

**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

**MOTION RECORD
(Returnable September 9, 2010)**

September 2, 2010

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

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

Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174
Fax: (416) 863-2653

Lawyers for the Applicant

TO: **SERVICE LIST ATTACHED**

SERVICE LIST (including Lien Claimants' Counsel)

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

Michael McGraw LSUC#46679C
Tel: (416) 863-4247
Fax: (416) 863-2653
Email: michael.mcgraw@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

Michael Trepanier
Tel: (416) 943-3671
Fax: (416) 943-3300
Email: michael.trepanier@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

Maria Konyukhova

Tel: (416) 869-5230
Fax: (416) 947-0866
Email: mkonyukhova@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: 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

Kate Kempton
Tel: (416) 981-9374
Fax: (416) 981-9350
Email: kkempton@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: ERICKSON & PARTNERS

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

John Erickson

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

Etienne G.D. Esquega

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

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

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: 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: holinger@tbaytel.net

Lawyers for Peterson Machine & Supply Inc.

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 Algoma Street N.
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. (Lachance Trucking) and
10229987 Ontario Limited (Alary Logging)

AND TO: GOODMANS LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Cathy Costa
Tel: (416) 979-2211
Fax: (416) 979-1234
Email: ccosta@goodmans.ca

Fred Myers
Tel: (416) 597-5923
Fax: (416) 979-1234
Email: fmyers@goodmans.ca

Hannah Arthurs
Tel: (416) 849-6022
Fax: (416) 979-1234
Email: harthurs@goodmans.ca

Lawyers for Deloitte & Touche Inc., in its capacity as privately appointed
Receiver of certain assets and property of Buchanan Forest Products Ltd.

AND TO: MINISTRY OF NATURAL RESOURCES

Legal Services Branch
99 Wellesley Street West
Rm.3420
Toronto, ON M7A1W3

Stuart D. Davidson

Tel: 416-314-2004
Fax: 416-314-2030
Email: stuart.davidson@ontario.ca

AND TO: TURBOCARE CANADA, LTD.

4920 - 43 Street SE
Calgary, AB T2B 3N3

Hugh Gardner

Tel: (403) 720-7246
Fax: (403) 279-2363
Email: hgardner@turbocare.com

AND TO: ERICKSON & PARTNERS

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

Robert Somerleigh

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

Lawyers for Mark A. Lewis

AND TO: CITY OF THUNDER BAY

3rd Floor, City Hall
500 Donald Street East
Thunder Bay, ON P7E 5V3

Rosalie A. Evans, City Solicitor

Tel: (807) 625-3382
Fax: (807) 623-2256
Email: REvans@thunderbay.ca

AND TO: MCKITRICKS
Barristers & Solicitors
17A S. Cumberland St.
Thunder Bay, ON P7B 2T3

Allan G. McKitrick, Q.C.
Tel: 807-345-1251
Fax: 807-345-0043
Email: mckits@tbaytel.net

Lawyers to Township of Terrace Bay

AND TO: GOODMANS LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Kenneth Crofoot
Tel: (416) 597-4110
Fax: (416) 979-1234
Email: kcrofoot@goodmans.ca

Lawyers for the Corporation of the Township of Terrace Bay

AND TO: CEDA INTERNATIONAL CORPORATION
500-11012 MacLeod Trail SE
Calgary, AB T2J 6A5

Eric Stearns, Legal Counsel
Tel: (403) 218-2483
Fax: (403) 252-6700
Email: estearns@cedagroup.com

AND TO: MCCAGUE BORLACK LLP

130 King Street West
Suite 2700
Toronto, ON M5X 1C7

Gary Caplan

Tel: 416-860-8096
Fax: 416-860-0003
Email: gmcaplan@mccagueborlack.com

Andrew Stainer

Tel: 416 860-8093
Email: astainer@mccagueborlack.com

Lawyers for P.S. Johnson

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. (Thibault Logging), 1401350 Ontario Limited (Re-Nel Chipping), Get It Done Contracting Inc., D.N.J. Timber Ltd., 1401329 Ontario Inc. (D&M Logging), Stephane Dube Slashing Inc., 1037800 Ontario Limited (C. St. Pierre), 1304860 Ontario Inc. (Y. Cote), 799721 Ontario Inc. (Mark Loubier), Parsons Timber Contracting Inc., P and P Logging Ltd., 846036 Ontario Limited (L. Gosselin), and Rene Ouellet Logging Ltd.

