is a party, other than agreements which were restructured, terminated, disclaimed or repudiated by the Applicant prior to the deadline specified in the Creditors' Meeting Order in accordance with the Initial Order, will be and shall remain in full force and effect as at the Effective Date, unamended except as they may have been amended by agreement

of the parties subsequent to the Filing Date in accordance with the Plan, and no Person who is a party to any such obligations or agreements shall, following the Effective Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, option, dilution or other remedy) or make any demand under or in respect of any such obligation or agreement, by reason of:

(i) any defaults or events of default arising as a result of the insolvency of the Applicant prior to the Effective Date;

(ii) the fact that the Applicant has sought or obtained relief under the CCAA or that this Plan has been implemented by the Applicant;

(iii) any compromises or arrangements effected pursuant to this Plan; or

(iv) any other event(s) which occurred on or prior to the Effective Date which would have entitled any Person to enforce those rights and remedies, subject to any express provisions to the contrary in any agreements entered into with the Applicant after the Filing Date. For greater certainty, nothing in this paragraph shall waive any obligations of the Applicant in respect of any Excluded Claim;

(d) the appointment of the Claims Officer, if applicable, shall cease on the Effective Date, except with respect to matters to be determined or completed pursuant to the Claims Process Order and this Plan or further Order of the Court after the Effective Date (including, the resolution of the Disputed Claims), unless otherwise agreed with the Applicant and the Monitor;

(e) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgment, or other remedy or recovery with respect to any Claim released, discharged or terminated pursuant to this Plan shall be permanently enjoined;

(f) the releases effected by this Plan shall be approved, and declared to be binding and effective as of the Effective Date upon all Affected Creditors, the Monitor and all other Persons affected by this Plan and shall enure to the benefit of all such Persons; and

(g) all Charges established by the Initial Order or any other Order of the Court, shall be terminated, released and discharged effective on the Effective Date, save and except insofar as the Charges have attached to the reserve established by the Monitor pursuant to Section 5.2 herein.

8.2 Conditions of Plan Implementation

The implementation of this Plan shall be conditional upon the fulfillment or waiver, where applicable, of the following conditions on or before the Effective Date:

(a) this Plan shall have been approved by the required majority of Affected Creditors entitled to vote at the Creditors' Meeting;

(b) the Sanction Order shall have been granted by the Court and shall be in full force and effect and not reversed, stayed, varied, modified or amended;

(c) all applicable appeal periods in respect of the Sanction Order shall have expired and in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;

(d) all approvals, orders, determinations or consents required pursuant to Applicable Law, if applicable, shall have been obtained on terms and conditions satisfactory to the Applicant and the Monitor, acting reasonably, and shall remain in full force and effect on the Effective Date;

(e) all necessary corporate action and proceedings of the Applicant shall have been taken to approve this Plan and to enable each Applicant to execute, deliver and perform its obligations under the agreements, documents and other instructions to be executed and delivered by it pursuant to this Plan;

(f) all agreements, resolutions, documents and other instruments, which are necessary to be executed and delivered by the Applicant, or any director or officer of the Applicant in order to implement this Plan and perform its obligations under this Plan (including the Note Indenture), shall have been executed and delivered;

(g) the Applicant shall have entered into the ABL Loan Agreement, and all conditions precedent to be completed under the ABL Loan Agreement shall have been satisfied or waived, subject only to the completion of the transactions contemplated under this Plan;

(h) the Applicant shall have entered into the Province Loan Agreement, and all conditions precedent to be completed under the Province Loan Agreement shall have been satisfied or waived, subject only to the completion of the transactions contemplated under this Plan;

(i) the Applicant shall have entered into the Stumpage Agreement, and all conditions precedent to be completed under the Stumpage Agreement shall have been satisfied or waived, subject only to the completion of the transaction contemplated under this Plan;

(j) the Applicant shall have entered into an agreement for the purchase of fibre located at the Applicant's premises and elsewhere on terms and conditions satisfactory to the Applicant, and all conditions precedent to be completed under

such agreement shall have been satisfied or waived, subject only to the completion of the transaction contemplated under this Plan; and

(k) the Applicant shall have obtained a commitment from the Province with respect to the supply of fibre on terms and conditions satisfactory to the Applicant.

Except for the conditions set out in 8.2(a) and (b), each of the conditions set out in this Section 8.2 may be waived in whole or in part by the Applicant by written notice to the Monitor. If a condition set out above has not been satisfied or waived in accordance with this Section 8.2, this Plan shall automatically terminate, in which case the Applicant shall not be under any further obligation to implement this Plan.

8.3 Monitor's Certificate

Upon written notice from the Applicant to the Monitor that the conditions set out in Section 8.2 have been satisfied or waived, the Monitor shall, as soon as possible following receipt of such written notice, file with the Court a certificate which states that all conditions precedent set out in Section 8.2 hereof have been satisfied or waived, in substantially the form as the certificate attached as Schedule "A" to this Plan (the "**Monitor's Certificate**").

