Terrace Bay Pulp

Terrace Bay Pulp Inc.
21 Mill Road
Terrace Bay, ON
P0T 2W0

RE: Subordinated Secured Plan Note Issued in Connection with the Second Amended and Restated Plan of Arrangement of Terrace Bay Pulp Inc. dated June 25, 2010 (the "Plan")

On March 11, 2009, Terrace Bay Pulp Inc. ("**Terrace Bay**") commenced a proceeding under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceeding**"). The Plan was filed by Terrace Bay in the CCAA Proceeding. After its approval by the required majorities of creditors, the Plan was sanctioned by the Ontario Superior Court of Justice on July 27, 2010 and became effective on September 15, 2010 (the "**Effective Date**"). All capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

In accordance with the Plan, on the Effective Date, Terrace Bay issued a subordinated secured plan note (the "**Plan Note**") to Computershare Trust Company of Canada (the "**Trustee**"), in trust. Pursuant to the Plan, each holder of a Proven Unsecured Claim was deemed on the Effective Date to have exchanged its Proven Unsecured Claim for a pro rata beneficial interest in the Plan Note. The Trustee holds the Plan Note, for and on behalf of such beneficiaries. The Plan Note is governed by the more detailed provisions of a Note Indenture dated September 15, 2010 (the "**Note Indenture**"). The Note Indenture sets out the requirements for voting by beneficiaries, the transfer of a beneficiary's beneficial interest and other matters. The required formalities for a transfer of any beneficial interest in the Plan Note include the filing of a transfer form (the form of which is appended to the Note Indenture) with the Trustee.

The Trustee can be contacted at:

COMPUTERSHARE TRUST COMPANY OF CANADA
100 University Avenue
8th Floor, South Tower
Toronto, ON M5J 2Y1
Attention: Manager, Corporate Trust Services
Facsimile: (416) 981-9777

Copies of the Plan Note and the Note Indenture are posted on the Monitor's website at www.ey.com/ca/terracebay.

The maturity date of the Plan Note is the earlier of (a) six (6) years from the Effective Date and (b) the day which is one (1) year following repayment in full of all amounts owing by Terrace Bay under certain loan and other agreements with the Province of Ontario, subject to certain other requirements including the repayment of a certain ABL facility, as more specifically set out in the Note Indenture (the "**Maturity Date**"). The amount payable under the Plan Note on the Maturity Date is based on the total net income of Terrace Bay from the Effective Date to the Maturity Date, with the minimum amount being $10,000,000 and the maximum amount being $30,000,000, as set out more specifically in the Note Indenture (the "**Maturity Amount**"). The security given in relation to the Plan Note is subordinated to the security granted to holders of the Priority Security (as defined in the Note Indenture).

Your pro rata share of the Plan Note can be calculated by dividing the amount of your Proven Unsecured Claim by the total of all Proven Unsecured Claims (your "**Pro Rata Share**"). The amount payable to you on the Maturity Date will be your Pro Rata Share multiplied by the Maturity Amount. Please note that the total amount of the Proven Unsecured Claims is not yet known and cannot be finally determined until the Claims Process in the CCAA Proceeding has been completed. For illustrative purposes only, the Proven Unsecured Claims are currently estimated by Terrace Bay to be equal to or less than $35,505,378.46.

By way of example:

- **if** your Proven Unsecured Claim was $1,000,000; **and**
- **if** the total of the Proven Unsecured Claims was equal to $35,000,000; **and**
- **if** the Maturity Amount was $10,000,000; **then**
- the payment in respect of your Pro Rata Share on the Maturity Date would be (1,000,000 / 35,000,000 x 10,000,000), being $285,714.28.*

*** Note that the above example is for illustrative purposes only. The amount actually to be paid in relation to your pro rata beneficial interest in the Plan Note will be based on the actual amounts determined in accordance with the Note Indenture, the Plan Note and the Claims Process.**

We thank you for your continued support of Terrace Bay.

Sincerely,

Taras Sawula, CA
Treasurer

TRUSTEE'S CERTIFICATE

The attached note is the Plan Note issued under the Note Indenture made as of September 15, 2010 made between Terrace Bay Pulp Inc. and Computershare Trust Company of Canada, as trustee.

COMPUTERSHARE TRUST COMPANY OF CANADA

By:

Name: **Sean Pigott**
Title: **Corporate Trust Officer**

I have authority to bind the trust company.

FORM OF PLAN NOTE

TERRACE BAY PULP INC. **Cdn.$30,000,000**
SUBORDINATED SECURED PLAN NOTE

Terrace Bay Pulp Inc. (the "**Corporation**") for value received hereby promises to pay to the order of **COMPUTERSHARE TRUST COMPANY OF CANADA** in trust for the Beneficiaries (as defined in the Indenture), on the Maturity Date (as defined below) the Maturity Amount (as defined and calculated in accordance with the Indenture (defined below)) in lawful money of Canada, or such lesser amount as may be payable on the Maturity Date pursuant to the terms of the Indenture, on presentation and surrender of this Plan Note at the principal office of the Corporation in the City of Terrace Bay, Ontario.

This Plan Note is issued under a Note Indenture made as of September 15, 2010 made between the Corporation and **Computershare Trust Company of Canada**, as trustee thereunder (the "**Trustee**") (as may be amended, restated or supplemented from time to time, the "**Indenture**"). Reference is hereby made to the Indenture for a description of the rights of the Beneficiaries of the Plan Note, the Corporation and the Trustee and of the terms and conditions upon which the Plan Note is issued and held, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the holder of this Plan Note, is deemed to assent. All capitalized terms used herein have the meaning ascribed thereto in the Indenture unless otherwise indicated.

The payment of the Maturity Amount under this Plan Note is subordinated to the prior payment in full of Senior Indebtedness (as defined in the Indenture). Senior Indebtedness must be paid in full before any payment under this Plan Note may be paid. The Corporation agrees, and the Trustee, on behalf of the Beneficiaries, agrees to the subordination.

This Plan Note shall be secured by a security interest and charge over all of the present and after-acquired real and personal property of the Corporation but such security shall be subordinate in all respects to all Priority Security, as more particularly set out in the Indenture. The Corporation agrees, and the Trustee, on behalf of the Beneficiaries, agrees to the subordination. The Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any additional indebtedness.

The Plan Note is payable on the Maturity Date which is the earlier of (a) six (6) years from the Plan Effective Date (as defined in the Indenture), and (b) the day which is one (1) year following repayment in full of all amounts owing by the Corporation to the Province of Ontario under the Province Loan Agreement and the Stumpage Agreement (both as defined in the Indenture), provided that no Maturity Date shall occur until all Senior Indebtedness has been paid in full and all commitments under the ABL Loan Agreement (as defined in the Indenture) and the Province Loan Agreement have been terminated and provided that in the case of a prepayment of the whole (and not any part) of the Maturity Amount as permitted pursuant to Section 2.11 of the Indenture, for the purposes of calculating the Maturity Amount, the Maturity Date shall be deemed to be the date the Maturity Amount is repaid in full. No interest shall accrue on the principal amount of this Plan Note either before or after default.

Upon payment of this Plan Note, this Plan Note shall be cancelled and shall not be reissued.

The Indenture contains provisions for the holding of meetings of Beneficiaries and rendering resolutions passed at such meetings and instruments in writing signed by the holders of sixty-six and two-thirds percent ($66^2/_3\%$) of the value of the Plan Note outstanding binding upon all Beneficiaries, subject to the provisions of the Indenture.

This Plan Note shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Indenture.

The holder of this Plan Note, on behalf of the Beneficiaries, hereby accepts and agrees to be bound by the terms, and to be entitled to the benefits of this Plan Note and of the Indenture, the whole in accordance with and subject to the respective provisions thereof.

IN WITNESS WHEREOF Terrace Bay Pulp Inc. has caused this Plan Note to be signed by its Authorized Representative.

DATED as of the 15th day of September, 2010.

TERRACE BAY PULP INC.

By:
Name: R. Polk
Title: Treasurer

By:
Name:
Title:

I/We have authority to bind the corporation

NOTE INDENTURE
between
TERRACE BAY PULP INC.
and
COMPUTERSHARE TRUST COMPANY OF CANADA

PROVIDING FOR THE ISSUE OF
THE PLAN NOTE

SEPTEMBER 15, 2010

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TERRACE BAY PULP INC.

NOTE INDENTURE

THIS NOTE INDENTURE is dated as of the 15th day of September, 2010,

BETWEEN:	**TERRACE BAY PULP INC.**, a corporation incorporated under the laws of the Province of Ontario (the "**Corporation**")
AND:	**COMPUTERSHARE TRUST COMPANY OF CANADA** a trust corporation incorporated under the laws of Canada, having an office in the City of Toronto in the Province of Ontario (together with its successors and permitted assigns, the "**Trustee**")

WITNESSETH THAT:

WHEREAS the Corporation filed for protection under the *Companies' Creditors Arrangement Act* (Canada) on March 11, 2009 and filed a Second Amended and Restated Plan of Compromise and Arrangement dated as of June 25, 2010 in those proceedings (as amended, restated or supplemented from time to time, the "**Plan**");

AND WHEREAS the Plan was approved by the requisite majority of creditors of the Corporation entitled to vote on the Plan, and on July 27, 2010 the Plan was sanctioned by the Ontario Superior Court of Justice;

AND WHEREAS the Plan provides for the issuance of the Plan Note (as described herein) to the Trustee for the benefit of the Beneficiaries (as defined herein);

AND WHEREAS the forgoing recitals are those of the Corporation and not the Trustee;

AND WHEREAS the Trustee has full power and authority to execute this Indenture and to accept and execute the rights, powers, duties, obligations and responsibilities and any trusts herein imposed upon it;

NOW THEREFORE THIS INDENTURE WITNESSETH THAT the parties hereto hereby agree and declare as follows:

1. DEFINITIONS

1.1 Definitions and Interpretation

In this Indenture, unless otherwise stated or the context should otherwise require, the capitalized terms and phrases used have the following meanings:

"**ABL Lender**" means Callidus Capital Corporation or such other lender under the ABL Loan Agreement from time to time;

"**ABL Loan Agreement**" means the loan agreement to be entered into by the Corporation with the ABL Lender for operating financing, as it may be amended, restated or supplemented from time to time;

"**Affiliate**" means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to "**control**" another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of management and policies of such other Person, whether through the ownership of voting securities, by contract, or otherwise;

"**Applicable Law**" means, with respect to any Person, property, transaction, event or other matter, (i) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, Order or other requirement having the force of law which shall expressly include any Environmental Laws, (ii) any policy, practice, protocol, standard or guideline of any governmental authority which, although not necessarily having the force of law, is regarded by such governmental authority as requiring compliance as if it had the force of law relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation;

"**Authorized Representative**" means an officer of the Corporation, or such other Person authorized by the Corporation from time to time to execute this Indenture and the Plan Note and such documents and other instruments contemplated by this Indenture and/or the Plan Note;

"**Beneficiary**" means each Person beneficially entitled pursuant to the Plan to a pro rata interest in the Plan Note pursuant to the Plan;

"**Beneficiary Request**" means an instrument in writing, signed in one or more counterparts by the Beneficiaries of at least 25% of the principal amount of the Plan Note, requesting the Trustee take some action or proceeding specified therein;