AND TO: TERRY GILBART
Barrister & Solicitor
217 Van Norman Street
Thunder Bay, ON P7A 4B6

Terry Gilbert
Tel: 807-345-6538
Email: tgilbart.law@shawbiz.ca

Lawyers for Timber Logistics Inc. and 1648864 Ontario Inc. (J. Ruela)

AND TO: CHEADLES LLP
Lawyers & Trademark Agents
715 Hewitson Street, PO Box 10429
Thunder Bay, ON P7B 6T8

J. Douglas Shanks
Tel: (807) 622-6821
Fax: (807) 623-3892
Email: shanksj@cheadles.com

Ken Ritson
Tel: (807) 622-6821
Fax: (807) 623-3892
Email: ritson@cheadles.com

Lawyers for Beck Timber Limited

AND TO: MINISTRY OF NORTHERN DEVELOPMENT, MINES & FORESTRY
Donald Bennett
Email: donald.bennett@ontario.ca

AND TO: BUSET & PARTNERS LLP

1121 Barton Street
Thunder Bay, ON P7B 5N3

T. Michael Strickland

Tel: (807)-623-2500

Fax: (807) 622-7808

Email: mstrickland@buset-partners.com

Lawyers for Wayne George Grading Ltd.

AND TO: HARK TIMBER LTD.

374 Wentworth Cres.
Thunder Bay, ON P7A 7S8

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

INDEX

<u>TAB. NO.</u>		<u>PAGE NO.</u>
1	Notice of Motion returnable September 9, 2010	1 - 17
A	Draft Approval and Vesting Order dated September 9, 2010	18 - 20
Schedule A	Fibre Purchase Term Sheet (see Exhibit A)	20A
Schedule B	List of Lien Claimants	21
Schedule C	List of Court Actions	22 - 24
2	Affidavit of Russell York sworn September 2, 2010	27 - 34
A	Draft Fiber Purchase Term Sheet	35 - 52
B	Letter to Lien Claimants – Terry Gilbert (without enclosures)	53 - 54
C	Letter to Lien Claimants – John Erickson (without enclosures)	55- 56
D	Letter to Lien Claimants – Louis Fillion (without enclosures)	57 - 58
E	Letter to Lien Claimants – Chantal Brochu/Derek Zulianello (without enclosures)	59 - 60
F	Letter to Lien Claimants – Walter Wieckowski (without enclosures)	61 - 62
G	Letter to Lien Claimants – James Garofalo (without enclosures)	63 - 64

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

**NOTICE OF MOTION
(Returnable September 9, 2010)**

Terrace Bay Pulp Inc. (the "Applicant"), will make a motion to a Judge presiding over the Commercial List on Thursday, September 9, 2010, 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.

1. **THE MOTION IS FOR** an Order substantially in the form as attached hereto as **Schedule "A"**:

- (a) abridging the time for service of the Notice of Motion and the Motion Record, and declaring that the motion is properly returnable on Thursday, September 9, 2010;
- (b) approving the sale transaction contemplated by a term sheet (the "Fibre Purchase Term Sheet") among Terrace Bay, the Province of Ontario, as represented by the Ministry of Northern Development, Mines and Forestry (the "Province"), Deloitte & Touche Inc., in its capacity as privately appointed receiver of certain of the assets of Buchanan Forest Products Limited. (the "Receiver"), and the lien claimants listed on Schedule "A" to the draft Order (the "Lien Claimants"), and together with the Receiver and the Province, the "Beneficiaries"); and
- (c) vesting in Terrace Bay the Beneficiaries' rights, title and interest in and to the assets described in the Fibre Purchase Term Sheet (the "Fibre"); and
- (d) authorizing Terrace Bay to distribute the proceeds from the purchase of the Fibre to the Beneficiaries in accordance with the Fibre Purchase Term Sheet free and clear of any and all claims; and
- (e) such further and other relief as the Applicant may request and this Honourable Court shall deem just.

THE GROUNDS FOR THE MOTION ARE:

- (a) the reasons described in the affidavit of Russell York sworn September 2, 2010 (the "York Affidavit");
- (b) Section 11 of the *Companies' Creditors Arrangement Act*.
- (c) Section 100 of the *Courts of Justice Act* (Ontario); and
- (d) such further and other grounds as counsel may advise.

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

- (a) The York Affidavit; and
- (b) such other materials as counsel may advise and this Honourable Court permit.