ARTICLE 9
AMENDMENTS TO THE PLAN

9.1 Amendments to Plan Prior to Approval

The Applicant reserves the right to file any variation or modification of, or amendment or supplement to, this Plan by way of a supplementary or amended and restated plan or plans of compromise or arrangement or both filed with the Court at any time or from time to time prior to the commencement of the Creditors' Meeting, with the prior consent of the Monitor. **Affected Creditors who wish to receive written notice of any variation, modification, amendment or supplement to the Plan should contact the Monitor in the manner set out in Section 11.8 of this Plan**. Any such supplementary or amended and restated plan or plans of compromise or arrangement or both shall, for all purposes, be deemed to be a part of and incorporated into this Plan. Any such variation, modification, amendment or supplement shall be posted on the Monitor's website (www.ey.com/ca/terracebay) on the day on which it is filed with the Court, served on the CCAA Proceedings service list, and notice will be given to all Affected Creditors who have filed proxies with the Monitor, to the extent that such Affected Creditors are not on the

service list or have requested written notice in accordance with this Section. Affected Creditors are advised to check the Monitor's website regularly. Affected Creditors in attendance at the Creditors' Meeting will also be advised of any amendment made to the Plan.

In addition, the Applicant may propose a variation, modification of or amendment or supplement to this Plan during the Creditors' Meeting with the consent of the Monitor if such amendment would not be materially prejudicial to the interests of any of the Affected Creditors under the Plan, provided that notice of such variation, modification, amendment or supplement is given to all Affected Creditors entitled to vote present in person or by proxy at the applicable Creditors' Meeting prior to the vote being taken at such Creditors' Meeting, in which case any such variation, modification, amendment or supplement shall, for all purposes, be deemed to be part of the Plan. Any variation, amendment, modification or supplement at a Creditors' Meeting will be promptly posted on the Monitor's website (www.ey.com/ca/terracebay) and filed with the Court as soon as practicable following the applicable Creditors' Meeting.

9.2 Non-material Amendments to Plan

The Applicant may vary, amend, modify or supplement this Plan at any time and from time to time after the Creditors' Meeting (and both prior to and subsequent to the obtaining of the Sanction Order), without the need for obtaining an Order of the Court or providing notice to the Affected Creditors, if the Applicant and the Monitor, acting reasonably and in good faith, determine that such variation, amendment, modification or supplement is of a technical or administrative nature that would not be materially prejudicial to the interests of any of the Affected Creditors under this Plan and is necessary in order to give effect to the substance of this Plan or the Sanction Order.

ARTICLE 10
PLAN IMPLEMENTATION AND EFFECT OF THE PLAN

10.1 Implementation

On the Effective Date, subject to the satisfaction or waiver of the conditions contained in Section 8.2 of this Plan, this Plan shall be implemented by the Applicant and shall be binding upon all Affected Creditors in accordance with the terms of this Plan and the Sanction Order.

10.2 Effect of the Plan Generally

The payment, compromise or satisfaction of any Affected Claims under this Plan, if sanctioned and approved by the Court, shall be binding upon each Affected Creditor, his, her or its heirs, executors, administrators, legal personal representatives, successors and assigns, as the case may be, for all purposes and this Plan will constitute: (a) full, final and absolute settlement of all rights of any Affected Creditor against the Applicant in respect of the Affected Claims; and (b) an absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the Affected Claims against the Applicant and all Liens granted by the Applicant in respect thereof, including any interest or costs accruing thereon whether before or after the Filing Date.

10.3 Compromise Effective for All Purposes

No Person who has a Claim as a guarantor, surety, indemnitor or similar covenant in respect of any Claim which is compromised under this Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim which is compromised under this Plan shall be entitled to any greater rights than the Affected Creditor whose Claim was compromised under this Plan. Accordingly, the payment, compromise or other satisfaction of any Claim under this Plan, if sanctioned and approved by the Court, shall be binding upon such Affected Creditor, his, her or its heirs, executors, administrators, legal and personal representatives, and successors and assigns, as the case may be, for all purposes and, to such extent, shall also be effective to relieve any third party directly or indirectly liable for such indebtedness, whether as guarantor, surety, indemnitor, director, joint covenantor, principal or otherwise.

10.4 Contracts

As of the Effective Date, each contract to which the Applicant is a party as at the Filing Date, as it may have been modified, amended or varied after the Filing Date, remains in full force and effect as at the Effective Date (other than in respect of Claims arising thereunder which have been affected or compromised by this Plan) unless such contract: (a) is the subject of a notice of repudiation or disclaimer delivered prior to the deadline specified in the Creditors' Meeting Order in accordance with the Claims Process Order; or (b) has expired or terminated pursuant to its terms.

10.5 Plan Releases

Effective on the Effective Date:

(a) The Applicant shall be forever released and discharged from all Affected Claims.