"**Buchanan Group**" means the Corporation, Lucky Star Holdings Inc., 686860 Ontario Limited, Great West Timber Limited, Northern Sawmills Inc., Dubreuil Forest Products Limited, Long Lake Forest Products Inc., McKenzie Forest Products Inc., Buchanan Northern Hardwoods Inc. and the Atikokan Forest Products Ltd.;

"**Business Day**" means, with respect to any action to be taken, any day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;

"**Capitalized Leased Obligations**" means an obligation of the Corporation to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP; and the amount of such obligation shall be the capitalized amount shown on the balance sheet of such Person as determined in accordance with GAAP;

"**Claims Process**" means the claims process for the determination of claims against the Corporation as set out in the amended Order of Justice Morawetz of the Ontario Superior Court of Justice dated December 18, 2009 and such further Order as may be made in connection therewith;

"**Collateral**" means all present and after acquired real and personal property of the Corporation;

"**Contaminant**" means any substance or material that is or becomes prohibited, controlled or regulated by any Governmental Authority including, but not limited to, any contaminants, pollutants, petroleum, its derivatives, by-products or other hydrocarbons, dangerous substances or goods, asbestos, toxic or hazardous substances or materials, controlled products, wastes involving hazardous wastes and any other materials that are by their nature hazardous, either in fact or as defined in or pursuant to any Environmental Laws;

"**Contingent Proven Unsecured Claim**" has the meaning set out in Section 2.10;

"**Corporation**" has the meaning set out in the preamble;

"**Disallowed Claim**" has the meaning set out in the Plan;

"**Disputed Claim**" has the meaning set out in the Plan;

"**Documents**" has the meaning set out in Section 2.5;

"**Dollar**" and "**$**" mean lawful currency of Canada, unless specified otherwise;

"**Environmental Law**" means all applicable laws, rules, regulations, orders, policies, guidelines, notices, approvals and permits relating to environmental or occupational health and safety matters, in effect as at the date hereof and as may be brought into effect or amended at a future date, including without limitation, those pertaining to reporting, licensing, permitting, investigation, remediation and clean-up in connection with any presence or Release or threat of same of a Contaminant or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling and the like, of a Contaminant;

"**Event of Default**" has the meaning set out in Section 5.1;

"**Governmental Authority**" means any government, parliament, legislature or commission or board of government, parliament or legislature or any political subdivision thereof, or any quasi-governmental authority, or any court or (without limitation of the foregoing) any other law, regulation or rule-making entity (including, without limitation, any central bank, fiscal or monetary authority or authority regulating financing institutions) having or purporting to have jurisdiction in the relevant circumstances, or any person acting or purporting to act under the authority of any of the foregoing (including, without limitation, any arbitrator) or any other authority charged with the administration or enforcement of applicable laws.

"**Indenture**" means this Note Indenture and all Schedules hereto, as each may be amended, restated and supplemented from time to time;

"**Indemnified Parties**" means the Trustee, its directors, officers, employees, representatives, agents and all of their respective representatives, heirs, successors and assigns;

"**Insolvency Proceeding**" means any voluntary or involuntary proceeding commenced pursuant to the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), or the appointment of a trustee, receiver, interim receiver, receiver and manager or similar official with respect to the Corporation or a substantial part of its property;

"**Lien**" means any lien, mortgage, charge, claim, pledge, prior assignment, hypothec, security interest, deemed trust, option, warrant, lease, sublease, right to possession or other encumbrance which affects, by way of conflicting ownership interest or otherwise, the right, title or interest in or to any property of the Corporation;

"**Maturity Amount**" means the amount payable under the Plan Note on the Maturity Date based on the Total Net Income from the Plan Effective Date to the Maturity Date, as follows: (a) if Total Net Income is equal to or less than $40,000,000, the Maturity Amount will be $10,000,000; (b) if Total Net Income is less than $80,000,0000 and more than $40,000,000, the Maturity Amount is $30,000,000, less 1/2 of the amount by which Total Net Income is less than $80,000,000 (such that, for example, if Total Net Income is $60,000,000, the Maturity Amount will be $20,000,000); or (c) if Total Net Income is equal to or greater than $80,000,000, the Maturity Amount will be $30,000,000;

"**Material Adverse Effect**" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Corporation, or (b) the validity or enforceability of any of this Indenture, the Plan Note or the Liens created in connection therewith;

"**Maturity Date**" means the earlier of (a) six (6) years from the Plan Effective Date and (b) the day which is one (1) year following repayment in full of all amounts owing by the Corporation under the Province Agreements, provided that no Maturity Date shall occur until all Senior Indebtedness has been paid in full and all commitments under the ABL Loan Agreement and the Province Loan Agreement have been terminated and provided that in the case of a prepayment of the whole (and not any part) of the Maturity Amount as permitted pursuant to Section 2.12, for the purposes of calculating the Maturity

Amount, the Maturity Date shall be deemed to be the date the Maturity Amount is repaid in full;

"**New Proven Claim**" has the meaning set out in Section 2.10;

"**Officer's Certificate**" means a certificate signed in the name of the Corporation by any Authorized Representative;

"**Order**" means any order made by a court of competent jurisdiction with respect to the Corporation or its business or property;

"**Other Secured Indebtedness**" means, without duplication: (a) indebtedness for borrowed money or with respect to deposits with, or advances to, the Corporation of any kind, (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, and (c) obligations owing in respect of hedging obligations, in each case which are secured by a Lien on the property of the Corporation, but does not include (i) obligations of the Corporation under conditional sale or other title retention agreements relating to property acquired by the Corporation, (ii) obligations secured by a Lien on property acquired by the Corporation, (iii) Capitalized Lease Obligations of the Corporation, (iv) indebtedness owing by the Corporation to any Affiliate, or (v) indebtedness owing under the Province Loan Agreement and the ABL Loan Agreement or any replacement or refinancing thereof;

"**Other Secured Lender**" means a holder of any Other Secured Indebtedness;

"**Plan**" has the meaning set out in the recitals;

"**Plan Effective Date**" means the date the Plan becomes effective and Ernst & Young Inc., in its capacity as court-appointed monitor of the Corporation, files a certificate with the Ontario Superior Court of Justice confirming the same pursuant to Section 8.3 of the Plan;

"**Plan Note**" means the non-interest bearing subordinated secured note issued in connection with the Plan, in substantially the form of Schedule "A" hereto, as it may be amended, restated or supplemented from time to time pursuant to the terms of this Indenture;

"**Person**" shall be broadly interpreted and includes 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, board, instrumentality or department of such government or political subdivision, or any other entity, howsoever designated or constituted, and the trustees, executors, administrators or other legal representatives of a person;

"**Priority Security"** means, collectively, any security or Lien granted to secure the Senior Indebtedness or Other Secured Indebtedness, or any part thereof;

"**Privacy Laws**" means federal and/ or provincial legislation that addresses the protection of individuals' personal information;

"**Proven Unsecured Claims**" has the meaning set out in the Plan;

"**Province Agreements**" means, collectively, the Province Loan Agreement and the agreement to be entered into between the Buchanan Group and the Province of Ontario with respect to unpaid stumpage fees payable by the Buchanan Group, as each may be amended, restated or supplemented from time to time;

"**Province Loan Agreement**" means the loan agreement to be entered into with the Province for term financing in the amount of $25 million, as it may be amended, restated, or supplemented from time to time;

"**Register**" has the meaning set out in Section 2.8;

"**Release**" includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place, escape, leach, disperse, migrate and exhaust, and when used as a noun (as applicable) has a similar meaning;

"**Senior Indebtedness**" means all indebtedness, liabilities and obligations of the Corporation under the Province Agreements and the ABL Loan Agreement from time to time;

"**Senior Indebtedness Intercreditor Agreement**" means the intercreditor agreement(s) between the Province of Ontario, the ABL Lender and any Other Secured Lender in respect of the Senior Indebtedness, as it or they may be amended, restated or supplemented from time to time;

"**Special Resolution**" has the meaning set out in Section 8.14;

"**Successor**" has the meaning set out in Section 7.1;

"**Total Net Income**" means the Corporation's cumulative net income calculated in accordance with GAAP from the Plan Effective Date to the Maturity Date;

"**Transfer Form**" means the form of transfer of a Beneficiary's interest in the Plan Note substantially in the form attached hereto as Schedule "C"

"**Trustee**" has the meaning set out in the preamble; and

"**Written Request**" means a written Order or request signed in the name of the Corporation by an Authorized Representative from time to time.

1.2 Meaning of "outstanding" for Certain Purposes

The Plan Note shall be deemed to be outstanding until it shall be cancelled by the Trustee upon payment of the Maturity Amount on the Maturity Date.

1.3 Related Party Voting

The pro rata share of the Plan Note owned, directly or indirectly, legally or beneficially by the Corporation or any Affiliate of the Corporation shall be disregarded for the purpose of any provision of this Indenture entitling Beneficiaries to vote, constitute a quorum for the purpose of voting, sign consents, requisitions or other instruments or take any other action under this Indenture.

1.4 Accounting Principles

Whenever in this Indenture reference is made to generally accepted accounting principles, or to GAAP, such reference shall be deemed to be to the generally accepted accounting principles or such other accounting principles that are from time to time approved by the Canadian Institute of Chartered Accountants, or any successor entity thereto, applicable as at the date on which such principles are to be applied or on which any calculation or determination is required to be made in accordance with such generally accepted accounting principles.

1.5 Article and Section References

The terms "**this Indenture**", "**herein**", "**hereby**", "**hereof**" and similar expressions mean or refer to this Indenture and any indenture, deed or instrument supplemental or ancillary hereto; and the expressions "**Article**", "**section**", "**subsection**", "**paragraph**" and "**clause**" followed by numbers or letters mean and refer to the specified article, section, subsection, paragraph or clause of this Indenture.

1.6 Extended Meanings

In this Indenture, where the context so requires, any word importing the singular number shall include the plural and vice versa, and any word or words importing gender shall include all genders.

1.7 Interpretation not Affected by Headings

The division of this Indenture into articles, sections, subsections, paragraphs and clauses and the insertion of a table of contents and headings are for reference purposes and shall not affect the construction or interpretation of this Indenture.

1.8 Inclusive Meaning

As used in this Plan, the words "include", "includes", "including" or similar words of inclusion mean, in any case, those words as modified by the words "without limitation" and "including without limitation"; so that references to included matters shall be regarded as illustrative rather than exhaustive.

1.9 Successors and Assigns

The rights, benefits and obligations of any Person named or referenced in this Indenture shall be binding on and shall inure to the benefit of any heir, administrator, executor, legal or personal representative, successor or assign, as the case may be, or a trustee, receiver, interim receiver, receiver and manager, liquidator or other Person acting on behalf of such Person, as permitted hereunder.

1.10 Governing Law

This Indenture shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflict of law provision that would require the application of the law of any other jurisdiction. Any dispute or issue in connection with, or related to the interpretation, application or effect of this Indenture and all proceedings taken in connection with this Indenture and its revisions shall be subject to the exclusive jurisdiction of the courts of the Province of Ontario.