September 2, 2010

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

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

Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174
Fax: (416) 863-2653

Lawyers for the Applicant

TO: **SERVICE LIST ATTACHED**

SERVICE LIST (including Lien Claimants' Counsel)

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

Michael McGraw LSUC#46679C
Tel: (416) 863-4247
Fax: (416) 863-2653
Email: michael.mcgraw@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

Michael Trepanier
Tel: (416) 943-3671
Fax: (416) 943-3300
Email: michael.trepanier@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
Maria Konyukhova
Tel: (416) 869-5230
Fax: (416) 947-0866
Email: mkonyukhova@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: 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

Kate Kempton
Tel: (416) 981-9374
Fax: (416) 981-9350
Email: kkempton@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: ERICKSON & PARTNERS
Barristers, Solicitors, Notaries
291 Court Street South
Thunder Bay, ON P7B 2Y1

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

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

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

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: 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: holinger@tbaytel.net

Lawyers for Peterson Machine & Supply Inc.

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 Algoma Street N.
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. (Lachance Trucking) and
10229987 Ontario Limited (Alary Logging)

AND TO: GOODMANS LLP

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Cathy Costa

Tel: (416) 979-2211
Fax: (416) 979-1234
Email: ccosta@goodmans.ca

Fred Myers

Tel: (416) 597-5923
Fax: (416) 979-1234
Email: fmyers@goodmans.ca

Hannah Arthurs

Tel: (416) 849-6022
Fax: (416) 979-1234
Email: harthurs@goodmans.ca

Lawyers for Deloitte & Touche Inc., in its capacity as privately appointed
Receiver of certain assets and property of Buchanan Forest Products Ltd.

AND TO: MINISTRY OF NATURAL RESOURCES

Legal Services Branch
99 Wellesley Street West
Rm.3420
Toronto, ON M7A1W3

Stuart D. Davidson

Tel: 416-314-2004
Fax: 416-314-2030
Email: stuart.davidson@ontario.ca

AND TO: TURBOCARE CANADA, LTD.

4920 - 43 Street SE
Calgary, AB T2B 3N3

Hugh Gardner

Tel: (403) 720-7246
Fax: (403) 279-2363
Email: hgardner@turbocare.com

AND TO: ERICKSON & PARTNERS

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

Robert Somerleigh

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

Lawyers for Mark A. Lewis

AND TO: CITY OF THUNDER BAY

3rd Floor, City Hall
500 Donald Street East
Thunder Bay, ON P7E 5V3

Rosalie A. Evans, City Solicitor

Tel: (807) 625-3382
Fax: (807) 623-2256
Email: REvans@thunderbay.ca

AND TO: MCKITRICKS
Barristers & Solicitors
17A S. Cumberland St.
Thunder Bay, ON P7B 2T3

Allan G. McKitrick, Q.C.
Tel: 807-345-1251
Fax: 807-345-0043
Email: mckits@tbaytel.net

Lawyers to Township of Terrace Bay

AND TO: GOODMAN'S LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Kenneth Crofoot
Tel: (416) 597-4110
Fax: (416) 979-1234
Email: kcrofoot@goodmans.ca

Lawyers for the Corporation of the Township of Terrace Bay

AND TO: CEDA INTERNATIONAL CORPORATION
500-11012 MacLeod Trail SE
Calgary, AB T2J 6A5

Eric Stearns, Legal Counsel
Tel: (403) 218-2483
Fax: (403) 252-6700
Email: estearns@cedagroup.com

AND TO: MCCAGUE BORLACK LLP

130 King Street West
Suite 2700
Toronto, ON M5X 1C7

Gary Caplan

Tel: 416-860-8096
Fax: 416-860-0003
Email: gmcaplan@mccagueborlack.com

Andrew Stainer

Tel: 416 860-8093
Email: astainer@mccagueborlack.com

Lawyers for P.S. Johnson

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. (Thibault Logging), 1401350 Ontario Limited (Re-Nel Chipping), Get It Done Contracting Inc., D.N.J. Timber Ltd., 1401329 Ontario Inc. (D&M Logging), Stephane Dube Slashing Inc., 1037800 Ontario Limited (C. St. Pierre), 1304860 Ontario Inc. (Y. Cote), 799721 Ontario Inc. (Mark Loubier), Parsons Timber Contracting Inc., P and P Logging Ltd., 846036 Ontario Limited (L. Gosselin), and Rene Ouellet Logging Ltd.

