

SCHEDULE "A"

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

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

THE HONOURABLE	)	FRIDAY, THE 18 TH
	)	
MR. JUSTICE MORAWETZ	)	DAY OF DECEMBER, 2009

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TERRACE BAY PULP INC.

Applicant

CLAIMS PROCESS ORDER

THIS MOTION made by the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, for an Order:

- a) abridging the time for service of the Notice of Motion and Motion Record herein, validating the service of such motion material and dispensing with the service of such motion material on interested parties not served;
- b) approving the Ninth Report of the Monitor, Ernst & Young Inc. dated December 15, 2009 (the "**Ninth Report**");
- c) approving the Claims Process (as defined herein); and
- d) such further and other relief as this Honourable Court may deem just,

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

ON READING the material filed, including the Notice of Motion, the Ninth Report and the Affidavit of Russell York sworn December 15, 2009, and on hearing the submissions of counsel for the Applicant and counsel for the Monitor;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and that the Motion is properly returnable today and service on any interested party other than those parties served is hereby dispensed with.

MONITOR'S ACTIVITIES

2. **THIS COURT ORDERS** that the Ninth Report and the conduct and activities of the Monitor described therein be and are hereby approved.

APPROVAL OF CLAIMS PROCESS

3. **THIS COURT ORDERS** that the Claims Process set forth in the attached **Schedule "A"** for determining claims of Creditors for voting and/or distribution purposes is hereby approved, and the Applicant and the Monitor are authorized and directed to implement the Claims Process and that any references to this Order shall be deemed to include the Claims Process and all schedules to this Order.

4. **THIS COURT ORDERS** that the Instruction Letter, Proof of Claim, Notice of Revision or Disallowance, Notice of Dispute and Newspaper Notice, set forth in the attached **Schedule "B"**, **Schedule "C"**, **Schedule "D"**, **Schedule "E"** and **Schedule "F"**, respectively, substantially in the form thereof, are hereby approved.

DEFINITIONS

5. **THIS COURT ORDERS** that all capitalized terms not defined herein shall have the meaning given to them in the Claims Process set forth in the attached Schedule "A".

CLAIMS BAR

6. **THIS COURT ORDERS** that any Creditor who fails to file a Proof of Claim in respect of a Pre-Filing Claim, in accordance with this Order on or before the Claims Bar Date, shall:

- (a) be forever barred, estopped and enjoined from asserting or enforcing any Pre-Filing Claim (or filing a Proof of Claim with respect to such Pre-Filing Claim) against the Applicant and such Pre-Filing Claim shall be forever extinguished;
- (b) not be permitted to vote on the Plan or participate in any distribution in these proceedings on account of such Pre-Filing Claim; and
- (c) not be entitled to receive further notice in these proceedings.

7. **THIS COURT ORDERS** that notwithstanding paragraph 6, any Creditor who receives a Claim Amount Notice and who does not dispute the nature or amount of the Pre-Filing Claim as set forth in the Claim Amount Notice, is not required to file a Proof of Claim by the Claims Bar Date. If a Creditor who receives a Claim Amount Notice does not file a Proof of Claim by the Claims Bar Date, then such Creditor's Pre-Filing Claim as set out in the Claim Amount Notice shall be that Creditor's Proven Claim for voting and/or distribution purposes under the Plan.

8. **THIS COURT ORDERS** that any Creditor who fails to file a Proof of Claim in respect of a Restructuring Claim in accordance with this Order on or before the Restructuring Claims Bar Date, shall:

- (a) be forever barred, estopped and enjoined from asserting or enforcing any Restructuring Claim (or filing a Proof of Claim with respect to such Restructuring Claim) against the Applicant and such Restructuring Claim shall be forever extinguished;
- (b) not be permitted to vote on the Plan or participate in any distribution in these proceedings on account of such Restructuring Claim; and
- (c) not be entitled to receive further notice in these proceedings.

CLAIMS OFFICER

9. **THIS COURT ORDERS** that the Applicant, should it consider it necessary or desirable to do so, with the concurrence of the Monitor, is authorized and empowered but not obligated to appoint a Claims Officer under such terms as may be approved by the Monitor and enter into an agreement with a Claims Officer fixing the reasonable remuneration of the Claims Officer as the Monitor deems reasonable and appropriate. For greater certainty, the Applicant is authorized to appoint more than one Claims Officer should the Monitor deem such appointment reasonable and appropriate.

10. **THIS COURT ORDERS** that, subject to further order of the Court, each Claims Officer shall determine the manner in which evidence may be brought before him or her as well as any other procedural matters which may arise in respect of the determination of any Pre-Filing Claim or Restructuring Claim.

NOTICE SUFFICIENT

11. **THIS COURT ORDERS** that the publication of the Newspaper Notice and the mailing to the Creditors of the Claims Package in accordance with the Claims Process and the requirements of this Order shall constitute good and sufficient service and delivery of (i) notice of this Order, (ii) the Claims Bar Date and (iii) the Restructuring Claims Bar Date, on all Persons who may be entitled to receive notice and who may wish to assert Pre-Filing Claims or Restructuring Claims and no other notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Order.