1.11 Severability

Any provision of this Indenture which is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and will be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

1.12 No Third Party Rights

Nothing in this Indenture or in the Plan Note, express or implied, will give to any Person, other than the parties hereto and their successors hereunder or any Beneficiary any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.13 Schedules

The following Schedules form part of this Indenture:

Schedule "A" – Plan Note

Schedule "B" – Certification

Schedule "C" – Transfer Form

Schedule "B" – Acknowledgement

2. THE PLAN NOTE

2.1 Plan Note

A single Plan Note may be issued under this Indenture pursuant to the Plan in the principal amount of $30 million. For greater certainty, the amount payable under the Plan Note on the Maturity Date shall in no circumstances exceed the Maturity Amount.

2.2 Principal Terms of the Plan Note

The Plan Note authorized to be issued under this Indenture shall:

(a) consist of and be limited to an aggregate principal amount of $30 million;

(b) mature on the Maturity Date;

(c) compel the Corporation to pay the Maturity Amount on the Maturity Date;

(d) not bear interest at any time, whether before or after default;

(e) be issuable in Canadian currency;

(f) be secured by the Collateral and subordinated to the prior payment in full of all Senior Indebtedness and to all security granted to the holders of Priority Security; and

(g) be substantially in the form set out in Schedule "A" hereto with such appropriate insertions, deletions, substitutions and variations as may be required or permitted by the terms of this Indenture, as may be required to comply with Applicable Law or as may be consistent with the terms hereof and as the Trustee or officers of the Corporation executing the Plan Note may deem necessary or desirable, in their sole discretion.

2.3 Payment of Maturity Amount

The Maturity Amount of the Plan Note will be payable on the Maturity Date in lawful money of Canada against the release by each Beneficiary of its beneficial interest in the Plan Note.

2.4 Issuance of Plan Note

The Plan Note shall be issued on the Plan Effective Date and be executed by the Corporation and, immediately after such execution, shall be delivered to the Trustee and shall be certified by the Trustee upon receipt of an Officer's Certificate from the Corporation that, to its knowledge, the Corporation is not in default in the performance of any of its covenants herein contained and that the Corporation has complied with the requirements of this Indenture in connection with the issue of the Plan Note.

2.5 Trustee's Reliance

The Trustee, prior to the certification of the Plan Note, shall not be bound to make any enquiry or investigation as to the correctness of the matters set forth in any of the certificates or other documents required by the provisions hereof. The Trustee will be protected in acting and relying reasonably upon any notice, direction, instruction, order, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or document (collectively referred to as "**Documents**") furnished to it and purportedly signed by any officer or person required to or entitled to execute and deliver to the Trustee any such Document in connection with this Indenture, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth or accuracy of any information therein contained, which it in good faith believes to be genuine, but may in its discretion require additional evidence before acting or relying thereon. The Trustee shall have no duty or responsibility with respect to the use or application of the Plan Note so certified and delivered or of the proceeds thereof.

2.6 Execution of Plan Note

The Plan Note shall be signed by an Authorized Representative and certified by the Trustee.

2.7 Certification by the Trustee

The Plan Note shall not be issued or, if issued, shall not be obligatory or entitle any Beneficiary to the benefit hereof, until it has been certified by or on behalf of the Trustee substantially in the form of the certificate set out in Schedule "B" hereto. Such certification by the Trustee upon the Plan Note shall be conclusive evidence that the Plan Note has been duly issued hereunder, is a valid obligation of the Corporation and that the Beneficiaries are entitled to the benefit of the Plan Note.

The certificate of the Trustee on the Plan Note issued hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of the Plan Note (except the due certification thereof) and the Trustee shall in no respect be liable for the proceeds thereof (other than disbursement of amounts received from the Corporation in respect of the payment of the Maturity Amount).

2.8 Registration and Transfer of Beneficial Interest in the Plan Note by a Beneficiary

The Trustee shall cause to be kept by and at its principal corporate trust office of the Trustee in the City of Toronto a register (the "**Register**") in which shall be entered the names and latest known addresses of the Beneficiaries of the Plan Note and the other particulars, prescribed by Applicable Law, of the beneficial interest in the Plan Note held by them respectively and of all transfers by a Beneficiary of its beneficial interest in the Plan Note. No transfer by a Beneficiary of its beneficial interest in the Plan Note shall be effective as against the Corporation unless made on the Register and made by the registered Beneficiary or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and substance satisfactory to the Trustee. Such transfers may only be effected by the delivery of a Transfer Form to the Trustee in the manner set out in Section 11.1 of this Indenture and upon compliance with any such requirements as the Trustee may require.

The Register referred to in this section shall at all reasonable times be open for inspection by the Corporation, by the Trustee and by any Beneficiary. The Trustee or such other Person as it may appoint shall act as the register of the Register.

Neither the Trustee nor the Corporation shall be charged with notice of or be bound to see to the execution of any trust, whether express, implied or constructive, in respect of the beneficial interest of any Beneficiary in the Plan Note and may transfer such beneficial interest in the Plan Note on the direction of the Beneficiary thereof, whether named as trustee or otherwise, in accordance with such reasonable regulations as the Trustee may prescribe, subject to the requirements set out in this Section 2.8.

2.9 Person Entitled to Payment

The Beneficiary named in the Register shall be deemed the owner of a beneficial interest of the Plan Note equal to the beneficial interest set forth in the Register. Payment of or on account of the Maturity Amount on the Plan Note shall be made only to or upon the direction in writing of each such Beneficiary thereof. Payment shall be a good and sufficient discharge to the Trustee and any registrar and to the Corporation for the amount so paid and upon payment each Beneficiary shall be deemed to have forever released the Trustee, its officers, directors, employees, agents and representatives from any and all claims whatsoever arising from or connected to this Indenture or the Plan Note.

Each registered Beneficiary of the Plan Note shall be entitled to its pro rata share of the Maturity Amount payable on the Maturity Date, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate Beneficiary and all persons may act accordingly, and a transferee of the Plan Note shall, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in such respect required by this Indenture or by any conditions contained in the Plan Note or under Applicable Law, be entitled to be entered on the Register as the beneficial owner of its pro rata share of the Plan Note, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and his transferor or any previous Beneficiary thereof.

2.10 Treatment of Disputed Claims under the Register

(a) The original Register shall be provided to the Trustee by the Corporation concurrently with execution of this Indenture. The Corporation shall hold in trust for the benefit of holders of Disputed Claims, until such time as the Disputed Claims become Disallowed Claims or Proven Unsecured Claims in accordance with the Plan and the Claims Process, the aggregate pro rata share of the Plan Note that would be allocated to such Disputed Claims if such Disputed Claims were finally determined under the Plan and the Claims Process to be Proven Unsecured Claims and the interests held in trust by the Corporation in accordance with this section shall be listed on the original Register as "Terrace Bay Pulp Inc., in trust for holders of the Disputed Claims".

(b) As Disputed Claims are finally determined pursuant to the Plan and Claims Process:

(i) As soon a reasonably practicable after all or any portion of a Disputed Claim becomes a Disallowed Claim, the Corporation shall deliver to the Trustee a certificate appending a revised updated Register reflecting (A) a reduction of the amount of the pro rata allocation to be held by the Corporation, in trust, under this Section 2.10 after deduction of the pro rata amount allocated to the disallowed portion of such Disputed Claim, and (B) an allocation of the pro rata allocation in respect of the disallowed portion of such Disallowed Claim to the Beneficiaries.

(ii) As soon as reasonably practicable, after all or any portion of a Disputed Claim becomes a Proven Unsecured Claim (a "**New Proven Claim**"), the Corporation shall deliver to the Trustee a certificate appending a revised updated Register reflecting (A) the addition of the holder of such New Proven Claim as a Beneficiary for the amount of the New Proven Claim, with the appropriate pro rata allocation to the Beneficiaries based on the amount of all Proven Unsecured Claims, including the New Proven Claim, and (B) a commensurate reduction in the amount of the pro rata allocation to be held by the Corporation in trust under this Section 2.10.

(iii) To the extent that any Disputed Claim is allowed as a Proven Unsecured Claim with the proviso or on the condition that such claim remains subject to a future adjustment (a "**Contingent Proven Unsecured Claim**"), the Corporation shall continue to hold the full amount of the pro rata allocation applicable to such Contingent Proven Unsecured Claim in trust for the benefit of either (A) the holder of such Contingent Proven Unsecured Claim (if it is determined that there will be no adjustment of the claim of such holder), or (B) the Beneficiaries, for distribution on a pro rata basis among such Beneficiaries, until such time as the Contingent Proven Unsecured Claim is no longer subject to any further adjustment.

(iv) At such time as all Disputed Claims have been finally determined in accordance with the Plan and Claims Process, the Corporation shall deliver to the Trustee a certificate appending a revised final Register reflecting (A) the removal of "Terrace Bay Pulp Inc., in trust for holders of Disputed Claims" from the Register, and (B) any necessary increase in the pro rata allocation to the Beneficiaries.

2.11 Maturity Amount

Except as herein otherwise provided, all sums which become payable on the Maturity Date on account of the Plan Note shall be payable by the Trustee upon receipt of the funds and a certificate of the Corporation certifying that the Senior Indebtedness has been repaid or otherwise discharged in full, and the funds shall be repaid directly to each Beneficiary, its transferee or as otherwise directed in writing by such Beneficiary or transferee.

If the payment of the Maturity Amount shall be stated to be due on a day which is not a Business Day, then the Maturity Amount shall not be payable until the next succeeding Business Day.

2.12 Prepayment

Subject to Article 3, the Plan Note may be prepaid in whole or in part at any time at the option of the Corporation. Any partial payment shall be applied against the Maturity Amount calculated on the Maturity Date.

2.13 Rank and Subordination

The payment of the Maturity Amount on the Plan Note is expressly subordinated in all respects to the prior payment in full of all Senior Indebtedness, as provided in Article 3, and all security granted to the Trustee hereunder is expressly subordinated in all respects to the Priority Security.

2.14 Errors in Register

As soon as reasonably practicable after the Corporation becomes aware of an error or omission with respect to any of the information contained in the Register, it shall notify the Trustee in writing of such error or omission and deliver to the Trustee (i) a direction of the Corporation, directing the Trustee to revise the Register and/or (ii) a certificate of the Corporation appending a revised Register, in order to correct such error or omission. The Trustee shall forthwith amend the Register in accordance with such direction and/or certificate.

3. SUBORDINATION

3.1 Agreement to Subordinate

The Corporation covenants and agrees, (i) that the payment of the Maturity Amount on the Plan Note is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness, and (ii) that any and all Liens hereinafter held by the Trustee (on behalf of the Beneficiaries) in connection with the indebtedness of the Corporation under the Plan Note or any part thereof shall hereafter be completely subordinated to the Priority Security, notwithstanding any ranking that might otherwise be established by Applicable Law resulting from the nature of the Lien which may be created in connection with the indebtedness of the Corporation under the Plan Note, the Senior Indebtedness or the Other Secured Indebtedness or the date or time of execution, issue, delivery, registration, filing, notification, publication or perfection of any deed, document, application for registration, notice or financing statements, or otherwise howsoever.

Without prejudice to the rights of any other holder of Priority Security not having done so, the benefit of this Article 3 and of any other provision hereof and of the Plan Note relating to the subordination and postponement thereof may be accepted at any time by or on behalf of any other holder of Priority Security by written notice to the Trustee. Upon receipt of such written notice, the Trustee shall deliver an acknowledgment substantially in the form attached hereto as Schedule "D" in favour of such holder of Priority Security, acknowledging that such holder is a holder of Priority Security for the purposes of this Indenture.