AND TO: TERRY GILBART
Barrister & Solicitor
217 Van Norman Street
Thunder Bay, ON P7A 4B6

Terry Gilbert
Tel: 807-345-6538
Email: tgilbart.law@shawbiz.ca

Lawyers for Timber Logistics Inc. and 1648864 Ontario Inc. (J. Ruela)

AND TO: CHEADLES LLP
Lawyers & Trademark Agents
715 Hewitson Street, PO Box 10429
Thunder Bay, ON P7B 6T8

J. Douglas Shanks
Tel: (807) 622-6821
Fax: (807) 623-3892
Email: shanksj@cheadles.com

Ken Ritson
Tel: (807) 622-6821
Fax: (807) 623-3892
Email: ritson@cheadles.com

Lawyers for Beck Timber Limited

AND TO: MINISTRY OF NORTHERN DEVELOPMENT, MINES & FORESTRY
Donald Bennett
Email: donald.bennett@ontario.ca

AND TO: BUSET & PARTNERS LLP

1121 Barton Street
Thunder Bay, ON P7B 5N3

T. Michael Strickland

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

Lawyers for Wayne George Grading Ltd.

AND TO: HARK TIMBER LTD.

374 Wentworth Cres.
Thunder Bay, ON P7A 7S8

SCHEDULE "A"

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

ONTARIO
 SUPERIOR COURT OF JUSTICE
 COMMERCIAL LIST

THE HONOURABLE MR.	)	THURSDAY, THE 9 th
	)	
JUSTICE MORAWETZ	)	DAY OF SEPTEMBER, 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.

APPROVAL AND VESTING ORDER

THIS MOTION, made by Terrace Bay Pulp Inc. ("Terrace Bay") for, among other things, an order approving the sale transaction (the "Transaction") contemplated by a term sheet substantially in the form of the term sheet attached as **Schedule "A"** (the "Fibre Purchase Term Sheet") among Terrace Bay, the Province of Ontario, as represented by the Ministry of Northern Development, Mines and Forestry (the "Province"), Deloitte & Touche Inc., in its capacity as privately appointed receiver of certain of the assets of Buchanan Forest Products Ltd. (the "Receiver"), and the lien claimants listed on **Schedule "B"** hereto (the "Lien Claimants"), and together with the Receiver and the Province, the "Beneficiaries"), and vesting in Terrace Bay all of the Beneficiaries' rights, title and interest in and to the Fibre (as defined in the Fibre Purchase Term Sheet), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Russell York sworn September 2, 2010, filed, and on hearing the submissions of counsel for Terrace Bay, the Monitor, and the Receiver:

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved.
2. **THIS COURT ORDERS** that Terrace Bay is hereby authorized and directed to complete and execute the Fibre Purchase Term Sheet, with such additional terms as may be negotiated with the Province and the Receiver, provided no amendments are made to the amount for terms of payment to the Lien Claimants, and to take such additional steps, execute such additional documents, and complete such additional transactions as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Fibre to Terrace Bay.
3. **THIS COURT ORDERS AND DECLARES** that upon the Effective Date (as defined Terrace Bay's Second Amended and Restated Plan of Arrangement and Compromise dated June 25, 2010), all of the Beneficiaries' rights, title and interest in and to the Fibre shall vest absolutely in Terrace Bay, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, judgments, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system, (ii) any liens or amounts claimed, asserted or adjudged under the *Forestry Workers Liens for Wages Act* (Ontario) and (iii) any claims for unpaid stumpage fees or other amounts pursuant to the *Crown Forest Sustainability Act* (Ontario).
4. **THIS COURT ORDERS** that from and after the Effective Date, Terrace Bay is hereby authorized and directed to distribute the Purchase Price (as defined in the Fibre Purchase Term Sheet) to the Beneficiaries (the "Proceeds") in accordance with the Fibre Purchase Term Sheet and such Proceeds shall be distributed free and clear from any and all Claims.
5. **THIS COURT ORDERS** that the Fibre Purchase Term Sheet and the distributions made thereunder to the Lien Claimants shall satisfy in full any and all amounts claimed in the court actions listed in **Schedule "C"** hereto.
6. **THIS COURT ORDERS AND DECLARES** that upon the Effective Date,

- (i) each of the Beneficiaries and Terrace Bay release one another; and
- (ii) the Beneficiaries (other than the Receiver), and Terrace Bay release The Toronto-Dominion Bank

from any and all past, present and future claims, rights, interest, actions, rights of indemnity, liabilities, demands, duties, injuries, damages, expenses, fees (including attorneys' fees and liens), costs, compensation, or causes of action of whatsoever kind or nature whether foreseen or unforeseen, known or unknown, asserted or unasserted, contingent or actual, liquidated or unliquidated, whether in tort or contract, whether statutory, at common law or in equity, based on, in connection with, arising out of, or in any way related to the Fibre and, without limiting the generality of the foregoing, any and all claims for liens, encumbrances, or security against the Fibre, including claims for unpaid stumpage, fees of any kind including, management fees and administrative fees under any statute, regulatory program or contract, or agreement or arrangement of any nature and kind. For greater certainty, the Beneficiaries shall have no claims of any kind against any of the Proceeds payable to the Beneficiaries under the Fibre Purchase Term Sheet except and only to the extent of such Beneficiary's distribution thereunder.

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist Terrace Bay and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Terrace Bay, as may be necessary or desirable to give effect to this Order or to assist Terrace Bay and its agents in carrying out the terms of this Order.

SCHEDULE "A"**Fibre Purchase Term Sheet**

Schedule B**LIEN CLAIMANTS**

1. 1022997 Ontario Ltd.
2. 1037800 Ontario Limited
3. 1171263 Ontario Inc.
4. 1183855 Ontario Inc.
5. 1304860 Ontario Inc.
6. 1401329 Ontario Inc.
7. 1401350 Ontario Limited
8. 1648864 Ontario Inc.
9. 4K Business Trust, operating as Four K's Logging
10. 799721 Ontario Inc.
11. 846036 Ontario Ltd.
12. Animbiigoosagagun Economic Development Trust
13. Lake Nipigon Forest Products Limited
14. RLN Forestry Limited
15. Brima Logging Inc.
16. DNJ Timber Limited
17. Edmond Timber Inc.
18. Get It Done Contracting Inc.
19. P and P Logging Ltd.
20. Parsons Timber Contracting Inc.
21. Red Rock First Nation Business Trust
22. R. Ouellet Logging Inc.
23. Stephane Dubé Slashing Inc.
24. Timber Logistics Inc.

Schedule C –
FWLFWA Court Actions

	Court Action	Court File No.	Claim for Lien No.
1.	<i>1022997 Ontario Ltd. v. 1401350 Ontario Limited, Buchanan Forest Products Ltd., Nerak Contractors Inc., Dashwa Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0194	No. 09-1893
2.	<i>1037800 Ontario Ltd. v. Dashwa Timber Contractors Inc.</i>	CV-09-0338	No. 09-1906
3.	<i>1171263 Inc. v. Nerak Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0167	CV-09-01875
4.	<i>1183855 Ontario Inc. v. Buchanan Forest Products Ltd., Nerak Contractors Inc., Dashwa Timber Contractors Inc., Eagle Logging Inc., Long Lake Forest Products Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0156	No. 09-1874
5.	<i>1304860 Ontario Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0169	No. 09-1876
6.	<i>1401350 Ontario Limited operating as Re-Nel Chipping v. Buchanan Forest Products Ltd. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0178	No. 09-1878
7.	<i>1401350 Ontario Limited operating as Re-Nel Chipping v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0175	No. 09-1880
8.	<i>1648864 Ontario Inc. v. Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Dashwa Timber Contractors Inc.</i>	CV-09-0223	No. 09-1898
9.	<i>4 K Business Trust, operating as Four K's Logging v. Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd., Dashwa Timber Contractors Inc. and Terrace Bay Pulp Inc.</i>	CV-09-0183	No. 09-1885
10.	<i>799721 Ontario Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0226	No. 09-1903

11.	<i>846036 Ontario Ltd. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0177	No. 09-1881
12.	<i>Animbiigoosagagun Economic Development Trust, and Lake Nipigon Forest Products Limited v. Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Terrace Bay Pulp Inc.</i>	CV-09-0181	No. 09-1883
13.	<i>Animbiigoosagagun Economic Development Trust, and RLN Forestry Limited v. Eagle Logging Inc., Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Terrace Bay Pulp Inc.</i>	CV-09-0180	No. 09-1884
14.	<i>Brima Logging Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed receiver of Buchanan Forest Products Ltd.</i>	CV-09-0187	No. 09-0187
15.	<i>D&M Logging Inc. v. Dashwa Timber Contractors Inc.</i>	CV-09-0169	No. 09-1876
16.	<i>DNJ Timber Limited v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0186	No. 1882-09
17.	<i>Eagle Logging Inc. v. Terrace Bay Pulp Inc. and Buchanan Forest Products Ltd.</i>	CV-09-0248	No. 09-1900
18.	<i>Eagle Logging Inc. v. Terrace Bay Pulp Inc.</i>	•	No. 09-1894
19.	<i>Edmond Timber Inc. v. RLN Forestry Limited, Animbiigoosagagun Economic Development Trust, Eagle Logging Inc., Buchanan Forest Products Limited, Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Terrace Bay Pulp Inc.</i>	CV-09-0200	No. 1891-09
20.	<i>Edmond Timber Inc. v. Lake Nipigon Forest Products Limited, Animbiigoosagagun Economic Development Trust, Eagle Logging Inc., Buchanan Forest Products Limited, Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Terrace Bay Pulp Inc.</i>	CV-09-0199	No. 1892-09
21.	<i>Get It Done Contracting Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0166	No. 09-1877
22.	<i>Long Lake Forest Products Inc. v. Terrace Bay Pulp Inc., and Buchanan Forest Products Ltd. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0249	No. 09-1901

23.	<i>Northern Sawmills Inc. v. Terrace Bay Pulp Inc., Buchanan Forest Products Ltd. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0250	No. 09-1902
24.	<i>P and P Logging Ltd. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0193	No. 09-1890
25.	<i>Parsons Timber Contracting Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0222	No. 09-1895
26.	<i>Red Rock First Nation Business Trust v. Buchanan Forest Products Ltd., Terrace Bay Pulp Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0182	No. 09-1886
27.	<i>R. Ouellet Logging Ltd. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0176	No.09-1879
28.	<i>Stephane Dubé Slashing Inc. v. Dashwa Timber Contractors Inc. and Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd.</i>	CV-09-0221	No. 1896-09
29.	<i>Timber Logistics Inc. v. Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Nerak Contractors Inc.</i>	CV-09-0225	No. 09-1898
30.	<i>Timber Logistics Inc. v. Buchanan Forest Products Ltd., Deloitte & Touche Inc., in its capacity as privately-appointed Receiver of certain assets and property of Buchanan Forest Products Ltd. and Atway Transport Inc.</i>	CV-09-0224	No. 09-1899

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

APPROVAL AND VESTING ORDER

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

Pamela Huff LSUC# 27344V
Tel: (416) 863-2958
Fax: (416) 863-2653

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

Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174
Fax: (416) 863-2653

Lawyers for the Applicant

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

**NOTICE OF MOTION
(RETURNABLE SEPTEMBER 9, 2010)**

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

Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174
Fax: (416) 863-2653

Lawyers for the Applicant

TAB 2

**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

AFFIDAVIT OF RUSSELL YORK
(Sworn September 2, 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 in support of Terrace Bay's motion returnable Thursday, September 9, 2010 for an Order (the "Vesting Order"), among other things:
 - (a) abridging the time for service of the Notice of Motion and the Motion Record, and declaring that the motion is properly returnable on Thursday, September 9, 2010;
 - (b) approving the sale transaction contemplated by a term sheet (the "Fibre Purchase Term Sheet") among Terrace Bay, the Province of Ontario, as represented by the Ministry of Northern Development, Mines and Forestry

(the "Province"), Deloitte & Touche Inc., in its capacity as privately appointed receiver of certain of the assets of Buchanan Forest Products Limited. (the "Receiver"), and the lien claimants listed on Schedule "B" to the draft Vesting Order (the "Lien Claimants"¹), and together with the Receiver and the Province, the "Beneficiaries"; and

- (c) vesting in Terrace Bay the Beneficiaries' rights, title and interest in and to the assets described in the Fibre Purchase Term Sheet (the "Fibre"); and
- (d) authorizing Terrace Bay to distribute the proceeds from the purchase of the Fibre to the Beneficiaries in accordance with the Fibre Purchase Term Sheet free and clear of any and all claims.

BACKGROUND

3. Terrace Bay operates a pulp mill (the "Mill") in the Town of Terrace Bay, Ontario (the "Town"). Prior to commencing these proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA Proceedings"), Terrace Bay idled the Mill on February 23, 2009.
4. Terrace Bay commenced the CCAA Proceedings pursuant to an Order of the Honourable Mr. Justice Morawetz dated March 11, 2009 (as amended, the "Initial Order") and Ernst & Young Inc. was appointed as Monitor. The Stay Period (as defined in the Initial Order) has been extended from time to time since the issuance of the Initial Order and most recently until September 17, 2010.
5. The Applicant's second amended and restated plan of arrangement and compromise dated June 25, 2010 (as may be amended from time to time, the "Plan") was approved by the requisite majorities of creditors in each class and, on July 27, 2010, this Court approved and sanctioned the Plan pursuant to the Sanction Order.

¹ This definition includes only those lien claimants who are party to the Fibre Purchase Term Sheet.

FIBRE PURCHASE AS CONDITION TO PLAN IMPLEMENTATION

6. Pursuant to the terms of the Plan, there are certain conditions that must be satisfied prior to implementation of the Plan, including the condition that 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 (the "Fibre Purchase Condition").
7. In order to satisfy the Fibre Purchase Condition, and to ensure that Terrace Bay has adequate wood supply for the re-start of the Mill, Terrace Bay is working to finalize the Fibre Purchase Term Sheet pursuant to which Terrace Bay will purchase the Fibre, which is located at the Mill and elsewhere. A copy of the most recent version of the Fibre Purchase Term Sheet (without schedules), in draft form, is attached hereto as **Exhibit "A"**.
8. Prior to the sanction of the Plan, an agreement was reached between Terrace Bay and the Lien Claimants, being parties who have asserted liens against the Fibre pursuant to the *Forestry Workers Lien For Wages Act* (Ontario) (the "FWLWA"), for the purchase of the Fibre and the payment to them of an agreed sum for the discharge of their lien claims. Given that the Fibre Purchase Term Sheet remained subject to further comments by the Province and the Receiver, signature pages were delivered by the Lien Claimants to Terrace Bay to be held in escrow pending finalization of the Fibre Purchase Term Sheet with the Province and the Receiver, provided that no changes were made to the terms as between the Lien Claimants and Terrace Bay.
9. Terrace Bay has been working to finalize the Fibre Purchase Term Sheet with the Province and the Receiver and expects that the Fibre Purchase Term Sheet will be resolved shortly. The negotiations with the Province and the Receiver have resulted in certain revisions to the Fibre Purchase Term Sheet dealing with the interests of the Province and the Receiver thereunder, and do not affect the arrangements agreed to with the Lien Claimants as reflected in the draft Fibre Purchase Term Sheet attached as Exhibit "A".

10. The allocation of the proceeds of sale (the "Proceeds") under the Fibre Purchase Term Sheet is as follows:
- (a) for the Province - \$2,022,536 (22.3%)
 - (b) for the Receiver - \$3,300,000 (36.3%)
 - (c) for the Lien Claimants - \$3,761,295 (41.4%)

This allocation of Proceeds as among the Lien Claimants, the Province and the Receiver has not changed since the original agreement was reached with the Lien Claimants. While the distribution of the sum of \$3,761,295 among each of the Lien Claimants has not yet been settled, the resolution of such distribution is not a condition of closing ("Closing") under the Fibre Purchase Term Sheet, which Closing, however, is a condition of Plan implementation. Payments under the Fibre Purchase Term Sheet will be made from the proceeds of the exit financing contemplated by the Plan.

REQUEST FOR VESTING ORDER

11. I have been advised by counsel and it is my understanding that title to the Fibre currently rests with Buchanan Forest Products Limited or the Province, to the extent of any unpaid stumpage amounts relating to the Fibre. Accordingly, both the Province and the Receiver are named as vendors under the Fibre Purchase Term Sheet.
12. It is a condition of Closing, already agreed to by the Lien Claimants, that the Lien Claimants will have released or otherwise discharged their liens on Closing.
13. The Fibre Purchase Term Sheet further provides that Terrace Bay will obtain title to the Fibre free and clear of all liens, encumbrances, security and claims of any kind pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to Terrace Bay.