(b) Except as otherwise provided in this Plan or the Sanction Order, and subject to the provisions of Section 5.1(2) of the CCAA, each Affected Creditor or other Person in consideration of the distributions made under this Plan will be deemed to have forever released and discharged (i) the Applicant and its present and former directors, officers, employees, agents, affiliates, professional advisors (including legal counsel) and associates (ii) the Monitor and its present and former partners, directors, officers, employees, agents, affiliates, professional advisors (including legal counsel) and associates, and (iii) any Person who may claim contribution or indemnification against or from the Applicant, from any and all demands, Claims, including Claims of any past and present officers, directors or employees for contribution and indemnity, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, charges and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Affected Creditor or other Person may be entitled to assert, including, without limitation, any and all Tax Claims, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, dealing, event or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with the Applicant, its assets or property, the business or affairs of the Applicant (whenever and however conducted), the transactions and events giving rise to any Claims, this Plan or the CCAA Proceedings, other than Excluded Claims and the right to enforce the Applicants' obligations under this Plan.

(c) The Applicant shall be deemed to have forever released and discharged each of its (i) present and former directors, officers and employees, and (ii) the Monitor and its present and former partners, directors, officers, employees, agents, affiliates, professional advisors (including legal counsel) and associates, from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, charges and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, dealing, event or other occurrence existing or taking place on or prior to the Effective Date in any way relating to, arising out of or in connection with the Applicant, its assets or property, the business or affairs of the Applicant (whenever and however conducted), the transactions and events giving rise to any Claims, this Plan or the CCAA Proceedings, that could be asserted by or on behalf of the Applicant.

10.6 Knowledge of Claims

Each Person to which Section 10.5 applies shall be deemed to have granted the releases set forth in Section 10.5 notwithstanding that it may hereafter discover facts in addition to, or different from, those which it now knows or believes to be true, and without regard to the subsequent discovery or existence of such different or additional facts, and such party expressly waives any and all rights that it may have under any Applicable Law which would limit the effect of such releases to those Claims or causes of action known or suspected to exist at the time of the granting of the release.

10.7 Exculpation

Neither the Applicant, the Monitor nor any of their respective present or former partners, directors, officers, employees, agents, affiliates, professional advisors (including legal counsel) and associates shall have or incur any liability to any holder of a Claim or equity interest in the Applicants, or other party in interest, or any of their respective members, officers, directors, employees, professional advisors (including legal counsel) or agents or any of their successors and assigns, for any act or omission in connection with, related to, or arising out of the CCAA Proceedings, the pursuit of sanction of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, including the negotiation and solicitation of the Plan, except for wilful misconduct or gross negligence, and subject to the provisions of Section 5.1(2) of the CCAA. In all respects, the Applicant, the Monitor and each of their present and former partners, directors, officers, employees, agents, affiliates, professional advisors (including legal counsel) and associates shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

10.8 Waiver of Defaults

From and after the Effective Date, and subject to any express provisions to the contrary in any amending agreement entered into with the Applicant after the Filing Date, all Persons shall be deemed to have waived any and all defaults of the Applicant then existing or previously committed by the Applicant or caused by the Applicant or any of the provisions hereof or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, express or implied, in every contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease, personal property lease

or other agreement, written or oral, any amendments or supplements thereto, existing between such Person and the Applicant. Any and all notices of default, acceleration of payments and demands for payments under any instrument, or other notices, including without limitation, any notices of intention to proceed to enforce security, arising from any of such aforesaid defaults shall be deemed to have been rescinded and withdrawn. For greater certainty, nothing in this paragraph shall waive any obligations of the Applicant in respect of any Excluded Claim.

10.9 Consents and Releases

From and after the Effective Date, all Affected Creditors shall be deemed to have consented and to have agreed to all of the provisions of this Plan as an entirety. In particular, each Affected Creditor shall be deemed to have granted, and executed and delivered to the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety.

10.10 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

ARTICLE 11
GENERAL PROVISIONS

11.1 Different Capacities

Affected Creditors whose Claims are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, each such Affected Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by an Affected Creditor in any one capacity shall not affect the Affected Creditor in any other capacity, unless expressly agreed by the Affected Creditor in writing or unless the Claims overlap or are otherwise duplicative.

11.2 Further Assurances

Notwithstanding that the transactions and events set out in this Plan may be deemed to occur without any additional act or formality other than as may be expressly set out herein, each of the Persons affected hereto shall make, do, and execute or cause to be made, done or executed all such further acts, deeds, agreements, assignments, transfers, conveyances, discharges,

assurances, instruments, documents, elections, consents or filings as may be reasonably required by the Applicant in order to implement this Plan.

11.3 Set-Off

The law of set-off applies to all Claims made against the Applicant and to all actions instituted by it for the recovery of debts due to the Applicant in the same manner and to the same extent as if the applicable Applicant was plaintiff or defendant, as the case may be.