3.2 Distribution in any Proceeding

In the event of any proceeding to distribute the property or assets of the Corporation secured by any of the Priority Security, or any proceeds thereof, or any Insolvency Proceeding:

(a) the holders of all Priority Security will first be entitled to receive payment in full of the principal thereof, premium or penalty (or any other amount payable thereunder), if any, and all interest received thereon, before the Beneficiaries are entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Plan Note;

(b) any payment by, or distribution of assets of, the Corporation of any kind or character, whether in cash, property or securities to which the Beneficiaries or the Trustee would be entitled, except for the provisions of this Article 3, will be paid or delivered by the Person making such payment or distribution, whether a trustee in bankruptcy, a receiver, an interim receiver, a receiver manager, a liquidator or otherwise, directly to the holders of Priority Security, and the Trustee shall direct such Person to make such payment or distribution in accordance with this Section, to be distributed to holders of Priority Security in accordance with the terms of the Senior Indebtedness Intercreditor Agreement pursuant to a written direction from holders of the Priority Security or an Order directing payments. Until such written direction is received or the Trustee receives an Order directing payment, the Trustee shall hold such payment or distribution in trust for the holders of the Priority Security;

(c) subject to Section 3.6, if, notwithstanding the foregoing, any payment by, or distribution of assets of, the Corporation of any kind or character, whether in cash, property or securities, is received by the Trustee or the Beneficiaries before all Senior Indebtedness and Other Secured Indebtedness are paid in full, such payment or distribution will be held in trust by the Trustee for the benefit of, and will be paid over to the holders of the Priority Security, to be distributed to holders of such Priority Security in accordance with the terms of the Senior Indebtedness Intercreditor Agreement until all Senior Indebtedness and Other Secured Indebtedness have been paid in full, after giving effect to any concurrent payment or distribution (or provision therefor) to such holders. Until such written direction is received by the Trustee or the Trustee receives an Order directing payment, the Trustee shall hold such payment or distribution in trust for the holders of the Priority Security.

3.3 Subrogation of Plan Note to Priority Security

The Trustee shall not have any subrogation or other rights of recourse to any Lien in respect of any Senior Indebtedness and/or Other Secured Indebtedness, as applicable, until such time as all Senior Indebtedness and/or Other Secured Indebtedness, as applicable, has been paid in full. Upon the payment in full of all Senior Indebtedness and/or Other Secured Indebtedness, as applicable, the Beneficiaries shall be subrogated to the rights of the holders of Priority Security, to receive payments and distributions of assets of the Corporation in respect of and on account of Senior Indebtedness and/or Other Secured Indebtedness, as applicable, to the extent of the application thereto of monies or other assets which would have been received by the Beneficiaries, but for the provisions of this Article 3, until the principal of the Plan Note shall be paid in full. No payment or distribution of assets of the Corporation to the Beneficiaries which would be payable or distributable to the holders of Priority Security, as applicable, pursuant to this Article 3 shall, as among the Corporation, its creditors (other than the holders of Priority Security) and the Beneficiaries, be deemed to be a payment by the Corporation to or on account of the Beneficiaries, it being understood that the provisions of this Article 3 are, and are intended, solely for the purpose of defining the relative rights of the Beneficiaries, on the one hand, and the holders of the Priority Security, on the other hand. Nothing contained in this Article 3 or elsewhere in this Indenture or in the Plan Note is intended to or shall impair, as between the Corporation and its creditors (other than the holders of Priority Security and the Beneficiaries), the obligation of the Corporation, which is unconditional and absolute, to pay to the Beneficiaries the Maturity Amount of the Plan Note on the Maturity Date, or to affect the relative rights of the Beneficiaries and the creditors of the Corporation, other than the holders of the Priority Security, nor shall anything herein or therein prevent the Trustee or any Beneficiary from exercising all remedies otherwise permitted by Applicable Law upon an Event of Default under this Indenture, subject to the rights, if any, under this Article 3, of the holders of Priority Security upon the exercise of any such remedy.

3.4 No Payment to Beneficiaries if Maturity of or Event of Default under the Senior Indebtedness

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, then, except as hereinafter otherwise provided in subsection 3.4(b), all principal of and premium or penalty (or any other amounts payable under such Senior Indebtedness), if any, and all interest accrued on all such matured Senior Indebtedness shall first be paid in full or shall first have been duly provided for, before any payment on account of principal on the Plan Note is made.

(b) Except as hereinafter otherwise provided in subsection 3.4(a), the Corporation shall not make any payment, and the Trustee and/or the Beneficiaries shall not be entitled to demand, institute proceedings (including under sections 5.4 or 5.5 or any Insolvency Proceeding) for the collection of, or receive any payment or benefit (including without limitation by compensation, set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of the indebtedness represented by the Plan Note (i) in a manner inconsistent with the terms of this Indenture or of the Plan Note, or (ii) at any time when Senior Indebtedness is outstanding.

3.5 Obligations of the Corporation Unconditional

This Article defines the relative rights of the Trustee, on behalf of the Beneficiaries, and holders of Priority Security. Nothing in this Indenture is intended to or shall impair, as between the Corporation and the Beneficiaries, the obligation of the Corporation, which is absolute and unconditional, to pay to the Beneficiaries the Maturity Amount on the Maturity Date, or is intended to or shall affect the relative rights of the Beneficiaries and creditors of the Corporation, other than the holders of Priority Security, nor shall anything herein or in the Plan Note prevent the Trustee or any Beneficiary from exercising all remedies otherwise permitted by Applicable Law upon an Event of Default under this Indenture, subject to the rights, if any, under this Article 3, of the holders of Priority Security in respect of any payment received upon the exercise of any such remedy.

3.6 Knowledge of Trustee

Notwithstanding the provisions of this Article 3, the Trustee will not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee, or the taking of any other action by the Trustee, unless and until the Trustee has received written notice thereof from the Corporation or any holder or representative of any class of Senior Indebtedness and/or Other Secured Indebtedness.

3.7 No Fiduciary Duty of Trustee or Beneficiaries to Holders of Priority Security

Neither the Trustee nor any Beneficiary owes any fiduciary duty to the holders of Priority Security. Neither the Trustee nor any Beneficiary shall be liable to any holder of Priority Security in the event that the Trustee, acting in good faith, pays over or distributes to any

Beneficiary, the Corporation, or any other Person, any property to which any holders of Priority Security, as applicable, are entitled by virtue of this Article or otherwise.

3.8 Rights of Holders of Priority Security Not Impaired

No right of any present or future holder of any Priority Security to enforce the subordination herein will at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Corporation or by any non-compliance by the Corporation with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

3.9 Altering the Senior Indebtedness and Other Secured Indebtedness

The holders of the Senior Indebtedness and Other Secured Indebtedness have the right to extend, renew, modify or amend the terms of the Senior Indebtedness and/or Other Secured Indebtedness, as applicable, or any security therefor and to release, sell or exchange such security and otherwise to deal freely with the Corporation, all without notice to or consent of the Beneficiaries or the Trustee and without affecting the liabilities and obligations of the parties to this Indenture or the Beneficiaries or the Trustee.

3.10 Additional Indebtedness

This Indenture does not restrict the Corporation from incurring additional indebtedness or granting Liens on its properties to secure any indebtedness, including Secured Indebtedness or the Other Secured Indebtedness.

3.11 Trustee's Remuneration, Expenses and Indemnity

The Trustee's rights to remuneration of its expenses pursuant to Section 4.2 and any claim it may have pursuant to the indemnity set out in Section 10.2 are not subordinated to any party.

4. COVENANTS OF THE CORPORATION

4.1 General Covenants

The Corporation covenants with the Trustee that so long as the Plan Note remains outstanding:

(a) subject to Article 3, on the Maturity Date it will well, duly and punctually pay or cause to be paid to the Trustee on behalf of every Beneficiary, the Maturity Amount in the currency and in the manner mentioned herein and in the Plan Note;

(b) it will carry on and conduct, and will cause to be carried on and conducted, its business in a proper and efficient manner and do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a corporation, provided that the Corporation may cease to operate any business, premises, property or operations if, in the opinion of Corporation, it would be advisable and in the best interests of the Corporation to do so; but the Corporation may not cease to operate or dispose of all or substantially all of its undertaking or assets, except in accordance with Article 7, and it will keep or cause to be kept proper books of account, and will if and whenever required in writing by the Trustee, and at all reasonable times it will furnish or cause to be furnished to the Trustee or its duly authorized agent or attorney such information relating to its business as the Trustee may reasonably require;

(c) it will annually, within ninety (90) days of the end of each fiscal year of the Corporation, deliver to the Trustee (i) an Officer's Certificate confirming that it has complied with all requirements contained in this Indenture that, if not complied with, would, with the giving of notice, lapse of time or otherwise, constitute an Event of Default, or, if there has been any failure to comply, giving particulars thereof and (ii) audited consolidated financial statements for each such fiscal year;

(d) it will, forthwith upon being notified of any default or event of default by the holders of Senior Indebtedness and/or Other Secured Indebtedness, as contemplated in subsection 3.4(b), notify the Trustee in writing of such default or event of default, including the particulars thereof; and

(e) generally, it will well, duly and punctually perform and carry out all of the acts or things to be done by it as provided in this Indenture.

4.2 Trustee's Remuneration and Expenses

The Corporation will pay to the Trustee from time to time such reasonable remuneration for its services hereunder as shall be negotiated by the Corporation and the Trustee, and the Corporation will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the execution of its rights, powers, duties and obligations hereunder (including the reasonable compensation and disbursements of the Trustee's counsel and all other advisers and agents retained by the Trustee), both before and after any Event of Default until all duties of the Trustee hereunder shall be finally and fully performed, except any such expense, disbursement or advance as may arise from the negligence or wilful misconduct of the Trustee. Any amount due under this Section and unpaid thirty (30) days after a request for payment shall bear interest at a rate per annum equal to the then standard rate charged by the Trustee to its other customers, payable on demand. After an Event of Default, all amounts payable and all interest accrued thereon shall be payable out of any funds coming into the possession of the Trustee in priority to the amounts owing on the Plan Note.

4.3 Trustee to Give Notice of Default

The Trustee shall notify the Beneficiaries in the manner provided in Section 11.1 promptly after the Trustee becomes aware of any default on the part of the Corporation in the performance of any covenant or condition herein or of the occurrence of any Event of Default.

4.4 Performance of Covenants by Trustee

If the Corporation fails to perform any of its covenants contained in this Indenture, the Trustee may itself perform any of such covenants capable of being performed by it, but shall be under no obligation to do so. All sums so expended or advanced by the Trustee shall be payable by the Corporation as provided in Section 4.2. Any performance or advance by the Trustee pursuant to this Section shall not be deemed to relieve the Corporation of any default or Event of Default hereunder.