14. It is also a condition of the Fibre Purchase Term Sheet that the Beneficiaries will obtain their respective portions of the Proceeds free and clear of all liens, encumbrances, security and claims of any kind pursuant to a vesting order and/or releases and/or other documentation in form(s) satisfactory to the Beneficiaries. Certain of the Beneficiaries require that Terrace Bay obtain a vesting order to comply with this condition of the Fibre Purchase Term Sheet. These Beneficiaries require that the Vesting Order be made prior to providing their final agreement to the Fibre Purchase Term Sheet. As the entering into of the Fibre Purchase Term Sheet by Terrace Bay is a condition to implementation of the Plan, Terrace Bay is seeking the Vesting Order at this time. The vesting of the Fibre in Terrace Bay would not be effective until the Effective Date (as defined in the Plan).
15. The proposed form of Vesting Order provides that the Fibre Purchase Term Sheet and the distribution of the Proceeds to be made thereunder shall satisfy any and all amounts claimed by the Lien Claimants or certain other parties claiming liens under the FWLFWA (as more particularly described below) in the approximately 30 actions commenced under the FWLFWA in the Court in Thunder Bay (the "FWLFWA Actions"), many of which FWLFWA Actions include Terrace Bay as a defendant. The Initial Order expressly permitted the commencement of FWLFWA Actions against Terrace Bay for the purpose of preserving lien claims. As well, the proposed form of Vesting Order provides a release by the Beneficiaries and Terrace Bay of one another in relation to the Fibre.
16. These provisions of the Vesting Order have been included as they give effect to the express terms of the Fibre Purchase Term Sheet agreed to by the Lien Claimants and, therefore, do not prejudice any of the Lien Claimants. It is hoped that these provisions will satisfy all of the parties to the Fibre Purchase Term Sheet and the FWLFWA Actions and avoid the need to obtain orders dismissing each of the individual FWLFWA Actions and/or individual releases from each Lien Claimant. Such efforts would require considerable time, delay Closing of

the Fibre Purchase Term Sheet and therefore risk delaying the ability of Terrace Bay to implement the Plan.

17. The Vesting Order also provides a release by the Beneficiaries (other than the Receiver) of The Toronto-Dominion Bank in relation to the Fibre.

NO PREJUDICE TO INTERESTED PARTIES

18. The proposed Vesting Order is an efficient means to give effect to the agreement of the Lien Claimants that the Fibre shall be conveyed free and clear of liens and other claims and the Proceeds paid for the Fibre shall also be free and clear of all liens and other claims.
19. Terrace Bay intends to serve the Motion Record for the Vesting Order (including a copy of the Vesting Order being requested) on the following parties: (i) the Province, (ii) the Receiver, (iii) each counsel of record for the Lien Claimants in the FWLFWA Actions, and (iv) counsel to certain other parties who have claimed liens pursuant to the FWLFWA and who are not parties to the Fibre Purchase Term Sheet (such parties are described below). In addition, notice of this motion was provided by way of a letter to counsel of record for the Lien Claimants in the FWLFWA Actions on August 31, 2010. Copies of these letters (without attachments) are attached hereto as **Exhibits "B" through "G"**. As of the date hereof, I am not aware of any opposition to the relief sought by this motion.
20. Not all parties who have claimed liens pursuant to the FWLFWA are party to the Fibre Purchase Term Sheet. Parties claiming liens under the FWLFWA who are not party to the Fibre Purchase Term Sheet include:
 - (i) Eagle Logging Inc., Northern Sawmills Inc., and Long Lake Forest Products Inc. – Notwithstanding that these parties will not receive a distribution from the Proceeds payable under the Fibre Purchase Term Sheet, each have consented to the granting of the Vesting Order; and

- (ii) Beck Timber Limited (“Beck”) – Beck has reached an agreement with, among others, Terrace Bay and has released its claim against the Fibre and the Proceeds payable under the Fibre Purchase Term Sheet.

Notwithstanding the fact that Beck no longer has an interest in the Fibre, Terrace Bay intends to serve Beck’s counsel with its Motion Record.

- 21. Terrace Bay is not aware nor has Terrace Bay been advised of any parties claiming a lien under the FWLFWA or any other interest in the Fibre, other than the parties described above and those parties who will be served with this Motion Record. No work has been done on or with respect to the Fibre since on or before September 1, 2009, which would give rise to any new claims under the FWLFWA. The FWLFWA provides certain deadlines for commencing an action under the FWLFWA depending on the type work performed and the date on which the work was completed, however, I am advised by counsel that all such deadlines have now expired in relation to all of the Fibre.
- 22. I have been advised by the Receiver that it is in possession of a demand letter from Hawk Timber Limited (“Hawk”) for work that it advises could give rise to a lien under the FWLFWA; however, Hawk has not filed a lien, nor has it commenced an action and, as mentioned above, it is out of time to do so. Nevertheless, Hawk will be served with this Motion Record at the return address included on the demand letter. A corporate search was unable to locate Hawk; however, a profile for “Hawk – Timber Kam Limited” was found. A copy of the Motion Record will also be served at the registered office address of this company.
- 23. This Affidavit is therefore made in support of Terrace Bay’s motion for the Vesting Order, and for no other or improper purpose.

SWORN BEFORE ME at the City of
Thunder Bay, in the Province of Ontario
this 2nd day of September, 2010



A Commissioner etc.

)
)
)
)
)



RUSSELL YORK