FILING OF PROOFS OF CLAIM

12. **THIS COURT ORDERS** that a Proof of Claim shall be deemed timely filed only if delivered by registered mail, personal delivery, courier, e-mail (in PDF format) or facsimile transmission so as to actually be received by the Monitor on or before the applicable Bar Date.

NOTICE OF TRANSFEREES

13. **THIS COURT ORDERS** that if a Creditor or any subsequent holder of a Pre-Filing Claim or Restructuring Claim who has been acknowledged by the Monitor, in consultation with the Applicant, as the holder of the Pre-Filing Claim or Restructuring Claim transfers or assigns that Pre-Filing Claim or Restructuring Claim to another Person, neither the Applicant nor the Monitor shall be required to give notice to or to otherwise deal with the transferee or assignee of the Pre-Filing Claim or Restructuring Claim as the holder of such Pre-Filing Claim or Restructuring Claim unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been delivered to the Applicant and the Monitor by registered mail, courier, e-mail (in PDF format), personal delivery or facsimile transmission and is actually received by the Applicant and the Monitor and, following such notice, five (5) Business Days shall have passed. Thereafter, such transferee or assignee shall, for all purposes hereof, constitute the holder of such Pre-Filing Claim or Restructuring Claim and shall be bound by notices given and steps taken in respect of such Pre-Filing Claim or Restructuring Claim in accordance with the provisions of this Order.

14. **THIS COURT ORDERS** that if a Creditor or any subsequent holder of a Pre-Filing Claim or Restructuring Claim who has been acknowledged by the Applicant, with the consent of the Monitor, as the holder of the Pre-Filing Claim or Restructuring Claim transfers or assigns the whole of such Pre-Filing Claim to more than one Person or part of such Pre-Filing Claim or Restructuring Claim to another Person or Persons, such transfers or assignments shall not create separate Pre-Filing Claims or Restructuring Claims and such Pre-Filing Claims and Restructuring Claims shall continue to constitute and be dealt with as a single Pre-Filing Claim or Restructuring Claim for voting purposes notwithstanding such transfers or assignments. Neither the Applicant nor the Monitor shall, in each such case, be required to recognize or acknowledge any such transfers or assignments and shall be entitled to give notices to and to otherwise deal with such Pre-Filing Claim or Restructuring Claim only as a whole and then only to and with the person last holding the whole of such Pre-Filing Claim or Restructuring Claim provided such Creditor may, by notice in writing delivered to the Applicant and the Monitor, direct that subsequent dealings in respect of such Pre-Filing Claim or Restructuring Claim, but

only as a whole, shall be dealt with by a specified Person and in such event, such Person shall be bound by any notices given or steps taken in respect of such Pre-Filing Claim or Restructuring Claim with such Creditor in accordance with the provisions of this Order.

NOTICES AND COMMUNICATION

15. **THIS COURT ORDERS** that except as otherwise provided herein, the Applicant and the Monitor may deliver any notice or other communication to be given under this Order to Creditors or other interested Persons by forwarding true copies thereof by ordinary mail, courier, personal delivery, facsimile transmission or e-mail (in PDF format) to such Creditors or Persons at the address last shown on the books and records of the Applicant, and that any such service or notice by courier, personal delivery, facsimile transmission or e-mail (in PDF format) shall be deemed to be received on the next Business Day following the date of forwarding thereof, or if sent by ordinary mail on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada, and the seventh Business Day after mailing internationally.

16. **THIS COURT ORDERS** that any notice or other communication to be given under this Order by a Creditor to the Monitor or the Applicant shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by registered mail, courier, e-mail (in PDF format), personal delivery or facsimile transmission addressed to:

Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.,
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7
E-mail: terracebay@ca.ey.com
Telephone: (866) 986-9676
Fax: (416) 943-3300
Attention: Franca Mazzulla re: Terrace Bay Claims

17. **THIS COURT ORDERS** that in the event that the day on which any notice or communication required to be delivered pursuant to this Order is not a Business Day then such notice or communication shall be required to be delivered on the next Business Day.

18. **THIS COURT ORDERS** that in the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be delivered by personal delivery, courier, e-mail (in PDF format) or facsimile transmission and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption, unless actually received, shall be deemed not to have been delivered.

AID AND ASSISTANCE OF OTHER COURTS

19. **THIS COURT HEREBY REQUESTS** the aid and recognition (including assistance pursuant to section 17 of the CCAA, as applicable) of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province or any court or any judicial, regulatory or administrative body of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

GENERAL

20. **THIS COURT ORDERS** that the Monitor is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which Proofs of Claim, Notices of Revision or Disallowance and Notices of Dispute are completed and executed, and may, if it is satisfied that a Pre-Filing Claim or Restructuring Claim has been adequately proven, waive strict compliance with the requirements of this Order as to the completion and execution of Proofs of Claim, Notices of Revision or Disallowance and Notices of Dispute.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and under the Initial Order, shall assist the Applicant in connection with the administration of this Order, and is hereby authorized and directed to take such other actions and fulfill such other roles as are contemplated by this Order.