5. DEFAULT AND ENFORCEMENT

5.1 Events of Default

Each of the following events is herein referred to as an "**Event of Default**":

(a) if default is made by the Corporation in the payment of the Maturity Amount due on the Maturity Date and such default shall have continued for a period of five (5) Business Days; or

(b) if the Corporation fails to perform or breaches any other covenant or agreement under the provisions of this Indenture which breach has a Material Adverse Effect, and such default continues for ten (10) days after written notice setting out such default and requiring such default to be remedied is given to the Corporation by the Trustee; or

(c) if the Corporation:

(i) becomes insolvent, or generally does not or becomes unable to pay its debts or meet its liabilities as the same become due, or admits in writing its inability to pay its debts generally, or declares any general moratorium on its indebtedness, or proposes a compromise or arrangement between it and any class of its creditors;

(ii) commits an act of bankruptcy under the or makes an assignment of its property for the general benefit of its creditors, or makes a proposal (or files a notice of its intention to do so) under the *Bankruptcy and Insolvency Act* (Canada);

(iii) institutes any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, plans of arrangement involving a debt compromise with any class of its creditors, insolvency, reorganization, receivership, plans of arrangement involving a debt compromise with any class of its creditors, or relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any applicable corporations legislation) or at common law or in equity, or files an answer admitting the material allegations of a petition filed against it in any such proceeding;

(iv) applies for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official for it or any substantial part of its property; or

(d) any petition is filed, application made or other proceeding instituted against or in respect of the Corporation:

(i) seeking to adjudicate it an insolvent;

(ii) seeking a bankruptcy order against it;

(iii) seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement involving a debt compromise with any class of its creditors, or relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any applicable corporations legislation) or at common law or in equity; or

(iv) seeking the entry of an order for relief or the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator or other similar official for it or any substantial part of its property;

and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of 45 days after the institution thereof, provided that if an order, decree or judgment is granted or entered (whether or not entered or subject to appeal) against the Corporation thereunder in the interim, such grace period will cease to apply.

5.2 Acceleration on Default

In case of any Event of Default that has occurred and is continuing, the Trustee may in its discretion and shall, if so directed by a Special Resolution, subject to the provisions of Section 5.3, declare the Maturity Amount then owing on the Plan Note and all other monies payable hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee on written demand. Subject to Article 3, the Corporation shall in either case forthwith pay to the Trustee for the benefit of the Beneficiaries the Maturity Amount then owing on the Plan Note and all other monies payable hereunder. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided in Section 5.6.

5.3 Waiver of Default or Breach

In case any Event of Default hereunder has occurred:

(a) the Beneficiaries of not less than sixty-six and two-thirds percent ($66^{2}/_{3}\%$) of the Plan Note shall have the power (in addition to and subject to the powers exercisable by Special Resolution) by instrument in writing to instruct the Trustee to waive the Event of Default and/or to annul any declaration and/or demand made by the Trustee pursuant to Section 5.2 and the Trustee shall thereupon waive the default and/or annul such declaration and/or demand upon such terms and conditions as such Beneficiaries may prescribe; and

(b) the Trustee, so long as it has not become bound to institute any proceedings hereunder, shall have power to waive the Event of Default if, in the Trustee's opinion, the Event of Default has been cured, and in such event to annul any such declaration and/or demand made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable, provided, however, that no act or omission of the Trustee shall affect any subsequent Event of Default or the rights resulting therefrom. The Trustee may waive or authorize any breach or proposed breach of any of the terms, conditions or provisions of this Indenture or the Plan Note if, in the opinion of the Trustee, such breach or proposed breach is not materially prejudicial to the interests of the Beneficiaries.

5.4 Proceedings by the Trustee

Whenever any Event of Default hereunder has occurred and is continuing, but subject to the provisions of Article 3 and Section 5.3 and to the provisions of any Special Resolution:

(a) the Trustee, in the exercise of its discretion and without further notice, may proceed to enforce the rights of the Trustee by any action, suit, remedy or proceeding authorized or permitted by Applicable Law and may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee lodged in any Insolvency Proceeding relative to the Corporation; and

(b) if so directed by a Special Resolution and, upon being indemnified to its satisfaction as provided in Section 10.2, the Trustee shall exercise or take such action or remedies as the Special Resolution may direct or, if such Special Resolution contains no direction, as the Trustee may deem expedient.

No delay or omission of the Trustee to exercise any remedy referred to in this paragraph shall impair any such remedy or shall be construed to be a waiver of any Event of Default hereunder or acquiescence therein.

The Corporation shall be liable to the Trustee for all costs incurred by the Trustee in connection with the enforcement of its rights under this Indenture.

No such remedy for the enforcement of the rights of the Trustee shall be exclusive of or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised independently or in combination.

Upon the exercise or taking by the Trustee of any such remedies, whether or not a declaration and demand have been made pursuant to Section 5.2, subject to Section 3, the Maturity Amount then owing and other monies payable under Section 5.2 shall forthwith become due and payable to the Trustee as though such a declaration and a demand therefor had actually been made.

5.5 Suits by Beneficiaries

No Beneficiary shall have the right to institute any action or proceedings or to exercise any other remedy authorized by this Indenture for the purpose of enforcing any right hereunder or under the Plan Note or for the commencement of Insolvency Proceedings or to have the Corporation terminated or to file or prove a claim in any Insolvency Proceeding, unless a Special Resolution has been issued to the Trustee and the Trustee has failed to act within a reasonable time thereafter. In such case, but not otherwise, any Beneficiary acting on behalf of himself and all other Beneficiaries shall be entitled to take proceedings in any court of competent jurisdiction such as the Trustee might have taken under Section 5.4. No one or more Beneficiaries shall have any right in any manner whatsoever to affect, disturb or prejudice the rights hereby created by his or their action, or to enforce any right hereunder or under the Plan Note, except subject to the conditions and in the manner herein provided, and all powers hereunder shall be exercised and all proceedings under Applicable Law shall be instituted, held and maintained by the Trustee, subject to and in accordance with the provisions hereof, including Section 10.2, and in any event for the ratable benefit of all Beneficiaries.

5.6 Application of Monies Received by Trustee

Except as otherwise set out herein including Article 3, proceeds arising from any exercise of the rights of the Trustee hereunder shall be applied as follows:

(a) first, in payment or reimbursement to the Trustee of the reasonable remuneration, expenses, disbursements and advances of the Trustee earned, incurred or made in the execution of its obligations and responsibilities hereunder or otherwise in relation to this Indenture with interest thereon as herein provided;

(b) thereafter in or towards payment to each Beneficiary of its pro rata share of the Maturity Amount of the Plan Note; and

(c) lastly, the surplus (if any) of such monies shall be paid to the Corporation or its assigns, unless otherwise required by Applicable Law.

5.7 Distribution of Proceeds

Payments to Beneficiaries pursuant to Section 5.6 shall be made as follows:

(a) at least ten (10) days' notice of such payment shall be given in the manner provided in Section 11.1; and

(b) payment shall be made at the address of the Beneficiary shown on the Register.

5.8 Trustee Appointed Attorney

The Corporation hereby irrevocably appoints the Trustee to be the attorney of the Corporation for and in the name and on behalf of the Corporation to execute any instrument and do any acts and things which the Corporation ought to sign, execute and do hereunder and generally to use the name of the Corporation in the exercise of all or any of the powers hereby conferred on the Trustee, with full powers of substitution and revocation.

5.9 Remedies Cumulative

Each and every remedy granted hereunder to the Trustee, or upon or to the Beneficiaries, shall, to the extent permitted by Applicable Law, be cumulative and shall be in addition to every other remedy.

5.10 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in case of any proceedings to obtain judgment for the Maturity Amount then payable under the Plan Note, judgment may be rendered against the Corporation in favour of the Beneficiaries hereunder, or in favour of the Trustee, as holder of the power of attorney for all the Beneficiaries.

6. SATISFACTION AND DISCHARGE

6.1 Cancellation and Destruction

All obligations, liability and indebtedness owing by the Corporation under the Plan Note shall be satisfied in full upon payment by the Corporation of the Maturity Amount on the Maturity Date, and upon payment in full of the Maturity Amount, the Trustee shall cancel and destroy the Plan Note.

6.2 Beneficiaries who Cannot be Located

If any Beneficiary entitled to a distribution pursuant to this Indenture cannot be located by the Trustee on the date payment by the Trustee is due, or if any delivery or distribution to be made is returned as undeliverable, such proceeds shall be set aside by the Trustee and deposited into a segregated account held by the Trustee.

6.3 Repayment of Unclaimed Monies to the Corporation

Any proceeds set aside under Section 6.2 and not claimed by and paid or delivered as provided in Section 6.2 to a Beneficiary within one (1) year after the date of such setting aside shall be repaid to the Corporation by the Trustee on demand or otherwise as required by the provisions of Applicable Law, and thereupon the Trustee shall be released from all further liability with respect to such proceeds and thereafter the Beneficiaries in respect of which such monies were so repaid or delivered to the Corporation shall have no rights in respect thereof.

6.4 Release from Covenants

Upon Written Request and proof being given to the reasonable satisfaction of the Trustee that:

(a) the Maturity Amount of the Plan Note and all other monies payable hereunder have been paid or satisfied in full; and

(b) upon payment of all costs, charges and expenses reasonably incurred by the Trustee, or upon provision satisfactory to the Trustee being made therefor, the Trustee shall, at the request and at the expense of the Corporation, execute and deliver to the Corporation such instruments required by the Corporation to release the Corporation from the terms of this Indenture and the Plan Note, except those terms of the Indenture relating to the indemnification of the Trustee.

7. CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

7.1 Certain Requirements in Respect of Merger, etc.

The Corporation shall not enter into any transaction (whether by way of merger, consolidation, reorganization, lease, sale, conveyance, transfer, or otherwise) whereby all or substantially all of its undertaking or assets would become the property of any other person as long as the Plan Note is outstanding, unless:

(a) the Maturity Amount then owing is paid in full by the Corporation prior to the consummation of any such transactions; or

(b) (i) such other Person (a "**Successor**") executes, prior to the consummation of such transaction, such instruments (if any) required by the Trustee evidencing the assumption by the Successor of all obligations of the Corporation hereunder and such Successor covenants to observe and perform all the covenants and obligations of the Corporation under this Indenture and the Plan Note; and

(ii) at the time of or immediately after the consummation of such transaction, no condition or event shall exist which constitutes or which would, after the lapse of time or giving of notice or both, constitute an Event of Default hereunder.

7.2 Vesting of Powers in Successor

Upon satisfaction of the conditions of Section 7.1, the Successor shall succeed to and be substituted for the Corporation with the same effect as if the Successor had been named herein, and the Successor shall possess and from time to time may exercise each and every right and power of the Corporation under this Indenture in the name of the Corporation or otherwise and any act or proceeding by any provisions of this Indenture required to be done or performed by any trustees or officers of the Corporation may be done and performed with like force and effect by the like directors or officers of such Successor.

8. MEETINGS OF BENEFICIARIES

8.1 Right to Convene Meeting

The Trustee shall have power at any time to call meetings of the Beneficiaries at such time and place as the Trustee may determine. Beneficiaries or the Corporation may, subject to the requirements of Section 10.2, by Beneficiary Request or Written Request, respectively, requisition the Trustee to call a meeting of the Beneficiaries for the purposes stated in the requisition. The requisition shall state in reasonable detail the business to be transacted at the meeting and shall be sent to the Trustee at the head office of the Trustee. Upon receiving the requisition, the Trustee shall call a meeting of Beneficiaries to transact the business referred to in the requisition, unless:

(i) the Trustee has called a meeting of Beneficiaries and has given notice pursuant to Section 8.2;

(ii) it clearly appears that the matter covered by the requisition is submitted by the Beneficiaries primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the Corporation, the Trustee, the officers, directors or shareholders of the Corporation, or primarily for the purpose of promoting general economic, political, religious, social or similar causes; or

(iii) the rights conferred by this Section 8.1 are being abused to secure publicity.

