

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE REGIONAL	)	MONDAY, THE 12 th
	)	
SENIOR JUSTICE MORAWETZ	)	DAY OF MAY, 2014

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

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

Applicant

ORDER
(Re: Sealing and Confidentiality, Interim Distribution, Discharge of
Unsold Property Lien Claims and Monitor's Report)

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Company**" or "**Terrace Bay**"),
for an order, *inter alia*:

- (a) directing that the documents contained in Confidential Appendices "B" and "C" to the Twelfth Report of the Monitor, Ernst & Young Inc. (the "**Monitor**") dated May 5, 2014 (the "**Twelfth Report**") and the Cash Purchase Prices and Deposits in the redacted Purchase Agreements attached as Exhibits "E" through "H" to the affidavit of Wolfgang Gericke sworn May 5, 2014 (the "**Gericke Affidavit**") shall remain confidential, sealed and segregated and not form part of the permanent court record pending further order of the Court;

- (b) declaring that, other than in relation to and subject to the priority of the Administration Charge (as defined in the Initial Order dated January 25, 2012) and the claims secured by the Administration Charge, the security (the “**Plan Note Charge**”) held by Computershare Trust Company of Canada (the “**Trustee**”) which secures the obligations of the Company under the promissory note (the “**Plan Note**”) issued by Terrace Bay to the Trustee pursuant to Terrace Bay’s 2011 Plan of Compromise and Arrangement (the “**Plan**”) has priority over all other claims, security, liens and encumbrances of any kind, including, without limitation, the Sold Property Lien Claims (collectively, the “**Subordinate Claims**”), against, affecting or relating to the Sale Proceeds and the Trust Funds (each as defined below), and that the Sale Proceeds and the Trust Funds may be distributed by the Company without regard to and in priority to the Subordinate Claims;
- (c) ordering and directing the Monitor to release to Terrace Bay the net proceeds of the closed Sale Transactions paid to the Monitor, in trust (the “**Sale Proceeds**”), and the other funds held in trust by the Monitor relating to the prior sale of the Mill Property (the “**Trust Funds**”), in the form of one or more payments, up to the aggregate amount of the Sale Proceeds and the Trust Funds (the “**Interim Distributions**”), the amount and timing of which payments shall be in the discretion of the Monitor, acting reasonably, having regard to, among other things, the amount of the Sale Proceeds received and held by the Monitor from time to time, and further ordering and directing Terrace Bay to pay any and all amounts comprising the Interim Distributions to the Trustee, in trust for the Beneficiaries (as defined in the Note Indenture dated as of September 15, 2012 (the “**Indenture**”)), on account of the Company’s obligations under the Plan Note, for distribution as soon as practicable by

the Trustee to the Beneficiaries on a pro rata basis in accordance with the Plan Note, the Plan and the Indenture;

(d) directing that the Unsold Property Lien Claims be discharged from title to the Unsold Property; and

(e) approving the Twelfth Report and the conduct and activities of the Monitor as described therein;

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

ON READING the Gericke Affidavit, the Supplementary Affidavit of Wolfgang Gericke sworn May 9, 2014, the Twelfth Report and on hearing the submissions of counsel for the Company, the Monitor, and those parties listed on the counsel slip, no one appearing for any other person on the service list although properly served.

DEFINED TERMS

1. **THIS COURT ORDERS** that all terms not otherwise defined herein have the same meaning as in the Gericke Affidavit.

SERVICE

2. **THIS COURT ORDERS AND DECLARES** that the time for service of the Notice of Motion, Motion Record and the Twelfth Report is hereby abridged such that this motion is properly returnable today, that the manner of service is hereby approved and validated, and that all parties entitled to notice of this motion have been properly served with notice of this motion, and service on any other parties is hereby dispensed with.

SEALING AND CONFIDENTIALITY

3. **THIS COURT ORDERS** that the documents marked as Confidential Appendices "B" and "C" to the Twelfth Report and the redacted Cash Purchase Prices and Deposits in the redacted Purchase Agreements attached as Exhibits "E" through "H" to the Gericke Affidavit shall remain sealed, confidential and segregated and shall not form part of the permanent court record, pending further order of the Court.

INTERIM DISTRIBUTION

4. **THIS COURT ORDERS AND DECLARES** that, other than in relation to and subject to the priority of the Administration Charge and the claims secured by the Administration Charge, the Plan Note Charge has priority over all Subordinate Claims against, affecting or relating to the Sale Proceeds and the Trust Funds, and that the Interim Distributions may be distributed by the Company without regard to and in priority to the Subordinate Claims.

5. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to release the Interim Distributions to the Company, the amount and timing of which payments shall be in the discretion of the Monitor, acting reasonably having regard to, among other things, the amount of Sale Proceeds received and held by the Monitor from time to time, and the Company be and is hereby authorized and directed to pay any and all amounts comprising the Interim Distributions to the Trustee, in trust for the Beneficiaries, on account of the Company's obligations under the Plan Note, for distribution as soon as practicable by the Trustee to Beneficiaries on a pro rata basis in accordance with the Plan Note, the Plan and the Indenture.

DISCHARGE OF UNSOLD PROPERTY LIEN CLAIMS

6. **THIS COURT ORDERS** that the Unsold Property Lien Claims, as described in Schedule "A" attached hereto, including all related Certificates of Action, be and are hereby discharged as against title to the lands and premises more particularly described in Schedule "A" attached hereto and that the Land Registry Office for the Land Titles Division of Thunder Bay (No. 55) shall accept the registration of this Order as a Discharge of Construction Lien with respect to each Claim for Lien described in Schedule "A" attached hereto.

APPROVAL OF MONITOR'S REPORT

7. **THIS COURT ORDERS** that the Twelfth Report and the conduct and activities of the Monitor as described therein be and are hereby approved.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

MAY 12 2014



Schedule "A"
Claims to be deleted and expunged from title to the Unsold Property

The following claims are to be discharged from the PINS listed under "Schedule 1"

1. A construction lien registered on December 13, 2011 as No. TY132002 by EKT 90 Inc.
2. A construction lien registered on January 10, 2012 as No. TY133201 by Keating Insulation Inc.
3. An application to register Court Order registered on January 27, 2012 as No. TY134036 to which is attached a certificate of action re: TY132002.
4. An application to register Court Order registered on February 24, 2012 as No. TY135375 to which is attached a certificate of action re: TY133201.

"SCHEDULE 1"

62457-0432(LT)

62457-1091(LT)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985 c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF TERRACE BAY PULP INC.

Court File No. CV-12-9566-00CL

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

ORDER
**(Re: Sealing and Confidentiality, Interim Distribution,
Discharge of Unsold Property Lien Claims and
Monitor's Report)**

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