22. **THIS COURT ORDERS** that (i) in carrying out the terms of this Order, the Monitor shall have all of the protections given to it by the CCAA and the Initial Order or as an officer of

this Court, including the stay of proceedings in its favour, (ii) the Monitor shall incur no liability or obligation as a result of the carrying out of its obligations under this Order, (iii) the Monitor shall be entitled to rely on the books and records of the Applicant, and any information provided by the Applicant, all without independent investigations, and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

23. **THIS COURT ORDERS** that the references in this Order and the Claims Process to the singular shall include the plural, references to the plural shall include the singular and to any gender shall include the other gender.

24. **THIS COURT ORDERS** that notwithstanding the terms of this Order, the Applicant and the Monitor may apply to this Court from time to time for directions from this Court with respect to this Order, including the Claims Process and the schedules to this Order, or for such further order or orders as either of them may consider necessary or desirable to amend, supplement or replace this Order, including any schedule to this Order, and to establish a process for the determination of the Excluded Claims, if considered necessary or desirable.

SCHEDULE "A"

TERRACE BAY PULP INC. CLAIMS PROCESS

DEFINITIONS

1. For purposes of this Claims Process the following terms shall have the following meanings:

- (a) **"Applicant"** means Terrace Bay Pulp Inc.;
- (b) **"Bar Dates"** means the Claims Bar Date and the Restructuring Claims Bar Date;
- (c) **"Business Day"** means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
- (d) **"CCAA"** means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
- (e) **"Claim"** means any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, including, without limiting the foregoing, any right or claim of a non-unionized employee of the Applicant or any Tax Claim, provided however, that a "Claim" shall not include an Excluded Claim;
- (f) **"Claim Amount Notice"** means a form of notice which the Monitor may include with any Claims Package setting out the Applicant's determination of the nature and amount of such Creditor's Pre-Filing Claim;
- (g) **"Claims Bar Date"** means 5:00 p.m. (Eastern Time) on February 8, 2010, or such other date as may be ordered by the Court;

- (h) “**Claims Officer**” means any individual appointed by the Applicant, under such terms as are approved by the Monitor or further order of the Court, to act as a claims officer for purposes of and in accordance with the Claims Process;
- (i) “**Claims Package**” means the document package which includes a copy of (i) the Instruction Letter; (ii) a Proof of Claim, (iii) a Claim Amount Notice (if and as applicable); and (iv) such other materials as the Applicant or the Monitor consider necessary or appropriate;
- (j) “**Claims Process**” means the procedures outlined herein in connection with the assertion and determination of Pre-Filing Claims or Restructuring Claims against the Applicant;
- (k) “**Claims Process Order**” means the Order granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice on December 18, 2009 approving the Claims Process;
- (l) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (m) “**Creditor**” means any Person who has or may have a Pre-Filing Claim or Restructuring Claim against the Applicant;
- (n) “**Dispute Package**” means, with respect to any Pre-Filing Claim or Restructuring Claim, a copy of the related Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute;
- (o) “**Excluded Claim**” means (i) any Claim secured by the Administration Charge and the Directors’ Charge (as each of the foregoing terms is defined in the Initial Order); (ii) any Claim with respect to goods and/or services provided to the Applicant on or after the Filing Date; (iii) that portion of a Claim arising from a cause of action for which the Applicant is covered by insurance, but only to the extent of such coverage; (iv) any Claim by a current or former unionized employee of the Applicant; and (v) any Claim by Lucky Star Holdings Inc.;
- (p) “**Filing Date**” means March 11, 2009;
- (q) “**Initial Order**” means the Order granted on March 11, 2009 by the Honourable Mr. Justice Morawetz of the Court, as may be amended from time to time;
- (r) “**Instruction Letter**” means the letter regarding completion of a Proof of Claim, which letter shall be substantially in the form attached hereto as Schedule “B”;
- (s) “**Known Creditors**” means any Persons which the books and records of the Applicant disclose were owed money or claim to be owed money as of the Filing Date, by, or to the actual knowledge of the Applicant as of the Filing Date assert a Claim against, the Applicant, which obligation remains unpaid in whole or in part.
- (t) “**Mailing Date**” means December 31, 2009;

- (u) “**Monitor**” means Ernst & Young Inc., in its capacity as the court-appointed Monitor of the Applicant;
- (v) “**Newspaper Notice**” means the notice of the Claims Process to be published in the newspapers listed in paragraph 4 of this Claims Process in accordance with the Claims Process in substantially the form attached hereto as Schedule “F”;
- (w) “**Notice of Dispute**” means the notice that may be delivered by a Creditor who has received a Notice of Revision or Disallowance disputing such Notice of Revision or Disallowance, which notice shall be substantially in the form attached hereto as Schedule “E”;
- (x) “**Notice of Repudiation or Disclaimer**” means a written notice in any form issued on or after the Filing Date by the Applicant, and copied to the Monitor, advising a Person of the restructuring, termination, disclaimer or repudiation of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written and any amending agreement related thereto and whether such restructuring, termination, disclaimer or repudiation took place or takes place before or after the Claims Process Order;
- (y) “**Notice of Revision or Disallowance**” means the notice that may be delivered to a Creditor revising or rejecting such Creditor’s Pre-Filing Claim or Restructuring Claim as set out in its Proof of Claim in whole or in part, which notice shall be substantially in the form attached hereto as Schedule “D”;
- (z) “**Person**” shall be broadly interpreted and includes, without limitation, an individual, firm, partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, corporation, unincorporated association or organization, syndicate, committee, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including any Taxing Authority, and the trustees, executors, administrators, or other legal representatives of an individual;
- (aa) “**Plan**” means the plan(s) of compromise or arrangement to be filed by the Applicant pursuant to the CCAA;
- (bb) “**Pre-Filing Claim**” means any Claim (i) based in whole or in part on facts which existed prior to the Filing Date, (ii) related to a time period prior to the Filing Date or (iii) would have been a claim provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) had the Applicant become bankrupt on the Filing Date. A Creditor entitled to claim for interest under its applicable agreement with the Applicant may claim for interest that has accrued on its Pre-Filing Claim as of the Filing Date, but no claim for interest shall be allowed for interest accruing after that date;

- (cc) **“Proof of Claim”** means the form to be completed and filed by a Creditor setting forth its Pre-Filing Claim or Restructuring Claim, which proof of claim shall be substantially in the form attached hereto as Schedule “C”;
- (dd) **“Proven Claim”** means the amount, status and/or validity of the Claim of a Creditor finally determined in accordance with this Claims Process which shall be final and binding for voting and/or distribution purposes under the Plan (a Proven Claim will be “finally determined” in accordance with this Claims Process when (i) it has been accepted by the Applicant, with the consent of the Monitor, (ii) the applicable time period for filing a Notice of Dispute in response to a Notice of Revision or Disallowance issued by the Applicant has expired and no Notice of Dispute has been filed in accordance with this Order, (iii) a Notice of Dispute has been filed and a Claims Officer has been appointed with respect to such Notice of Dispute and the Claims Officer has issued his/her determination with respect to the amount, status and/or validity of a Claim submitted to the Claims Officer for adjudication, and the time within which either party may file an appeal of such determination has expired and no appeal has been filed, or (iv) any court of competent jurisdiction has made a determination with respect to the amount, status and/or validity of the Claim and no appeal or motion for leave to appeal therefrom shall have been taken or served on either party, or if any appeal(s) or motion(s) for leave to appeal or further appeal shall have been taken therefrom or served on either party, any (and all) such appeal(s) or motion(s) shall have been dismissed, determined or withdrawn);
- (ee) **“Restructuring Claim”** means any Claim arising as a result of the restructuring, termination, disclaimer or repudiation by the Applicant of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written, and any amending agreement related thereto on or after the Filing Date and whether such restructuring, termination, disclaimer or repudiation took place or takes place before or after the date of the Claims Process Order. For greater certainty, a Restructuring Claim may include a claim by a non-unionized employee of the Applicant;
- (ff) **“Restructuring Claims Bar Date”** means the later of: (i) the Claims Bar Date; and (ii) 5:00 p.m. (Eastern Time) on the day which is 15 days after the date of the Notice of Repudiation or Disclaimer;
- (gg) **“Rules”** means the Ontario Rules of Civil Procedure;
- (hh) **“Tax”** or **“Taxes”** means any and all amounts subject to a withholding or remitting obligation and any and all taxes, duties, fees, and other governmental charges, duties, impositions and liabilities of any kind whatsoever whether or not assessed by the Taxing Authorities (including any Claims by any of the Taxing Authorities), including all interest, penalties, fines, fees, other charges and additions with respect to such amount;

- (ii) “**Taxing Authorities**” means Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of each and every province or territory of Canada and any political subdivision thereof, and any Canadian or foreign governmental authority, and “Taxing Authority” means any one of the Taxing Authorities;
- (jj) “**Tax Claim**” means any Claim against the Applicant for any Taxes in respect of any taxation year or period ending on or prior to the Filing Date, and in any case where a taxation year or period commences on or prior to the Filing Date, for any Taxes in respect of or attributable to the portion of the taxation period commencing prior to the Filing Date and up to and including the Filing Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident Tax related thereto;
- (kk) “**Website**” shall mean the Monitor’s website located at www.ey.com/ca/terracebay.

NOTICE OF CLAIMS PROCESS

2. The Monitor shall cause a Claims Package, including an Instruction Letter, to be sent to each Known Creditor by regular prepaid mail, facsimile transmission or email on or before the Mailing Date. If provided to the Monitor by the Applicant prior to the Mailing Date, a Claim Amount Notice shall be included in a Claims Package.
3. The Monitor shall cause a Claims Package, including an Instruction Letter, to be sent by regular prepaid mail, facsimile transmission or email to each Creditor (a) who the Applicant has advised the Monitor has received a Notice of Repudiation or Disclaimer prior to the date of the Claims Process Order; on or before the Mailing Date; or (b) who has been sent a Notice of Repudiation or Disclaimer following the date of the Claims Process Order; on the later of (i) the Mailing Date, and (ii) within five Business Days of the Monitor’s receipt of the Notice of Repudiation or Disclaimer.
4. The Monitor shall cause the Newspaper Notice to be published in the *Globe and Mail* (National Edition) and the *Thunder Bay Chronicle Journal*, on or prior to December 29, 2009, and in the *Terrace Bay/Schreiber News*, on or before January 12, 2010.
5. The Monitor shall post a copy of the Claims Process Order, a blank Proof of Claim form and the Instruction Letter on the Monitor’s Website at www.ey.com/ca/terracebay on or prior to December 23, 2009.
6. The Monitor shall cause a copy of the Claims Package to be sent to any Person requesting such material as soon as practicable by ordinary regular prepaid mail, facsimile transmission or email.