The Trustee shall call a meeting within twenty-one (21) days after receiving a requisition in accordance with this section.

8.2 Notice of Meeting of Beneficiaries

Notice of all meetings of the Beneficiaries shall be mailed or delivered by the Trustee to each Beneficiary in the manner provided in Section 11.1 and to the auditors of the Corporation not less than twenty-one (21) nor more than sixty (60) days (or as otherwise required by Applicable Law) before the meeting but may be waived in writing by any Beneficiaries either before or after any such meeting. The attendance of a Beneficiary at a meeting shall constitute a waiver of notice of such meeting except where a Beneficiary attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Notice of any meeting of the Beneficiaries shall state the purposes of the meeting.

8.3 Quorum

A quorum for any meeting of Beneficiaries shall be Beneficiaries present or individuals representing by proxy Beneficiaries, who hold beneficially in the aggregate not less than twenty-five percent (25%) of the principal amount of the Plan Note.

If a quorum of the Beneficiaries is not present within thirty (30) minutes from the time fixed for holding any meeting, the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in the place where the meeting is to be held, in which case it shall be adjourned to the next following Business Day) at the same time and place. At the adjourned meeting the Beneficiaries present in person or represented by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not represent twenty-five percent (25%) of the principal amount of the Plan Note.

8.4 Chair

An individual, who need not be a Beneficiary, nominated in writing by the Trustee shall be chair of the meeting and if no individual is so nominated, or if the individual so nominated is not present within fifteen (15) minutes from the time fixed for the holding of the meeting, the Beneficiaries present in person or by proxy shall choose an individual present to be chair.

8.5 Power to Adjourn

Subject to Section 8.14, the chair of any meeting at which a quorum of the Beneficiaries is present may with the consent of the Beneficiaries of a majority of the principal amount of the Plan Note represented at the meeting and voting thereon adjourn any such meeting and no notice of such adjournment need be given to the Beneficiaries, the Corporation or auditors of the Corporation, except such notice (if any) as the meeting may prescribe.

8.6 Show of Hands

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands, except that a vote on any Special Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is required or duly demanded as herein provided, a declaration by the chair that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

8.7 Poll

On every Special Resolution, and on any other question submitted to a meeting when demanded, after a vote by a show of hands, by the chair or by one or more of the Beneficiaries acting in person or by proxy and holding at least five percent (5%) of the principal amount of the

Plan Note, a poll shall be taken in such manner as the chair shall direct. Questions other than Special Resolutions shall be decided by the votes of the Beneficiaries of a majority of the principal amount of the Plan Note represented at the meeting.

8.8 Voting

Beneficiaries may attend and vote at all meetings of the Beneficiaries either in person or by proxy. On a show of hands every individual who is present and entitled to vote, whether as a Beneficiary or as proxy for one or more absent Beneficiaries, or both, shall have one vote. On a poll, each Beneficiary present in person or represented by proxy shall be entitled to one vote in respect of each one hundred dollars ($100) principal amount of the Plan Note beneficially held.

8.9 Record Dates

For the purpose of determining the Beneficiaries who are entitled to receive notice of and vote at any meeting or any adjournment thereof, or for the purpose of any other action, the Trustee may from time to time, without notice to Beneficiaries, close the transfer books for such period, not exceeding thirty (30) days prior to the date of any meeting of the Beneficiaries, as the Trustee may determine; or with or without closing the transfer books the Trustee may fix a date not more than sixty (60) days prior to the date of any meeting of the Beneficiaries or other action as a record date for the determination of Beneficiaries entitled to receive notice of and to vote at such meeting or any adjournment thereof or to be treated as Beneficiaries of record for purposes of such other action, as the case may be, and any Beneficiary who was a Beneficiary at the time so fixed shall be entitled to receive notice of and vote at such meeting or any adjournment thereof, even though he has since that date disposed of his beneficial interest in the Plan Note, and no person who becomes a Beneficiary after that date shall be entitled to receive notice of and vote at such meeting or any adjournment thereof or to be treated as a Beneficiary of record for purposes of such other action.

8.10 Proxies

Whenever the vote or consent of Beneficiaries is required or permitted under this Indenture, such vote or consent may be given either directly by the Beneficiary or by a proxy in such form as is acceptable to the Trustee, acting reasonably. A proxyholder need not be a Beneficiary. The Trustee may solicit proxies from any Beneficiary in any matter requiring or permitting the Beneficiaries' vote, approval or consent in such manner as may be required by Applicable Law.

The Trustee may adopt, amend or repeal such rules relating to the appointment of proxyholders and the solicitation, execution, validity, revocation and deposit of proxies, as it may determine from time to time.

8.11 Resolution in Lieu of Meeting

A resolution signed in writing by Beneficiaries holding a majority of the principal amount of the Plan Note may approve a resolution in writing, and any such resolution is as valid as if it had been passed at a duly called meeting of Beneficiaries.

8.12 Corporation and Trustee may be Represented

The directors and officers of the Corporation, and the Trustee, and their respective representatives, and with their respective advisers, may attend any meeting of the Beneficiaries but shall not be entitled to vote.

8.13 Powers Exercisable by Special Resolution

In addition to all other powers stated in this Indenture to be exercisable by Special Resolution and all other powers conferred by Applicable Law, a meeting of the Beneficiaries shall have the following powers exercisable from time to time by Special Resolution:

(a) the power to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Beneficiaries or the Trustee (subject to the approval of the Trustee) against the Corporation, whether such rights arise under this Indenture, the Plan Note or otherwise and to authorize the Trustee to concur in and to execute any instrument supplemental to this Indenture setting out any such modification, abrogation, alteration, compromise or arrangement, provided that any such modification, abrogation, alteration, compromise or arrangement shall have been agreed to by the Corporation;

(b) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture or the Plan Note in any manner specified in such Special Resolution or to refrain from exercising any such power, right, remedy or authority;

(c) power to waive and direct the Trustee to waive any Event of Default on the part of the Corporation in complying with any provision of this Indenture or the Plan Note, or to annul and to direct the Trustee to annul any declaration in respect of such Event of Default made by the Trustee pursuant to Section 5.2 either unconditionally or upon any conditions specified in such Special Resolution;

(d) power, with the approval of the Corporation, to sanction the exchange of the Plan Note for any other securities or obligations of the Corporation or any other person;

(e) power to restrain any Beneficiary from taking or instituting any suit, action or proceeding for the purpose of enforcing payment by the Corporation of any amount owing under this Indenture or the Plan Note or for the appointment of a liquidator or a receiver, interim receiver, trustee in bankruptcy or similar official or for any other remedy hereunder or thereunder;

(f) power to stay or discontinue any Beneficiary who has brought any suit, action or proceeding against the Corporation with respect to the Plan Note;

(g) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise;

(h) power to amend, alter or repeal any Special Resolution previously passed or sanctioned by the Beneficiaries;

(i) power to remove the Trustee and appoint a new Trustee; and

(j) power to authorize the Trustee to grant extensions of time for payment of any amount payable under the Plan Note, whether any payment is at the time due or overdue.

Notwithstanding paragraphs (a) to (j) above, no resolution shall modify, abrogate, alter, compromise, arrange or otherwise affect the rights of the Trustee hereunder without the Trustee's written consent, such consent not to be unreasonably withheld.

8.14 Meaning of "Special Resolution"

The expression "**Special Resolution**" when used in this Indenture means, subject to Section 8.11 provided, a resolution proposed at a meeting of Beneficiaries duly convened for the purpose of passing a Special Resolution and held in accordance with the provisions in this Article 8 at which, subject as hereinafter provided, the beneficial holders of at least fifty-one percent (51%) of the principal amount of the Plan Note are present in person or represented by proxy and passed by the favourable votes of the beneficial holders of not less than sixty-six and two-thirds percent ($66\,^{2}/_{3}\%$) of the principal amount of the Plan Note represented at the meeting and voted on a poll upon such resolution.

If, at any such meeting called for the purpose of passing a Special Resolution, the beneficial holders of at least fifty-one percent (51%) of the principal amount of the Plan Note are not present in person or represented by proxy within thirty (30) minutes after the time appointed for the meeting, then the meeting if convened by Beneficiaries on a Beneficiaries' Request, shall be dissolved, but in any other case it shall stand adjourned to such date, being not less than fourteen (14) nor more than twenty-one (21) days later, and to such place and time as may be appointed by the chair. Not less than seven (7) days' written notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 11.1. Such notice shall state that at the adjourned meeting the Beneficiaries present in person or represented by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Beneficiaries present in person or represented by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in the preceding paragraph shall be a Special Resolution within the meaning of this Indenture, notwithstanding that the beneficial holders of at least fifty-one percent (51%) of the principal amount of the Plan Note are not present in person or represented by proxy at such adjourned meeting.

8.15 Minutes

Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chair of the meeting at which such resolutions were passed or proceedings had, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made and signed as aforesaid, shall be deemed to have been duly held and convened and all resolutions passed or proceedings had thereat to have been duly passed.

8.16 Effect of Resolutions

Every resolution and every Special Resolution passed in accordance with the provisions of this Article 8 at a meeting of Beneficiaries shall be binding upon all the Beneficiaries, whether present at or absent from such meeting, and every instrument in writing signed by the Beneficiaries in accordance with Section 8.11 shall be binding upon all the Beneficiaries, whether signatories thereto or not, and each and every Beneficiary and the Trustee (subject to any provisions for the Trustee's indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Special Resolution and instrument in writing. Unless the Trustee agrees otherwise, written notice of the passing of every resolution and every Special Resolution shall be given to the Beneficiaries in the manner provided in Section 11.1.

9. SUPPLEMENTAL INDENTURES

9.1 Provision for Supplemental Indentures for Certain Purposes

From time to time the Corporation and the Trustee may, without any further approval or consent of the Beneficiaries (subject to the provisions of this Indenture), and they shall, when so directed by the provisions hereof, execute and deliver indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

(a) evidencing the succession of Successors and the covenants of and obligations assumed by such Successors in accordance with the provisions of Article 7;

(b) giving effect to any Special Resolution passed as provided in Article 8;

(c) adding to the provisions hereof such additional covenants, enforcement provisions, release provisions and other provisions as, in the opinion of counsel to the Corporation, are necessary or advisable, provided that, in the opinion of the Trustee, the same are not prejudicial to the legal rights of the Beneficiaries or the Trustee;

(d) making any modification of any of the provisions of this Indenture or the Plan Note which is of a formal, minor or technical nature;

(e) making any additions to, deletions from or alterations of the provisions of this Indenture (including any of the terms and conditions of the Plan Note) which in the opinion of the Trustee are not prejudicial to the interests of the Beneficiaries or the Trustee and which are necessary or advisable in order to incorporate, reflect or comply with any legislation the provisions of which apply to this Indenture;

(f) adding to or altering the provisions hereof in respect of the transfer of the Plan Note, including modification in the form of the Plan Note which does not affect the substance thereof and which, in the opinion of the Trustee, is not prejudicial to the interests of the Beneficiaries or the Trustee;

(g) correcting or rectifying any ambiguities, defective provisions, errors or omissions herein, provided that, in the opinion of the Trustee, the rights of the Trustee and the Beneficiaries are not materially prejudiced thereby; and

(h) any other purpose not inconsistent with the terms of this Indenture provided that, in the opinion of the Trustee, the rights of the Trustee and of the Beneficiaries are not materially prejudiced thereby,

provided that no modification shall be made to Article 3 of this Indenture without the written consent of all holders of Senior Indebtedness.