11.4 Paramountcy

Without limiting any other provision hereof, from and after the Effective Date, in the event of any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed, or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease, personal property lease or other agreement, written or oral and any and all amendments or supplements thereto existing between the Applicant and any other Persons affected by this Plan, the terms, conditions and provisions of this Plan shall govern and shall take precedence and priority.

To the extent the Plan is inconsistent with the Information Circular filed in connection with the Plan, the provisions of the Plan shall govern and shall take precedence and priority.

11.5 Revocation, Withdrawal, or Non-Consummation

The Applicant reserves the right to revoke or withdraw this Plan at any time prior to the Effective Date and to file subsequent plans of compromises or arrangement. If the Applicant revokes or withdraws this Plan, or if the Sanction Order is not issued, (a) this Plan shall be null and void in all respects, (b) any Affected Claim, any settlement or compromise embodied in this Plan (including the fixing or limiting of any Affected Claim to an amount certain), assumption or termination, repudiation of contracts or leases effected by this Plan, any document or agreement executed pursuant to this Plan shall be deemed null and void, and (c) nothing contained in this Plan, and no action taken in preparation for consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Affected Claims by or against the Applicant or any Person; (ii) prejudice in any manner the rights of the Applicant or any Person in any further proceedings involving the Applicant, or (iii) constitute an admission of any sort by the Applicant or any Person.

11.6 Preservation of Rights of Action

Except as otherwise provided in this Plan or in the Sanction Order, or in any contract, instrument, release, indenture or other agreement entered into in connection with the Plan, following the Effective Date, the Applicant will retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights or causes of action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Applicant may hold against any Person or entity without further approval of the Court.

11.7 Responsibilities of the Monitor

The Monitor is acting solely in its capacity as Monitor in the CCAA Proceedings with respect to the Applicant and is not responsible or liable for any obligations of the Applicant. The Monitor will have the powers granted to it by this Plan, by the CCAA and by any Order, including the Initial Order.

11.8 Notices

Any notice or communication to be delivered hereunder will be in writing and will reference this Plan and may, subject to as hereinafter provided, be made or given by mail, personal delivery or by facsimile or e-mail transmission addressed to the respective parties as follows:

(a) if to the Applicant:

Terrace Bay Pulp Inc.
1120 Premier Way
Thunder Bay, ON P7B 0A3

Attention: Vice President and Treasurer
Fax: 807-346-5424

with a copy to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 2800
Commerce Court West
Toronto, ON M5L 1A9

Attention: Pamela L.J. Huff
Fax: 416.863.2958
E-mail: pamela.huff@blakes.com

(b) if to an Affected Creditor:

To the last known address (including fax number or email address) for such Affected Creditor set out in the books and records of the Applicant or, if an Affected Creditor filed a Proof of Claim, the address specified in the Proof of Claim filed by such Affected Creditor or such other address as the Affected Creditor may from time to time notify the Monitor in accordance with this Section.

(c) if to the Monitor:

Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7

Attention: Alex Morrison/Franca Mazzulla
Telephone 866.986.9676
Fax: 416.943.3300
E-mail: terracebay@ca.ey.com

with a copy to:

Lang Michener
Brookfield Place
Suite 2500, 181 Bay Street
Toronto, ON M5J 2T7

Attention: Sheryl Seigel
Fax: 416-365-1719
email: sseigel@langmichener.ca

or to such other address as any party may from time to time notify the others in accordance with this Section. All such notices and communications which are delivered will be deemed to have been received on the date of delivery. All such notices and communications which are faxed or emailed will be deemed to be received on the date faxed or e-mailed if sent before 5:00 p.m. (Eastern Time) on a Business Day and otherwise will be deemed to be received on the Business Day next following the day upon which such fax or email was sent. Any notice or other communication sent by mail will be deemed to have been received on the third Business Day after the date of mailing.

SCHEDULE "A"

FORM OF MONITOR'S CERTIFICATE

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.

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to the Order of this Honourable Court dated March 11, 2009 (the "Initial Order") Terrace Bay Pulp Inc. (the "Applicant") filed for and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended (the "CCAA").

B. Pursuant to the Initial Order, Ernst & Young Inc. was appointed the Monitor of the Applicant (the "Monitor") with the powers, duties and obligations set out in the Initial Order;

C. The Applicant has filed a Plan of Compromise and Arrangement under the CCAA dated May 21, 2010 (the "Plan"), which Plan has been approved by the Affected Creditors in accordance with the CCAA and sanctioned by Order of the Court; and

D. Unless otherwise indicated herein, initially capitalized terms used herein have the meaning set out in the Plan.

* * * * *

THE MONITOR HEREBY CERTIFIES that it has been advised by the Applicant in accordance with Section 8.3 of the Plan that the conditions precedent set out in Section 8.2 of

the Plan have been satisfied or waived in accordance with the Plan on _____, 2010 and that accordingly, the Effective Date is _____, 2010.

DATED at Toronto, Ontario, this _____ day of _____, 2010.

ERNST & YOUNG INC., solely in its capacity as Monitor of Applicant and not in its personal or corporate capacity

By: _____
Name:
Title:

SCHEDULE "B"

PLAN NOTE TERM SHEET

On the Effective Date, the Applicant shall issue to the Trustee a non-interest bearing subordinated secured promissory note having the following characteristics:

Principal Amount: Cdn. $30,000,000

Term: The earlier of (the occurrence of either event set out below being the "Maturity Date"):

(a) six (6) years from the effective date of the Plan, or

(b) the day which is one (1) year following repayment in full of all amounts owing by the Applicant to the Province under the Province Loan Agreement and the Stumpage Agreement,

provided that, in both cases, no payment shall be made under or pursuant to the Plan Note until all obligations under the ABL Loan Agreement, the Province Loan Agreement, and the Stumpage Agreement have been paid in full and all commitments by the lenders under the ABL Loan Agreement and the Province Loan Agreement have been terminated.

Payment on Maturity Date: On the Maturity Date, in full and final satisfaction of its obligations under the Plan Note, the Applicant shall pay the amount set forth below based on its total cumulative net income, calculated in accordance with GAAP for the period from the effective date of the Plan until the Maturity Date ("Total Net Income"):

(a) if Total Net Income is equal to or greater than $80,000,000, $30,000,000;

(b) if Total Net Income is equal to or less than $40,000,000, $10,000,000; or

(c) if Total Net Income is less than $80,000,000 and more than $40,000,000, the amount payable under the Plan Note will be $30,000,000 less 1/2 of the amount by which Total Net Income is less than $80,000,000 (such that, for example, if Total Net Income is $60,000,000, the amount payable by Terrace Bay shall be $20,000,000).

Security: The Plan Note shall be secured by all assets, property and undertaking of Terrace Bay, subordinate in all respects to the ABL Loan Agreement, the Province Loan Agreement (including any replacement or refinancing of the ABL Loan Agreement or the Province Loan Agreement), and any other secured financing obtained by the Applicant from time to time, under a silent subordination agreement in form satisfactory to the lenders under the ABL Loan Agreement and the Province Loan Agreement.

Optional Prepayment: The Plan Note may be prepaid in whole or in part at any time at the option of the Applicant.

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.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

PLAN OF COMPROMISE AND ARRANGEMENT OF TERRACE BAY PULP INC.

(May 21, 2010)

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SCHEDULE "2" TO CREDITORS' MEETING ORDER

FORM OF NOTICE OF CREDITORS' MEETING

(Attached)

Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7
Tel: 416 864 1234
Fax: 416 943 3300
ey.com/ca

NOTICE OF THE CREDITORS' MEETING OF TERRACE BAY PULP INC.
(hereinafter referred to as the "Applicant")

NOTICE IS HEREBY GIVEN that the Plan of Compromise and Arrangement of the Applicant dated May 21, 2010 (as may be amended from time to time, the "Plan") was filed pursuant to the Companies' Creditors Arrangement Act (the "CCAA") with the Ontario Superior Court of Justice (the "Court") on or about May 31, 2010. The Plan contemplates the compromise of the rights and claims of certain creditors of the Applicant. A copy of the Plan is attached to the enclosed Information Circular.

Capitalized terms used and not otherwise defined in this Notice are as defined in the Creditors' Meeting Order.

NOTICE IS ALSO HEREBY GIVEN that the Applicant may vary, amend, modify or supplement the Plan with the consent of the Monitor (as defined in the Plan):

(i) at any time prior to the Creditors' Meeting (as defined hereafter), provided that the Applicant files the amended Plan with the Court, arranges to have the amended Plan posted on the Monitor's website, serves the amended Plan on the parties listed on the service list to these CCAA proceedings and on any other party requesting a copy of such amendments, and provides notice of the amended Plan to Affected Creditors that have filed proxies with the Monitor to the extent that such Affected Creditors are not on the Applicant's Service List. Eligible Voting Creditors (as defined hereafter) present at the Creditors' Meeting will also be advised of any such amendments made to the Plan;

(ii) at any time during the Creditors' Meeting, provided that the amendment would not materially prejudice the interests of any of the creditors under the Plan and that the Applicant gives notice to all Eligible Voting Creditors present at the Creditors' Meeting prior to the vote being taken, files the amended Plan with the Court as soon as practically possible following the Creditors' Meeting and arranges to have the amended Plan promptly posted on the Monitor's website; or

(iii) at any time and from time to time after the Creditors' Meeting and without further order of the Court or notice to any creditor, provided that the Applicant and the Monitor, acting reasonably and in good faith, determine the variation, amendment, modification or supplement in the amended Plan to be of a technical or administrative nature that would not materially prejudice the interests of any of the creditors under the Plan and necessary in order to give effect to the substance of the Plan or the Sanction Order (as defined hereafter).

A member firm of Ernst & Young Global Limited

ERNST & YOUNG

Affected Creditors who wish to receive written notice of any variation, modification, amendment or supplement to the Plan should contact the Monitor at the following address:

Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7

Attention:	Alex Morrison/Franca Mazzulla
Telephone	866.986.9676
Fax:	416.943.3300
E-mail:	terracebay@ca.ey.com

NOTICE IS ALSO HEREBY GIVEN that the order of the Court dated May 31, 2010 (the "Creditors' Meeting Order") established the procedures for the Applicant to call, hold and conduct a meeting of holders of Affected Claims (the "Creditors' Meeting") to consider and pass resolution, if thought advisable, approving the Plan and to transact such other business as may be properly brought before the Creditors' Meeting. For the purpose of voting on and receiving

distributions pursuant to the Plan, the holders of Affected Claims will be grouped into a single class, being the Unsecured Class.

NOTICE IS ALSO HEREBY GIVEN that the Creditors' Meeting will be held at the following date, times and location:

Date:	June 21, 2010
Time:	2:00 p.m (Eastern Daylight Time)
Location:	Valhalla Inn, The Viking Room, 1 Valhalla Inn Road, Thunder Bay, ON, P7E 6J1

Only those creditors with Proven Unsecured Claims or Disputed Claims (each such creditor, an "Eligible Voting Creditor") will be eligible to attend the Creditors' Meeting and vote on the resolution to approve the Plan. The votes of creditors holding Disputed Claims will be separately tabulated, and Disputed Claims will be resolved for voting purposes in accordance with the Claims Process Order, the Creditors' Meeting Order and the Plan. A holder of an Excluded Claim, as defined by the Plan, will not be entitled to attend and vote at the Creditors' Meeting in respect of such Excluded Claim.

Any Eligible Voting Creditor who is unable to attend the Creditors' Meeting may vote by proxy. Further, any Eligible Voting Creditor who is not an individual may only attend and vote at the

Creditors' Meeting if a proxyholder has been appointed to act on its behalf at the Creditors' Meeting.

Proxies, once duly completed, dated and signed, must be received by the Monitor by mail, delivery, courier, e-mail or facsimile at the address of the Monitor set out on the Proxy by no later than 1:00 p.m. (Eastern Daylight Time) on the last Business Day preceding the date set for the Creditors' Meeting, or any adjournment thereof, in order to be acted upon at the Creditors' Meeting. Proxies may also be hand delivered to the Chair of the Creditors' Meeting prior to the commencement of the Creditors' Meeting. After the commencement of the Creditors' Meeting, no Proxies can be accepted by the Monitor.

NOTICE IS ALSO HEREBY GIVEN that if the Plan is approved at the Creditors' Meeting by the Affected Creditors and all other necessary conditions are met, the Applicant intends to make a motion before the Court on June 29, 2010 seeking an order sanctioning the Plan pursuant to the CCAA (the "Sanction Order"). Any person wishing to oppose the motion for the Sanction Order must serve a copy of the materials to be used to oppose the motion and setting out the basis for such opposition upon the lawyers for both the Applicant and the Monitor as well as those parties listed on the Service List posted on the Monitor's website. Such materials must be served by not later than 5:00 p.m. (Eastern Daylight Time) on the day that is 4 days after the Creditors' Meeting.

NOTICE IS ALSO HEREBY GIVEN that in order for the Plan to become effective:

(i) the Plan must be approved at the Creditors' Meeting by the required majority of Affected Creditors entitled to vote at the Creditors' Meeting;

(ii) the Plan must be sanctioned by the Court; and

(iii) the conditions to the implementation and effectiveness of the Plan as set out in the Plan and described in the Information Circular must be satisfied or waived.

Additional copies of the Information Package, including the Information Circular and the Plan, may be obtained from the Monitor's website (www.ey.com/ca/terracebay) or by contacting the Monitor by telephone at 1-866-986-9676 or by email at terracebay@ca.ey.com

SCHEDULE "3" TO CREDITORS' MEETING ORDER

FORM OF PROXY

(Attached)

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.

PROXY

Before completing this proxy, please read carefully the accompanying instructions for the proper completion and return of the form.

Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement of the Applicant dated May 21, 2010 (as may be amended from time to time, the "Plan") filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Ontario Superior Court of Justice (the "Court") on May 31, 2010.

In accordance with the Plan, proxies may only be filed by Affected Creditors having a Proven Unsecured Claim or Disputed Claim ("Eligible Voting Creditors").

THE UNDERSIGNED ELIGIBLE VOTING CREDITOR hereby revokes all Proxies previously given and nominates, constitutes, and appoints:

_____

Print Name of proxy

or, instead of the foregoing, Todd Ambachtsheer of Ernst & Young Inc., in its capacity as Monitor or such other Person as he, in his sole discretion, may designate, to attend on behalf of and act for the Eligible Voting Creditor at the Creditors' Meeting to be held in connection with the Plan and at any and all adjournments, postponements or other rescheduling of the Creditors' Meeting, and to vote the amount of the Eligible Voting Creditor's claim(s) for voting purposes as determined by and accepted for voting purposes in accordance with the Creditors' Meeting Order and as set out in the Plan as follows:

A. (mark one only):

☐ Vote **FOR** approval of the Plan; or

☐ Vote **AGAINST** approval of the Plan.

If a box is not marked as a vote for or against approval of the Plan, this proxy shall be voted for approval of the Plan.

- and -

B. Vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the Creditors' Meeting or any adjournment, postponement or other rescheduling of the Creditors' Meeting.

Dated this _____ day of _____, 2010.

Print Name of Eligible Voting Creditor	Title of the authorized signing officer of the corporation, partnership or trust, if applicable
Signature of Eligible Voting Creditor or, if the Eligible Voting Creditor is a corporation, partnership or trust, signature of an authorized signing officer of the corporation, partnership or trust	Telephone number of Eligible Voting Creditor or authorized signing officer
Mailing Address of Eligible Voting Creditor	E-mail address of Eligible Voting Creditor

Print Name of Witness, if Eligible Voting Creditor is an individual

Signature of Witness

INSTRUCTIONS FOR COMPLETION OF PROXY

1. This proxy should be read in conjunction with the Plan of Compromise and Arrangement of the Applicant dated May 21, 2010 (as may be amended from time to time, the "Plan") filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Ontario Superior Court of Justice (the "Court") on May 31, 2010, the Information Circular and the Creditors' Meeting Order.

2. Each Eligible Voting Creditor has the right to appoint a person (who need not be a Creditor) to attend, act and vote for and on behalf of the Eligible Voting Creditor and such right may be exercised by inserting the name of the person to be appointed in the space provided on the proxy.

3. If no name has been inserted in the space provided, the Eligible Voting Creditor will be deemed to have appointed Todd Ambachtsheer of Ernst & Young Inc., in its capacity as Monitor or such other Person as he, in his sole discretion, may designate to attend on behalf of and act for the Eligible Voting Creditor at the Creditors' Meeting to be held in connection with the Plan and at any and all adjournments, postponements or other rescheduling of the Creditors' Meeting.

4. An Eligible Voting Creditor who has given a proxy may revoke it unless such Eligible Voting Creditor has agreed otherwise (as to any matter on which a vote has not already been cast pursuant to its authority) by delivering written notice to the Monitor.

5. If this proxy is not dated in the space provided, it shall be deemed to be dated as of the date on which it is received by the Monitor.

6. A valid proxy from the same Eligible Voting Creditor bearing or deemed to bear a later date shall revoke this proxy. If more than one valid proxy from the same Eligible Voting Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such Proxies will not be counted for the purposes of the vote.

7. This proxy confers discretionary authority upon the persons named herein in respect of amendments, variations or supplements to the Plan or other matters that may properly come before the Creditors' Meeting or any adjournment, postponement or other rescheduling of the Creditors' Meeting.

8. The Person named in the proxy shall vote the Proven Unsecured Claim or Disputed Claim, as applicable, of the Eligible Voting Creditor in accordance with the direction of the Eligible Voting Creditor appointing them on any ballot that may be called for at the Creditors' Meeting. **IF AN ELIGIBLE VOTING CREDITOR FAILS TO INDICATE ON THIS PROXY A VOTE FOR OR AGAINST APPROVAL OF THE PLAN, THIS PROXY WILL BE VOTED FOR APPROVAL OF THE PLAN, INCLUDING ANY AMENDMENTS, VARIATIONS OR SUPPLEMENTS THERETO.**

9. This proxy must be signed by the Eligible Voting Creditor or by a person duly authorized (by power of attorney) to sign on the Eligible Voting Creditor's behalf or, if the Eligible Voting Creditor is a corporation, partnership or trust, by a duly authorized officer or attorney of the corporation, partnership or trust. If you are voting on behalf of a corporation, partnership or trust, you may be required to provide documentation evidencing your power and authority to sign this proxy.

10. **A PROXY, ONCE DULY COMPLETED, DATED AND SIGNED, MUST BE RECEIVED BY THE MONITOR BY EMAIL TO terracebay@ca.ey.com, OR IF THE COMPLETED PROXY CANNOT BE SENT BY EMAIL IT SHALL BE SENT BY FACSIMILE, REGISTERED MAIL OR COURIER TO:**

By mail or courier:	Ernst & Young Inc. Monitor of Terrace Bay Pulp Inc. P.O. Box 251 Ernst & Young Tower Toronto-Dominion Centre 222 Bay Street Toronto, Ontario, Canada M5K 1J7 Attention: Franca Mazzulla re Terrace Bay Proxies
By facsimile:	(416) 943-3300

THIS PROXY MUST BE RECEIVED BY THE MONITOR BY NO LATER THAN 1:00 P.M. (EASTERN DAYLIGHT TIME) ON THE LAST BUSINESS DAY PRECEDING THE DATE SET FOR THE CREDITORS MEETING OR ANY ADJOURNMENT THEREOF, OR DELIVERED BY HAND TO THE CHAIR PRIOR TO THE COMMENCEMENT OF THE CREDITORS' MEETING. AFTER COMMENCEMENT OF THE CREDITORS' MEETING, NO PROXIES CAN BE ACCEPTED BY THE MONITOR.

11. The Applicant and the Monitor are authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and executed and may waive strict compliance with the requirements in connection with the deadlines imposed by the Creditors' Meeting Order.

SCHEDULE "4" TO CREDITORS' MEETING ORDER

FORM OF NEWSPAPER NOTICE

(Attached)

NOTICE OF THE CREDITORS' MEETING OF TERRACE BAY PULP INC.
(hereinafter referred to as the "Applicant")

This notice is being published pursuant to the order of the Ontario Superior Court of Justice (the "Court") dated May 31, 2010 (the "Creditors' Meeting Order") which established the procedures for the Applicant to call, hold and conduct a meeting of certain of its unsecured creditors (the "Creditors' Meeting") to consider and pass a resolution, if thought advisable, approving the Plan of Compromise and Arrangement of the Applicant dated May 21, 2010 (as may be amended from time to time, the "Plan") and to transact such other business as may be properly brought before the Creditors' Meeting. The Creditors' Meeting will be held at the following time and location:

Date: June 21, 2010

Time: 2:00 p.m (Eastern Daylight Time)

Location: Valhalla Inn, The Viking Room, 1 Valhalla Inn Road, Thunder Bay, ON, P7E 6J1

ONLY THOSE CREDITORS:

(I) WHO HAVE SUBMITTED A PROOF OF CLAIM IN ACCORDANCE WITH THE TERMS OF THE CLAIMS PROCESS ORDER DATED DECEMBER 18, 2009 (AS AMENDED); OR

(II) WHO HAVE RECEIVED A CLAIM AMOUNT NOTICE FROM THE MONITOR

AND WHO HAVE PROVEN THEIR CLAIM OR ARE IN THE PROCESS OF DISPUTING THEIR CLAIM IN ACCORDANCE WITH THE CLAIMS PROCESS ORDER, SHALL BE ENTITLED TO ATTEND AND VOTE ON THE RESOLUTION TO APPROVE THE PLAN AT THE CREDITORS' MEETING.

Creditors may obtain copies of the Plan and more information about the Plan, any amendments that may be made to the Plan and the Creditors' Meeting on the Monitor's website (www.ey.com/ca/terracebay) or by contacting the Monitor by telephone at 1-866-986-9676 or by email at terracebay@ca.ey.com.

If the Plan is approved by the required majority of the Applicant's creditors voting in person or by proxy at the Creditors' Meeting in accordance with the *Companies' Creditors Arrangement Act*, the Applicant intends to bring a motion to the Court on June 29, 2010 for approval of an Order sanctioning the Plan.

SCHEDULE "5" TO CREDITORS' MEETING ORDER

PLAN RESOLUTION

(Attached)

PLAN RESOLUTION FOR THE UNSECURED CLASS OF

TERRACE BAY PULP INC.

(the "Applicant")

Plan of Compromise and Arrangement
under the *Companies' Creditors Arrangement Act*

BE IT RESOLVED THAT:

1. the Plan of Compromise and Arrangement dated May 21, 2010 filed by the Applicant under the *Companies' Creditors Arrangement Act,* as may be amended, varied, restated or supplemented (the "Plan"), presented to the Creditors' Meeting be and is hereby authorized and approved;

2. Notwithstanding that this resolution has been passed and the Plan approved by the Unsecured Class of Affected Creditors, or the Plan has been approved by the Court, the directors of Terrace Bay Pulp Inc. be and are hereby authorized and empowered to amend or not proceed with this resolution in accordance with the Plan; and

3. the Vice-President and Treasurer of the Applicant be and are hereby authorized, empowered and instructed, acting for, and in the name of and on behalf of the Applicant (but not the creditors), to execute, or cause to be executed under the seal of the Applicant or otherwise, and to deliver or cause to be delivered for, on behalf of and in the name of the Applicant, all such documents, agreements and instruments and to do or cause to be done all such other acts and things as the Vice-President and Treasurer determine to be necessary or desirable in order to carry out the Plan, such determination to be conclusively evidenced by the execution and delivery by such Vice-President and Treasurer of such documents, agreements or instruments or the doing of any such act or thing.

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

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.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

CREDITORS' MEETING ORDER

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Lawyers for the Applicant