FILING OF PROOFS OF CLAIM

7. Subject to paragraph 7 of the Claims Process Order, every Creditor asserting a Pre-Filing Claim against the Applicant shall set out its aggregate Pre-Filing Claim in a written Proof of Claim and deliver that Proof of Claim by registered mail, personal delivery, courier, e-mail (in PDF format) or facsimile transmission so that it is received by the Monitor no later than the Claims Bar Date.

8. Every Creditor asserting a Restructuring Claim against the Applicant shall set out its aggregate Restructuring Claim in a Proof of Claim and deliver that Proof of Claim by registered mail, personal delivery, courier, e-mail (in PDF format) or facsimile transmission so that it is received by the Monitor no later than the Restructuring Claims Bar Date.

FORM OF PROOFS OF CLAIM

9. Any Pre-Filing Claim or Restructuring Claim set out in a Proof of Claim shall be denominated in the currency of the transactions underlying the Claim and then such Pre-Filing Claim or Restructuring Claim shall be converted to and shall constitute a Claim in Canadian dollars and such calculation will be effected using the noon spot rate of the Bank of Canada as at the Filing Date.

DETERMINATION OF PRE-FILING CLAIMS AND RESTRUCTURING CLAIMS

Review of Proofs of Claim

10. The Monitor, in consultation with the Applicant, shall review each Proof of Claim received by the Claims Bar Date or Restructuring Claims Bar Date, as applicable, and subject to paragraph 11 hereof shall accept, revise or disallow the Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan.

11. The Monitor, in consultation with the Applicant, may attempt to consensually resolve the nature and amount of any Pre-Filing Claim or Restructuring Claim with the Creditor prior to the Monitor accepting, revising or disallowing such Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan.

12. If the Monitor, in consultation with the Applicant, accepts the Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan, then such Pre-Filing Claim or Restructuring Claim shall be a Proven Claim for voting and/or distribution purposes under the Plan.

Notices of Revision or Disallowance

13. If the Monitor, in consultation with the Applicant, determines to revise or disallow a Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan, the

Monitor shall send a Notice of Revision or Disallowance of the Pre-Filing Claim or Restructuring Claim, as the case may be, to the Creditor.

Notice of Dispute

14. Any Creditor who disputes the nature or amount of its Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan as set forth in a Notice of Revision or Disallowance shall deliver a Notice of Dispute to the Monitor by registered mail, personal delivery, courier, e-mail (in PDF format) or facsimile transmission by 5:00 p.m. (Eastern Time) on the day which is 14 days after the date of the Notice of Revision or Disallowance.

15. The Monitor shall post a blank Notice of Dispute Form on the Monitor's Website at www.ey.com/ca/terracebay on or prior to December 23, 2009.

16. Any Creditor who fails to deliver a Notice of Dispute by the deadline set forth in paragraph 14 hereof shall be deemed to accept the nature and the amount of its Pre-Filing Claim or Restructuring Claim as such Claim is revised, disallowed or set out in the Notice of Revision or Disallowance and such Pre-Filing Claim or Restructuring Claim, as it has been revised, disallowed or set out in the Notice of Revision or Disallowance, shall constitute a Proven Claim for voting and/or distribution purposes under the Plan.

Resolution of Claims and Restructuring Claims

17. Upon receipt of a Notice of Dispute, the Monitor, in consultation with the Applicant, may (i) attempt to consensually resolve the nature and amount of the Pre-Filing Claim or Restructuring Claim with the Creditor for voting and/or distribution purposes, (ii) deliver a Dispute Package to a Claims Officer appointed in accordance with the Claims Process Order, or (iii) bring a motion before the Court in these proceedings to determine the nature and/or amount of the Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan.

18. If the Monitor and the Creditor consensually resolve the nature and amount of the Pre-Filing Claim or Restructuring Claim, the Monitor may accept a revised Pre-Filing Claim or Restructuring Claim, and any such revised Pre-Filing Claim or Restructuring Claim will constitute a Proven Claim for voting and/or distribution purposes under the Plan.

19. If a Dispute Package is delivered to the Claims Officer, the Monitor shall schedule, and cause to be conducted before the Claims Officer a hearing to determine the nature and/or amount of the Pre-Filing Claim or Restructuring Claim for voting and/or distribution purposes under the Plan, and the Claims Officer shall as soon as practicable after the hearing, notify the Applicant, the Monitor and the Creditor of his or her determination.

20. The Monitor, the Applicant or the Creditor may within fourteen (14) days of receipt of notification of the Claims Officer's determination appeal such determination to the Court by serving on the other party and filing with the Court a notice of motion in accordance with the Rules, failing which the Claims Officer's determination shall be deemed to be final and binding

on the Applicant and the Creditor and shall constitute a Proven Claim for voting and/or distribution purposes under the Plan.

SCHEDULE "B"

INSTRUCTION LETTER FOR THE CLAIMS PROCESS OF TERRACE BAY PULP INC.

(hereinafter referred to as "Terrace Bay")

1. Claims Process

By order of the Honourable Mr. Justice Morawetz dated December 18, 2009 (the "**Claims Process Order**"), in the proceeding commenced by Terrace Bay under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), Terrace Bay has been authorized to conduct a claims process (the "**Claims Process**"). A copy of the Claims Process Order, without schedules (other than Schedule "A"), is enclosed with this letter and a copy of the Claims Process Order, with all schedules, may be found on the Monitor's website at: www.ey.com/ca/terracebay. Capitalized terms used in this letter, which are not defined in this letter shall have the meaning ascribed to them in the Claims Process Order.

This letter provides instructions for completing the Proof of Claim. A Proof of Claim form is included with this letter.

The Claims Process is intended for any Person asserting a Pre-Filing Claim of any kind or nature whatsoever against Terrace Bay arising before the Filing Date, and any Restructuring Claim arising after the Filing Date as a result of a restructuring, termination, disclaimer or repudiation by Terrace Bay after the Filing Date of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written, and any amending agreement related thereto and whether such restructuring, termination, disclaimer or repudiation took place or takes place before or after the date of the Claims Process Order.

Current and former unionized employees of Terrace Bay are not required to submit a Proof of Claim at this time. A claims process for unionized employees will, if necessary, be brought forward in the future. Non-unionized employees of Terrace Bay who wish to make a claim against Terrace Bay are required to submit a Proof of Claim.

If a notice setting out the amount which Terrace Bay has determined to be the amount of your Pre-Filing Claim (a "**Claim Amount Notice**") is enclosed with this letter, and you do **not** dispute the nature or amount of such Claim as set out in the Claim Amount Notice, you are **not** required to file a Proof of Claim. If a Claim Amount Notice is enclosed and you dispute the nature or amount of your Claim as set out in the Claim Amount Notice, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of that portion of your Claim that exceeds the amount set out in the Claim Amount Notice. Any Creditor who receives a Claim Amount Notice and who does not file a Proof of Claim is deemed to have accepted the nature and amount of such Claim, as set out in the applicable Claim Amount Notice. If a Claim Amount Notice is not enclosed with this letter and you wish to file a Pre-Filing Claim you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of any Pre-Filing Claim which you may have against Terrace Bay.

If you have any questions regarding the Claims Process, please contact the court-appointed Monitor at the address provided below.

All enquiries with respect to the Claims Process should be addressed to:

Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp. Inc.,
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7
E-mail: terracebay@ca.ey.com
Telephone: (866) 986-9676
Fax: (416) 943-3300
Attention: Franca Mazzulla re: Terrace Bay Claims

2. For Creditors Submitting a Proof of Claim

If you do not receive a Claim Amount Notice, or you receive a Claim Amount Notice and you dispute the nature or amount of the Pre-Filing Claim as set out in the applicable Claim Amount Notice, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure that it is received by the Monitor by 5:00 p.m. (Eastern Time) on February 8, 2010 (the “**Claims Bar Date**”), to avoid the barring and extinguishment of any Pre-Filing Claim you may have against Terrace Bay in excess of any amount set out in the Claim Amount Notice, if any.

To avoid the barring and extinguishment of any Restructuring Claim you may have against Terrace Bay, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure that it is received by the Monitor by the later of: (a) the Claims Bar Date, and (b) 5:00 p.m. (Eastern Time) on the day which is 15 days after the date of the Notice of Repudiation or Disclaimer (the “**Restructuring Claims Bar Date**”).

Additional Proof of Claim forms can be found on the Monitor’s website at **www.ey.com/ca/terracebay** or obtained by contacting the Monitor at the address indicated above and providing particulars as to your name, address, facsimile number and e-mail address. Once the Monitor has this information, you will receive, as soon as practicable, additional Proof of Claim forms.

CLAIMS (SUBJECT TO PARAGRAPH 7 OF THE CLAIMS PROCESS ORDER WITH RESPECT TO A CLAIM FOR WHICH A KNOWN CREDITOR RECEIVES A CLAIM AMOUNT NOTICE THAT IS NOT DISPUTED BY SUCH CREDITOR) FOR WHICH PROOFS OF CLAIM ARE NOT RECEIVED BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, WILL BE BARRED AND EXTINGUISHED FOREVER AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A PRE-FILING CLAIM OR RESTRUCTURING CLAIM AGAINST THE APPLICANT AND YOU SHALL NOT BE ENTITLED TO ANY FURTHER NOTICE OR

DISTRIBUTION, IF ANY, AND SHALL NOT BE ENTITLED TO PARTICIPATE AS A CREDITOR IN THESE PROCEEDINGS.

SCHEDULE "C"

PROOF OF CLAIM AGAINST TERRACE BAY PULP INC. (hereinafter referred to as the "Applicant")

Please read the enclosed Instruction Letter carefully prior to completing this Proof of Claim. Defined terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Claims Process Order dated December 18, 2009 as may be amended from time to time.

1. Particulars of Creditor

(a) Full Legal Name of Creditor: _____ (the "Creditor")
(Full legal name should be the name of the original Creditor of the Applicant, regardless of whether an assignment of a Claim has been made, or a portion thereof, has occurred prior to or following the Filing Date.)