9.2 Binding Effect of Modifications

Every modification, addition, deletion, alteration, correction or rectification to, from or of the provisions hereof shall bind the Beneficiaries and written notice thereof shall be given as soon as practicable in accordance with Section 11.1.

10. CONCERNING THE TRUSTEE

10.1 Conditions Precedent to Trustee's Obligation to Act

The Trustee shall not be bound to give any notice or do or take any act, action or proceeding in virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof. Nor, subject to any default which may come to the attention of the Trustee by virtue of the Corporation's compliance with subsection 4.1(c), shall the Trustee be required to take notice of any Event of Default hereunder unless and until notified in writing of such Event of Default, which notice shall distinctly specify the Event of Default desired to be brought to the attention of the Trustee, and in the absence of any such notice the Trustee may for all purposes of this Indenture conclusively assume that the Corporation is not in default hereunder and that no default has been made with respect to the payment of any amounts owing under the Plan Note or in the observance or performance of any of the covenants, agreements or conditions contained herein. Any such notice or requisition shall in no way limit any discretion herein given to the Trustee to determine whether or not the Trustee shall take action with respect to any Event of Default or take action without any such requisition. In no circumstances shall the Trustee be required to monitor the compliance of the Corporation with its obligations to holders of Senior Indebtedness or other creditors. In the event of any disagreement arising under the terms of this Indenture, the Trustee will be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by a written agreement among the relevant parties or by a court of competent jurisdiction.

10.2 Requirement for Funds and Indemnity

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing any right of the Trustee or the Beneficiaries hereunder shall be conditional upon the Beneficiaries furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and an indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee and its officers, directors and employees against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Beneficiaries at whose instance it is acting, to deliver an assignment of such Beneficiaries' beneficial interests in the Plan Note to the Trustee, for which beneficial interests the Trustee shall issue receipts.

10.3 Experts and Advisers

The Trustee may employ or retain such counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, and shall not be responsible for any misconduct on the part of any of them. The reasonable fees and expenses of such counsel or other experts shall be part of the Trustee's fees and expenses hereunder.

The Trustee may act and shall be protected in acting in good faith or refraining from action, based on the opinion or advice of or information obtained from any counsel, accountant, appraiser or other expert or adviser, whether retained or employed by the Corporation or by the Trustee, in relation to any matter arising in the administration of the trusts hereunder and the fulfilment of its obligations and the exercise of its rights hereunder.

10.4 Documents, Moneys, etc., Held by Trustee

Any securities, documents of title or other instruments that may at any time be held by the Trustee pursuant to this Agreement (including the Plan Note) may be placed in the deposit vaults of the Trustee or of any Canadian chartered bank or deposited for safe-keeping in the Province of Ontario with any such bank. Unless herein otherwise expressly provided, any monies so held, pending the application or withdrawal thereof under any provisions of this Indenture, may be deposited in the name of the Trustee in any Canadian chartered bank at the rate of interest (if any) then current on similar deposits or, with the consent of the Corporation, may be (a) deposited in the deposit department of the Trustee or any other loan or trust corporation authorized to accept deposits under the laws of Canada or a province thereof, or (b) invested in securities issued or guaranteed by the government of Canada or of any province thereof, maturing not more than ninety (90) days from the date of investment. All interest or other income received by the Trustee in respect of such deposits and investments shall belong to the Corporation and be remitted to the Corporation in accordance with the provisions of

Applicable Law, three (3) years after the Maturity Date of the Plan Note in respect of which such monies were held by the Trustee, unless an Event of Default shall have occurred and be continuing, in which case all such interest and income shall be held by the Trustee and, subject to Article 3, applied in accordance with Section 5.6.

10.5 Action by Trustee to Protect Interests

Subject to Article 3, the Trustee shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect and enforce its interests and the interests of the Beneficiaries.

10.6 Trustee not Required to give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of this Indenture.

10.7 Protection of Trustee

By way of supplement to the provisions of any Applicable Law for the time being relating to trustees:

(a) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Plan Note (except the representation contained in Section 10.11 and in the certificate of the Trustee on the Plan Note) or required to verify the same, but any such statements or recitals are and shall be deemed to be made by the Corporation;

(b) nothing herein contained shall impose any obligation on the Trustee to see to or require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto or thereto;

(c) the Trustee shall not be bound to give to any Person notice of the execution hereof;

(d) the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants contained in this Indenture or of any acts of the agents or servants of the Corporation; and

(e) the Corporation hereby indemnifies and saves harmless the Indemnified Parties from and against any and all liabilities, losses, costs, claims, actions, penalties, damages or demands whatsoever which may be brought against the Indemnified Parties or which they may suffer or incur as a result or arising out of the performance of its duties and obligations hereunder (including without limitation the reasonable fees and disbursements of any advisers and legal counsel they may retain), save only in the event of the negligence or wilful misconduct of the Trustee or any of the Indemnified Parties. This indemnification shall survive the termination of this Indenture or the resignation or removal of the Trustee.

10.8 Duties of Trustee

In the exercise of its rights, duties and obligations prescribed or conferred by this Indenture, the Trustee shall act honestly and in good faith and shall exercise the degree of care, diligence and skill that a reasonably prudent corporate trustee would exercise in comparable circumstances. Subject to the foregoing, the Trustee shall be liable only for an act or failure to act arising from or in connection with bad faith, wilful misconduct or the negligent performance of a right, duty or obligation by the Trustee.

10.9 Environmental Indemnity

Without limiting the generality of Section 10.7(e) of this Indenture, the Corporation hereby indemnifies and holds harmless the Indemnified Parties against any loss, suits, actions, damages, obligations, fines, penalties, charges, expenses, claims, proceedings, judgements, liability or asserted liability (including strict liability and including costs and expenses of abatement and remediation of spills or releases of contaminants and including liabilities of the Indemnified Parties to third parties, including any Governmental Authority) arising as a result of any order, investigation or action by any Governmental Authority relating to the Corporation, or its business or real property interests of the Corporation, or arising in respect of bodily injuries, property damage, damage to or impairment of the environment or any other injury or damage and including liabilities of the Indemnified Parties to third parties for the third parties' foreseeable and unforeseeable consequential damages incurred as a result of:

(a) the Release of a Contaminant, the threat of the Release of a Contaminant, or the presence of any Contaminant, by any means or for any reason, on the mortgaged property of the Corporation (i.e. any real property of the Corporation comprising security under the Indenture), whether or not the Release or presence of the Contaminant was under the control, care or management of the Corporation or of a previous owner, or of a tenant;

(b) any Contaminant present on or released from any contiguous property to the mortgaged property of the Corporation;

(c) any costs incurred by any Governmental Authority or any other Person or damages from injury to, destruction of, or loss of natural resources in relation to, the mortgaged property of the Corporation or personal property located thereon, including reasonable costs of assessing such injury, destruction or loss incurred under any Environmental Laws;

(d) liability for personal injury or property damages arising by reason of any civil law offenses or quasi-offenses or under any statutory or common law tort or similar theory, including, without limitation, damages assessed for the maintenance of a public or private nuisance or for the carrying on of a dangerous activity at, near or with respect to the mortgaged property of the Corporation or elsewhere; and

(e) the breach or alleged breach of any Environmental Laws by the Corporation, and any other environmental matter affecting the mortgaged property of the

Corporation or the operations and activities of the Corporation within the jurisdiction of any Governmental Authority.

save only in the event of the negligence or wilful misconduct of the Trustee or any of the Indemnified Parties.

For the purposes of this Section 10.9, "liability" shall include (i) liability of an Indemnified Party for costs and expenses of abatement and remediation of spills and releases of Contaminants, (ii) liability of an Indemnified Party to a third party to reimburse the third party for bodily injuries, property damages and other injuries or damages which the third party suffers, including (to the extent, if any, that the Indemnified Party is liable therefore) foreseeable and unforeseeable consequential damages suffered by the third party and (iii) liability of the Indemnified Party for damage suffered by the third party, (iv) liability of an Indemnified Party for damage to or impairment of the environment and (v) liability of an Indemnified Party for court costs, expenses of alternative dispute resolution proceedings, and the reasonable fees and disbursements of expert consultants and legal counsel on a solicitor and client basis.

10.10 Replacement of Trustee

The Trustee may resign and be discharged from all further duties and liabilities hereunder by giving to the Corporation not less than ninety (90) days' notice in writing or such shorter notice as the Corporation may accept as sufficient. The Beneficiaries, by Special Resolution, shall have power at any time to remove the Trustee and to appoint a new trustee. In the event of the Trustee resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new trustee unless a new trustee has already been appointed by the Beneficiaries; failing such appointment by the Corporation, the retiring Trustee or any Beneficiary may apply to the Ontario Superior Court of Justice, on such notice as the Court may direct, for the appointment of a new trustee; but any new trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Beneficiaries. Any new trustee appointed under these provisions must be a corporation authorized to carry on the business of a trust company in the Province of Ontario. On any new appointment, the new trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee without any further assurance, conveyance, act or deed, but there shall be immediately executed, at the expense of the Corporation, all such conveyances or other instruments as may, in the opinion of Counsel, be necessary or advisable for the purpose of assuring the same to the new trustee. At the request of the Corporation or the new trustee, the retiring Trustee, upon payment of the amounts, if any, due to it pursuant to Section 4.2, shall duly assign, transfer and deliver to the new trustee all property and money held and all records kept by the retiring Trustee hereunder or in connection herewith, including the Plan Note.

Any corporation into which the Trustee may be merged or with which it may be consolidated or amalgamated, any corporation which acquires all or substantially all of the corporate trust business of the Trustee or any corporation resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor trustee under this Indenture without the execution of any instrument or any further act.

10.11 Conflict of Interest

The Trustee represents to the Corporation that at the time of the execution and delivery hereof no material conflict of interest exists in the Trustee's role as a fiduciary hereunder and agrees that in the event of a material conflict of interest arising hereafter it will, within ninety (90) days after ascertaining that it has such material conflict of interest, either eliminate same or resign its trust hereunder.

Subject to the preceding paragraph, the Trustee, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into business transactions with the Corporation or any of its Affiliates without being liable to account for any profit made thereby.

10.12 Delegation of Powers

The Trustee may delegate to any person the performance of any of the trusts and powers vested in it by this Indenture and any such delegation may be made upon such terms and conditions and subject to such regulations as the Trustee may think to be in the interests of the Beneficiaries.

10.13 Delay in Performance

Except for the payment obligations of the Corporation contained herein, neither party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

10.14 Compliance with Anti-Money Laundering and Anti-Terrorism Legislation

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgement, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgement, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation, provided that (i) the Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) if such circumstances are rectified to the Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

10.15 Privacy Laws

The parties acknowledge that Privacy Laws may apply to obligations and activities under this Indenture. Despite any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual (e.g. Beneficiary) involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

10.16 Notice of Violation

The Corporation will notify the Trustee of any material violation of any Environmental Laws relating to the business or property of the Corporation or of any notice, whether actual or threatened, including any investigation, non-routine inspection or material inquiry by any Governmental Authority in connection with any Environmental Laws relating to the business or property of the Corporation. The Corporation shall promptly forward to the Trustee copies of all orders and notices received from Governmental Authorities relating to environmental matters and all environmental site assessments relating to any real property comprising security under this Indenture, whether such assessments are produced internally or by external consultants. The Corporation will ensure that all necessary permits and licenses required by the Corporation to maintain its ongoing business are obtained as required and remain in good standing.