(b) Full Mailing Address of the Creditor (*the original Creditor, not the Assignee*):

(c) Telephone Number: _____
E-mail Address: _____
Facsimile Number: _____
Attention (Contact Person): _____

(d) Has the Claim been sold, transferred or assigned by the Creditor to another party?

Yes: ☐

No: ☐

2. Particulars of Assignee(s) (If any):

(a) Full Legal Name of Assignee(s): _____ (If a portion of the Claim has been assigned, insert full legal name of assignee(s) of the Claim. If there is more than one assignee, please attach a separate sheet with the required information.)

(b) Full Mailing Address of Assignee(s): _____

(c) Telephone Number of Assignee(s): _____

(d) Facsimile Number of Assignee(s): _____

(e) E-mail Address: _____

(f) Attention (Contact Person): _____

3. **Proof of Claim:**

I, _____ (*name of individual Creditor or Representative of Corporate Creditor*), of _____ (*City, Province or State*) do hereby certify:

(i) that I

☐ am the Creditor of the Applicant; OR

☐ am _____ (*state position or title*) of _____ (*name of Creditor*)

(ii) that I have knowledge of all the circumstances connected with the Claim referred to below;

(iii) The Applicant was and still is indebted to the Creditor as follows;

A. PRE-FILING CLAIM:

CDN\$ _____ (*insert \$ value of Claim*)

B. RESTRUCTURING CLAIM:

CDN\$ _____ (*insert \$ value of Claim*)
(Claim arising after the Filing Date resulting from the restructuring, termination, disclaimer or repudiation after the Filing Date of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written, and any amending agreement related thereto)

C. The Creditor's Claim is denominated in:

☐ Canadian Dollars

☐ U.S. Dollars

☐ Other: _____ (*stipulate other currency referenced*)

D. TOTAL CLAIM(S) \$

(Note: Claims in a foreign currency are to be converted to Canadian Dollars at the noon spot rate of the Bank of Canada as at the Filing Date.)

4. **Nature of Claim:**

(Check and complete appropriate category)

☐ A. UNSECURED CLAIM OF \$ _____. That in respect of this debt, no assets of the Applicant are pledged as security.

☐ B. SECURED CLAIM OF \$ _____.

That in respect of this debt, assets of the Applicant valued at \$ _____ are pledged to me as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

5. **Particulars of Claims:**

Other than as already set out herein, the particulars of the undersigned's total Pre-Filing Claim and/or Restructuring Claim are attached.

(Provide all particulars of the claims and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the claims, name of any guarantor which has guaranteed the claims, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Applicant to the Creditor and estimated value of such security.)

6. **Filing of Claims:**

This Proof of Claim must be received by no later than 5:00 p.m. (Eastern Time) on February 8, 2010 (the "**Claims Bar Date**") if your claim is not a Restructuring Claim.

Proofs of Claim for Restructuring Claims arising after the Filing Date resulting from a restructuring, termination, disclaimer or repudiation after the Filing Date of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written, and any amending agreement related thereto, must be received by the later of: (a) the Claims Bar Date, and (b) by 5:00 p.m. (Eastern Time) on the day which is 15 days after the date of the Notice of Repudiation or Disclaimer (the "**Restructuring Claims Bar Date**").

FAILURE TO FILE YOUR PROOF OF CLAIM AS DIRECTED BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, WILL RESULT IN YOUR CLAIM BEING BARRED AND EXTINGUISHED FOREVER, AND

YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST THE APPLICANT.

This Proof of Claim must be delivered by registered mail, personal delivery, e-mail (in PDF format), courier or facsimile transmission at the following addresses:

**Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.,
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7
E-mail: terracebay@ca.ey.com
Telephone: (866) 986-9676
Fax: (416) 943-3300
Attention: Franca Mazzulla re: Terrace Bay Claims**

DATED this _____ day of _____, 20__.

Witness:

Per: _____

Print name of Creditor:

*If Creditor is other than an individual, print
name and title of authorized signatory*

Name: _____

Title: _____

SCHEDULE "D"

NOTICE OF REVISION OR DISALLOWANCE OF TERRACE BAY PULP INC. (hereinafter referred to as the "Applicant")

Name of Claimant:

Reference #: _____

Pursuant to the order of the Honourable Mr. Justice Morawetz dated December 18, 2009, Ernst & Young Inc. in its capacity as Monitor of the Applicant, hereby gives you notice that the Monitor has reviewed your Proof of Claim and has revised or rejected your Claim as follows:

A) Your Pre-Filing Claim has been revised or rejected for:

- ☐ Voting Purposes
- ☐ Distribution Purposes

B) Your Restructuring Claim has been revised or rejected for:

- ☐ Voting Purposes
- ☐ Distribution Purposes

C) Revision or Disallowance:

	Proof of Pre-Filing Claim or Restructuring Claim as Submitted (\$CDN)	Revised Pre-Filing Claim or Restructuring Claim as Accepted (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reason for the Revision or Disallowance:

If you do not agree with this Notice of Revision or Disallowance please take notice of the following:

If you intend to dispute a Notice of Revision or Disallowance, you must, by 5:00 p.m. (Eastern Time) on the day which is fourteen (14) days after the date of this Notice of Revision or Disallowance, deliver a Notice of Dispute, in the form attached hereto, by registered mail, personal service, e-mail (in PDF format), facsimile or courier to the address indicated herein. The form of Notice of Dispute is attached to this Notice.

If you do not deliver a Notice of Dispute in the time specified, the nature and amount of your Pre-Filing Claim or Restructuring Claim, as the case may be, shall be determined to be as set out in this Notice of Revision or Disallowance for voting and/or distribution purposes.

Address for Service of Notices of Dispute:

**Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.,
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7
E-mail: terracebay@ca.ey.com
Telephone: (866) 986-9676
Fax: (416) 943-3300
Attention: Franca Mazzulla re: Terrace Bay Claims**

IF YOU FAIL TO TAKE ACTION WITHIN THE PRESCRIBED TIME PERIOD, THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU.

Dated at _____ this _____ day of _____, 2010.

ERNST & YOUNG INC.

In its capacity as the court-appointed
Monitor of Terrace Bay Pulp Inc.

Per: _____

[NAME]

SCHEDULE "E"

NOTICE OF DISPUTE OF TERRACE BAY PULP INC. (hereinafter referred to as the "Applicant")

Pursuant to the order of the Honourable Mr. Justice Morawetz dated December 18, 2009, we hereby give you notice of our intention to dispute the Notice of Revision or Disallowance bearing Reference Number _____ and dated _____ issued by Ernst & Young Inc. in its capacity as Monitor of the Applicant in respect of our Claim.

Name of Creditor: _____

	Reviewed Claim as Accepted (\$CDN)	Reviewed Claim as Disputed (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reasons for Dispute (attach additional sheet and copies of all supporting documentation if necessary):

Signature of Individual: _____

Date: _____

(Please print name): _____

Telephone Number: (____) _____

Facsimile Number: (____) _____

Email Address: _____

Full Mailing Address:

THIS FORM AND SUPPORTING DOCUMENTATION TO BE RETURNED BY REGISTERED MAIL, PERSONAL SERVICE, E-MAIL (IN PDF FORMAT), FACSIMILE OR COURIER TO THE ADDRESS INDICATED HEREIN AND TO BE RECEIVED BY 5:00 P.M. (EASTERN TIME) ON THE DAY WHICH IS FOURTEEN (14) DAYS AFTER THE DATE OF THE NOTICE OF REVISION OR DISALLOWANCE.

Address for Service of Notices of Dispute:

**Ernst & Young Inc.
Court-appointed Monitor of
Terrace Bay Pulp Inc.
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7
E-mail: terracebay@ca.ey.com
Telephone: (866) 986-9676
Fax: (416) 943-3300
Attention: Franca Mazzulla re: Terrace Bay Claims**

SCHEDULE "F"

NEWSPAPER NOTICE

NOTICE TO CREDITORS OF TERRACE BAY PULP INC. (referred to as "Terrace Bay")

RE: NOTICE OF CLAIMS PROCESS FOR TERRACE BAY PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA")

This notice is being published pursuant to an order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice dated December 18, 2009 (the "**Claims Process Order**"). Any person who may have a claim against Terrace Bay should review and comply with the Claims Process Order.

Any person having a claim against Terrace Bay arising or relating to the period prior to March 11, 2009 (the "**Filing Date**"), or would have been a claim provable in bankruptcy had Terrace Bay become bankrupt on the Filing Date and who does not receive a Claim Amount Notice with their Claims Package, or who receives a Claim Amount Notice with their Claims Package but disputes the amount or nature of their claim as listed in their Claim Amount Notice, should send a Proof of Claim to Ernst & Young Inc., in its capacity as the court-appointed Monitor of Terrace Bay, to be received by no later than 5:00 p.m. (Eastern Time) on February 8, 2010 (the "**Claims Bar Date**").

Proofs of Claim for claims arising after the Filing Date as a result of a restructuring, termination, disclaimer or repudiation by Terrace Bay after the Filing Date of any contract, lease, employment agreement, or other arrangement or agreements of any nature whatsoever, whether oral or written, and any amending agreement related thereto, must be received by the later of: (a) the Claims Bar Date, and (b) 5:00 p.m. (Eastern Time) on the day which is 15 days after the date of the applicable notice of repudiation or disclaimer (the "**Restructuring Claims Bar Date**").

Current and former unionized employees of Terrace Bay are not required to submit a Proof of Claim at this time. A claims process for unionized employees will, if necessary, be brought forward in the future. Non-unionized employees of Terrace Bay who wish to make a claim against Terrace Bay are required to submit a Proof of Claim.

Creditors requiring more information or who have not received a Proof of Claim form or Claims Package (which may include a Claim Amount Notice) should contact Ernst & Young Inc., the court-appointed Monitor of Terrace Bay, by telephone at (866) 986-9676, fax at (416) 943-3300, or email at terracebay@ca.ey.com to obtain a Proof of Claim form, Claims Package or visit the Monitor's website at www.ey.com/ca/terracebay.

PROOFS OF CLAIM WHICH ARE NOT RECEIVED BY THE APPLICABLE BAR DATES SPECIFIED HEREIN WILL BE BARRED AND EXTINGUISHED FOREVER.

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

CLAIMS PROCESS ORDER

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

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

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Tel: (416) 863-4247
Fax: (416) 863-2653

Lawyers for the Applicant