10.17 Compliance of Laws

The Corporation will ensure its compliance with the requirements in all material respects of all Applicable Law.

10.18 Representations and Warranties to Trustee

The Corporation hereby represents and warrants to the Trustee as follows:

(a) any account to be opened by, or interest to be held by the Trustee in connection with this Indenture, for or to the credit of such party is not intended to be used by or on behalf of any third party.

11. MISCELLANEOUS

11.1 Manner of Giving Notice

Any notice required or permitted by the provisions of this Indenture to be given to a Beneficiary, the Trustee, or the Corporation shall be deemed conclusively to have been made if given either by hand delivery, prepaid first class mail or facsimile addressed:

(a) in the case of the Beneficiaries, at their addresses shown on the Register;

(b) in the case of the Trustee, as follows:

COMPUTERSHARE TRUST COMPANY OF CANADA
100 University Avenue
8th Floor, South Tower
Toronto, ON M5J 2Y1
Attention: Manager, Corporate Trust Services
Facsimile: (416) 981-9777

(c) in the case of the Corporation, as follows:

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

Attention: Russ York, Chief Financial Officer
Facsimile: (807) 346-5424

provided that if there is a general discontinuance of postal service due to strike, lockout or otherwise, such notice to the Beneficiaries may be given by publication twice in the Report on Business section of the National Edition of *The Globe and Mail* or a similar section of any other newspaper having national circulation in Canada; provided further that if there is no such newspaper having national circulation, then by publishing twice in the business section or a newspaper in the city where the Register is maintained. Any notice so given shall be deemed to have been given on the day of hand delivery or the day following that on which the notice was mailed or, in the case of notice being given by publication, after publishing such notice twice in the designated newspaper or newspapers and if by facsimile, on the day it is sent, provided that such day is a Business Day and such notice is sent before 4:30 p.m. on such day. In proving notice was mailed, it shall be sufficient to prove that such notice was properly addressed, stamped and mailed. In proving notice was sent by facsimile, it shall be sufficient to prove that such notice was properly addressed and faxed. Notice to any one of several joint Beneficiaries shall be deemed effective notice to the other joint Beneficiary. Any notice sent by mail to or left at the address of a Beneficiary pursuant to this section shall, notwithstanding the death or bankruptcy of such Beneficiary, and whether or not the Trustee has notice of such death or bankruptcy, be deemed to have been fully given and shall be deemed sufficient notice to all persons having an interest in the Plan Note.

11.2 Day not a Business Day

In the event that any day on which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

11.3 Consolidations

The Trustee may prepare consolidated copies of this Indenture as it may from time to time be amended or amended and restated and may certify the same to be a true consolidated copy of this Indenture, as amended or amended and restated.

11.4 Counterparts

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart and notwithstanding their date of execution shall be deemed to be dated the date of this Indenture.

11.5 Time of the Essence

Time shall be of the essence of this Indenture.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF each of the parties has caused these presents to be executed as of the date indicated on the first page of this Indenture.

TERRACE BAY PULP INC.

By: ______________________
Name:
Title: President

By: ______________________
Name:
Title:

I/We have authority to bind the Corporation.

COMPUTERSHARE TRUST COMPANY OF CANADA

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

I/We have authority to bind the trust company.

IN WITNESS WHEREOF each of the parties has caused these presents to be executed as of the date indicated on the first page of this Indenture.

TERRACE BAY PULP INC.

By: ____________________________
Name:
Title:

By: ____________________________
Name:
Title:

I/We have authority to bind the Corporation.

COMPUTERSHARE TRUST COMPANY OF CANADA

By: ____________________________
Name: Sean Pigott
Title: Corporate Trust Officer

By: ____________________________
Name: Stanley Kwan
Title: Associate Trust Officer

I/We have authority to bind the trust company.

SCHEDULE "A"

PLAN NOTE

(Attached)

<u>FORM OF PLAN NOTE</u>

TERRACE BAY PULP INC. **Cdn.$30,000,000**
SUBORDINATED SECURED PLAN NOTE

Terrace Bay Pulp Inc. (the "**Corporation**") for value received hereby promises to pay to the order of **COMPUTERSHARE TRUST COMPANY OF CANADA** in trust for the Beneficiaries (as defined in the Indenture), on the Maturity Date (as defined below) the Maturity Amount (as defined and calculated in accordance with the Indenture (defined below)) in lawful money of Canada, or such lesser amount as may be payable on the Maturity Date pursuant to the terms of the Indenture, on presentation and surrender of this Plan Note at the principal office of the Corporation in the City of Terrace Bay, Ontario.

This Plan Note is issued under a Note Indenture made as of September ____, 2010 made between the Corporation and **Computershare Trust Company of Canada**, as trustee thereunder (the "**Trustee**") (as may be amended, restated or supplemented from time to time, the "**Indenture**"). Reference is hereby made to the Indenture for a description of the rights of the Beneficiaries of the Plan Note, the Corporation and the Trustee and of the terms and conditions upon which the Plan Note is issued and held, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the holder of this Plan Note, is deemed to assent. All capitalized terms used herein have the meaning ascribed thereto in the Indenture unless otherwise indicated.

The payment of the Maturity Amount under this Plan Note is subordinated to the prior payment in full of Senior Indebtedness (as defined in the Indenture). Senior Indebtedness must be paid in full before any payment under this Plan Note may be paid. The Corporation agrees, and the Trustee, on behalf of the Beneficiaries, agrees to the subordination.

This Plan Note shall be secured by a security interest and charge over all of the present and after-acquired real and personal property of the Corporation but such security shall be subordinate in all respects to all Priority Security, as more particularly set out in the Indenture. The Corporation agrees, and the Trustee, on behalf of the Beneficiaries, agrees to the subordination. The Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any additional indebtedness.

The Plan Note is payable on the Maturity Date which is the earlier of (a) six (6) years from the Plan Effective Date (as defined in the Indenture), and (b) the day which is one (1) year following repayment in full of all amounts owing by the Corporation to the Province of Ontario under the Province Loan Agreement and the Stumpage Agreement (both as defined in the Indenture), provided that no Maturity Date shall occur until all Senior Indebtedness has been paid in full and all commitments under the ABL Loan Agreement (as defined in the Indenture) and the Province Loan Agreement have been terminated and provided that in the case of a prepayment of the whole (and not any part) of the Maturity Amount as permitted pursuant to Section 2.11 of the Indenture, for the purposes of calculating the Maturity Amount, the Maturity Date shall be deemed to be the date the Maturity Amount is repaid in full. No interest shall accrue on the principal amount of this Plan Note either before or after default.

Upon payment of this Plan Note, this Plan Note shall be cancelled and shall not be reissued.

The Indenture contains provisions for the holding of meetings of Beneficiaries and rendering resolutions passed at such meetings and instruments in writing signed by the holders of sixty-six and two-thirds percent ($66^2/_3$%) of the value of the Plan Note outstanding binding upon all Beneficiaries, subject to the provisions of the Indenture.

This Plan Note shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Indenture.

The holder of this Plan Note, on behalf of the Beneficiaries, hereby accepts and agrees to be bound by the terms, and to be entitled to the benefits of this Plan Note and of the Indenture, the whole in accordance with and subject to the respective provisions thereof.

IN WITNESS WHEREOF Terrace Bay Pulp Inc. has caused this Plan Note to be signed by its Authorized Representative.

DATED as of the ______ day of September, 2010.

TERRACE BAY PULP INC.

By: ________________________________
Name:
Title:

By: ________________________________
Name:
Title:

I/We have authority to bind the corporation

SCHEDULE "B"

CERTIFICATION

(Attached)

TRUSTEE'S CERTIFICATE

The attached note is the Plan Note issued under the Note Indenture made as of September ____, 2010 made between Terrace Bay Pulp Inc. and Computershare Trust Company of Canada, as trustee.

COMPUTERSHARE TRUST COMPANY OF CANADA

By: ______________________________

Name:

Title:

I have authority to bind the trust company.

SCHEDULE "C"

TRANSFER FORM

(Attached)

SCHEDULE "C'

TRANSFER FORM

To: Computershare Trust Company of Canada (the "**Trustee**")
100 University Avenue
Toronto ON M5J 2Y1
8th Floor, South Tower
Fax: (416) 981-9777
Attn: Manager, Corporate Trust Services

From:____(Print Name of Beneficiary in full) (the "**Beneficiary**")

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to:

the entire beneficial interest of the Beneficiary pursuant to the Note Indenture between Terrace Bay Pulp Inc. and the Trustee dated September •, 2010 (the "**Indenture**") and the Plan Note issued thereunder. The Beneficiary hereby irrevocable directs the Trustee to amend the Register to record the transfer and forever releases the Trustee from any and all claims relating to the amendment of the Register and the transfer pursuant to this Transfer Form. Terms not otherwise defined will have the meanings set out in the Indenture.

Dated as of the____________day of ______________, ________.

Individuals sign here:

____________________________	____________________________
Signature of Witness	Signature of Beneficiary
____________________________	____________________________
Print Name of Witness	Print Name of Beneficiary

Companies sign here:

Name of Company:

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

I/we have authority to bind the Corporation.

Please note the following:

- Transfer Forms must be filled out correctly.
- The Trustee reserves the right to refuse any Transfer Form and will not accept Transfer Forms during certain periods as further described in the Indenture.
- The signature of the Beneficiary must correspond exactly with the name of the Beneficiary as recorded in the Register.
- For corporations, a corporate signing resolution including a certificate of incumbency must accompany this Transfer Form.

SCHEDULE "D"

ACKNOWLEDGEMENT

(Attached)

Schedule "D"
Acknowledgement

Computershare Trust Company of Canada
100 University Avenue
8th Floor, South Tower
Toronto ON M5J 2Y1

[name and address of holder of Priority Security requesting letter]

Date:

Dear Sirs:

Acknowledgement re Priority Security

Reference is made to the Note Indenture between Terrace Bay Pulp Inc. (the "**Corporation**") and Computershare Trust Company of Canada (the "**Trustee**") dated September •, 2010 (the "**Note Indenture**").

Reference is also made to [description of security agreement] (as amended, modified or supplemented from time to time) between the Corporation and [name of holder of Priority Security] (the "**Secured Party**"), pursuant to which the Corporation has granted a Lien to the Secured Party to secure Senior Indebtedness or Other Secured Indebtedness, as the case may be.

Terms not otherwise defined herein shall have the meanings set out in the Note Indenture.

The Trustee is in receipt of a written request by the Secured Party pursuant to Section 3.1 of the Note Indenture. The Trustee hereby confirms that the Secured Party is a holder of Priority Security for the purposes of the Note Indenture.

This letter shall constitute an acknowledgement pursuant to Section 3.1 of the Note Indenture.

[signatures on next following page]

Yours faithfully,

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of the Note Indenture

By: ___________________________
Name:
Title: