

**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.

**APPROVAL AND VESTING ORDER
(Non-Mill Property - Township)**

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Debtor**") for an order approving the sale transaction (the "**Transaction**") contemplated by a purchase agreement between the Debtor and The Corporation of the Township of Terrace Bay (the "**Purchaser**") dated as of January 29, 2014 and appended as Exhibit "E" to the Affidavit of Wolfgang Gericke sworn May 5, 2014 (the "**Gericke Affidavit**"), as amended by agreement dated May 8, 2014 and appended as Exhibit "B" to the Supplementary Affidavit of Wolfgang Gericke sworn May 9, 2014 (the "**Supplementary Gericke Affidavit**") (collectively, the "**Purchase Agreement**") and vesting in the Purchaser the Debtor's right, title and interest in and to the Property (as defined in the Purchase Agreement), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Gericke Affidavit and the Exhibits thereto, the Supplementary Gericke Affidavit and the Exhibits thereto, and the Twelfth Report of Ernst & Young Inc., in its capacity as monitor (the "**Monitor**"), dated May 5, 2014 (the "**Twelfth Report**"), and on hearing the submissions of counsel for the Debtor, the Monitor and those parties listed on the counsel slip, no one appearing for any other person on the service list,

although properly served as appears from the affidavit of Maria Vlahos sworn May 6, 2014, filed:

1. **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.

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Purchase Agreement by the Debtor is hereby authorized and approved, with such amendments as the Debtor may deem necessary. The Debtor is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Property to the Purchaser.

3. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Monitor's Certificate**"), all of the Debtor's right, title and interest in and to the Property described in the Purchase Agreement and listed on Schedule B hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Mr. Justice Morawetz dated January 25, 2012 (as amended and restated, the "**Initial Order**"); (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule C hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements, restrictive covenants, and other rights listed on Schedule D) and, for greater certainty, this Court orders that all of the

Encumbrances affecting or relating to the Property are hereby expunged and discharged as against the Property.

4. **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the Land Titles Division of Thunder Bay (No. 55) of an Application for Vesting Order in the form prescribed by the *Land Titles Act*, the Land Registrar for the said Land Titles Division is hereby directed to enter The Corporation of the Township of Terrace Bay as the owner of the Property identified in Schedule B hereto in fee simple, and the said Land Registrar is hereby directed to delete and expunge from title to the Property all of the Claims listed in Schedule C hereto.

5. **THIS COURT ORDERS** that, for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Property (the "**Net Proceeds**") shall stand in the place and stead of the Property, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the Net Proceeds with the same priority as they had with respect to the Property immediately prior to the sale, as if the Property had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale. The Net Proceeds shall be held by the Monitor pending further Order or Orders of the Court, provided that, with the approval of the Monitor, payment of obligations secured by the Administration Charge (as defined in the Initial Order) and such amounts as may be required to dispose of any remaining property and assets of the Debtor and complete this administration may be paid from the Net Proceeds and disbursed by the Monitor from the Net Proceeds, from time to time, without further Order of this Court.

6. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

7. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Property in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

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



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

MAY 12 2014
NB

Schedule A – Form of Monitor’s Certificate

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

MONITOR’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Regional Senior Justice Morawetz of the Ontario Superior Court of Justice, Commercial List (the "**Court**") dated May 12, 2014, the Court approved the purchase agreement made as of January 29, 2014 between Terrace Bay Pulp Inc. (the "**Debtor**") and The Corporation of the Township of Terrace Bay (the "**Purchaser**"), as amended by agreement dated May 8, 2014 (collectively, the "**Purchase Agreement**") and provided for the vesting in the Purchaser of the Debtor’s right, title and interest in and to the Property, which vesting is to be effective with respect to the Property upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Property; (ii) that the conditions to Closing as set out in the Purchase Agreement have been satisfied or waived by the Debtor and the Purchaser; (iii) whether the Property subject to the Purchase Agreement on Closing includes or excludes the Laneway Lands; and (iv) the Transaction has been completed to the satisfaction of the Monitor.

B. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Purchase Agreement.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Monitor has received the Purchase Price for the Property payable on the Closing Date pursuant to the Purchase Agreement;
2. The Debtor and the Purchaser have confirmed to the Monitor, in writing, that the conditions to Closing set out in the Purchase Agreement have been satisfied or waived;
3. The Property subject to the Purchase Agreement [includes/excludes] the Laneway Lands;
4. The sale transaction contemplated by the Purchase Agreement has been completed to the satisfaction of the Monitor; and
5. This Certificate was delivered by the Monitor at [TIME] on _____ [DATE].

**ERNST & YOUNG INC., in its capacity as
court-appointed Monitor of TERRACE BAY
PULP INC., and not in its personal or
corporate capacity**

Per: _____
Name:
Title:

SCHEDULE "B"

LEGAL DESCRIPTION OF PROPERTY THE CORPORATION OF THE TOWNSHIP OF TERRACE BAY

PIN 62457-0492 (LT)

PCL 14333 SEC TBF; PT LT 567 PL M143 STREY AS IN LPA78854 EXCEPT PT 3 55R4604; TERRACE BAY

PART OF PIN 62457-1083 (LT)

PCL 8903 SEC TBF; BLK B PL M122 STREY; BLK A & BLK C PL M122 STREY EXCEPT LPA38883, LPA39779, LPA58436, SRO LPA64843, LT135891, PT 1, 2, 3, 4, 5, 6 55R1257, PT 1, 2 55R3211, PT 2, 4 55R3595, PT 1 55R4604, PT 1, 2, 3 55R5097, PT 1 55R5277, PT 1 55R9021, PT 1, 2, 3, 4, 5, 6, 7, 8 55R9026, PT 6 55R9438, PT 1 55R10327, PT 1 55R10817; S/T LPA43496, LT210598; TERRACE BAY

COMPRISING ONLY PART OF THE AQUASABON GOLF CLUB AND ADJACENT LANDS THERETO GENERALLY ILLUSTRATED ON EXHIBIT "B-1" HERETO, THE PRECISE BOUNDARIES OF WHICH SHALL BE DETERMINED BY AN ONTARIO LAND SURVEYOR AND SHOWN AS PART(S) ON A NEW REFERENCE PLAN OF SURVEY

PIN 62457-1091 (LT)

PCL 12878 SEC TBF; LT 630 PL M226 STREY SRO; TERRACE BAY

PIN 62457-1096 (LT)

PCL 17109 SEC TBF; PT LOCATION JK 300 STREY PT 1, 4 & 5 55R2142 EXCEPT PT 1 55R2424, PT 2, 6 & 9 55R4166; PT LT 314 PL M121 STREY PT 6 55R2142; PT LT 315 PL M121 STREY PT 3 55R2142; TERRACE BAY

PIN 62457-1116 (LT)

PCL 8952 SEC TBF; WATER LT LOCATION AB 1 STREY IN LAKE SUPERIOR, IN FRONT OF PT OF LOCATION JK 300 AS IN PPA5404; TERRACE BAY

PIN 62457-1218 (LT)

PT LOCATION JK 306 STREY PTS 1, 3 & 4 55R4355; S/T LPA43496 PARTIALLY RELEASED BY LT152053; TOWNSHIP OF TERRACE BAY

PIN 62457-1222 (LT)

PT LOCATION JK300 STREY PT 1, 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

PIN 62457-1224 (LT)

PT LOCATION JK300 STREY PT 4, 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

PIN 62457-1225 (LT)

PT LOCATION JK300 STREY PT 3, 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

PIN 62457-1235 (LT)

PT LOCATION JK300 STREY PT 10, 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

PIN 62457-1236 (LT)

PT LOCATION JK300 STREY PTS 5-9, 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; SUBJECT TO AN EASEMENT IN GROSS OVER PT 7, 55R13612 AS IN LT148631; SUBJECT TO AN EASEMENT IN GROSS OVER PTS 5 & 9, 55R13612 AS IN LT148632; TOWNSHIP OF TERRACE BAY

PIN 62457-1237 (LT)

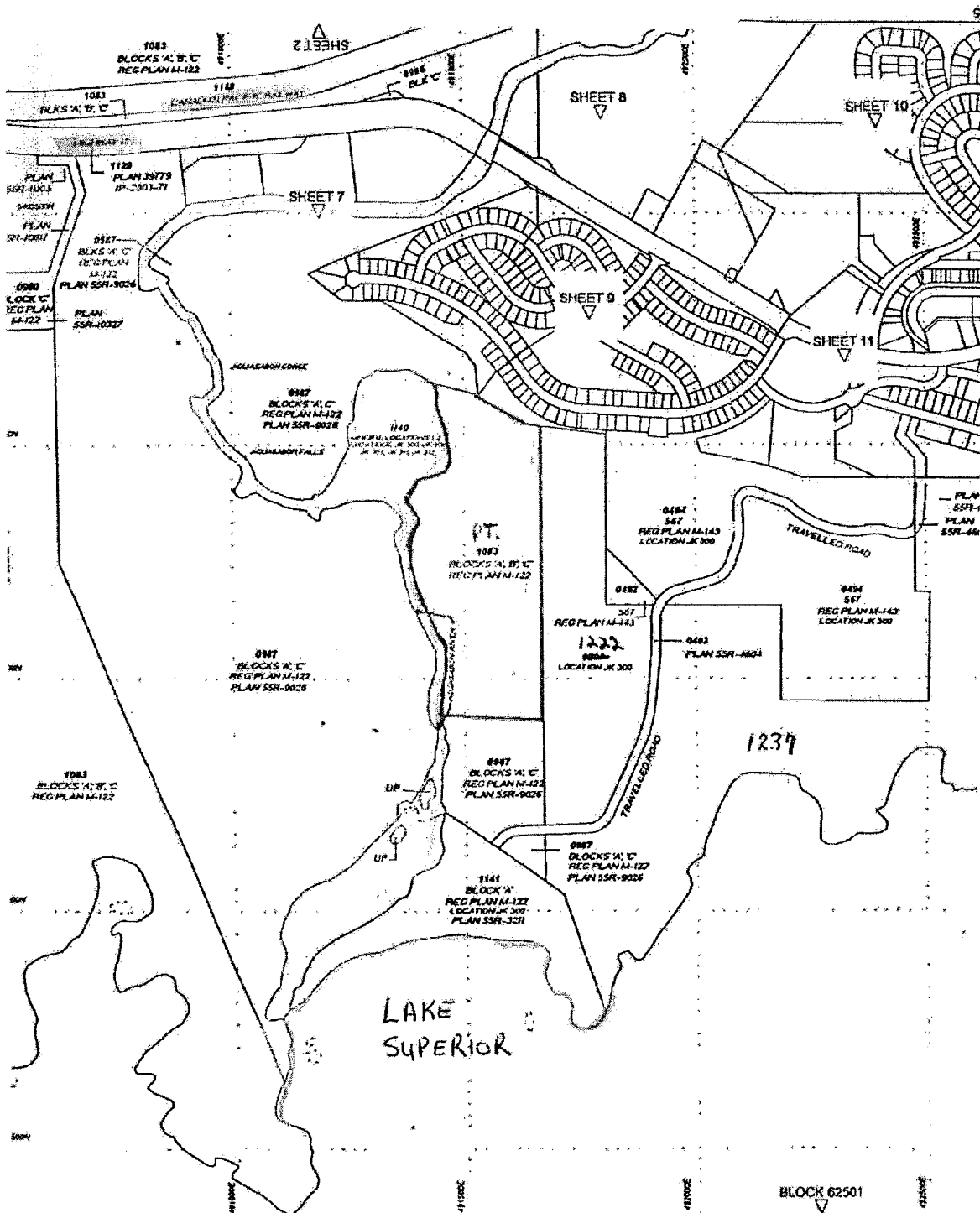
PT LOCATION JK300 STREY, PT 2 55R13612; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

Amendments to Legal Descriptions

The legal description for PIN 62457-1083 (LT) may be amended prior to closing pursuant to the registration of reference plan(s) (which amended legal description will be set out in more detail by way of Debtor's solicitor's statement or affidavit annexed to the Application for Vesting Order).

Further, the legal description may be amended by deleting PIN 62457-1091 (LT) therefrom if The Corporation of the Township of Terrace Bay does not pass a by-law approving the acquisition of such parcel (which amended legal description will be set out in more detail by way of Debtor's solicitor's statement or affidavit annexed to the Application for Vesting Order).

■ R-PLAN REQUIRED



**Schedule C to the Approval and Vesting Order -
Claims to be deleted and expunged from title to the Property**

**REAL PROPERTY LIENS TO BE DISCHARGED
THE CORPORATION OF THE TOWNSHIP OF TERRACE BAY**

**The following claims are to be deleted and expunged from the PINS listed under
"Schedule 1"**

1. A charge registered on September 15, 2010 as No. TY108162 in favour of Computershare Trust Company of Canada.
2. A construction lien registered on December 13, 2011 as No. TY132002 by EKT 90 Inc.
3. A construction lien registered on January 10, 2012 as No. TY133201 by Keating Insulation Inc.
4. An application to register Court Order registered on January 27, 2012 as No. TY134036 to which is attached a certificate of action re: TY132002.
5. An application to register Court Order registered on February 24, 2012 as No. TY135375 to which is attached a certificate of action re: TY133201.

In addition, the following claims are to be deleted and expunged from the PINS listed under "Schedule 2"

6. A construction lien registered on November 30, 2011 as No. TY131319 by North West Installations Inc.
7. A construction lien registered on December 2, 2011 as No. TY131507 by Fabmar Metals Inc.
8. A construction lien registered on December 8, 2011 as No. TY131806 by Vector Construction Ltd.
9. A construction lien registered on December 19, 2011 as No. TY132336 by Link Steel & Mechanical Inc.
10. A construction lien registered on December 19, 2011 as No. TY132337 by North American Kiln Service Inc.
11. A construction lien registered on January 4, 2012 as No. TY132967 by Skyway Canada Limited.
12. A certificate registered on January 11, 2012 as No. TY133239 to which is attached a certificate of action re: No. TY131319.
13. A certificate registered on January 20, 2012 as No. TY133709 to which is attached a certificate of action re: No. TY131806.

14. A certificate registered on January 31, 2012 as No. TY134274 to which is attached a certificate of action re: No. TY132967.

Additional Registrations

Together with such further claims (other than permitted encumbrances) as may arise and/or be registered against title to any of the real property described in Schedule B up to and including the time of closing of the Transaction (as set out in more detail by way of Debtor's solicitor's statement or affidavit annexed to the Application for Vesting Order).

Amendments to Legal Descriptions

Further, the legal description may be amended by deleting PIN 62457-1091 (LT) from Schedule 1 hereto if The Corporation of the Township of Terrace Bay does not pass a by-law approving the acquisition of such parcel (which amended legal description will be set out in more detail by way of Debtor's solicitor's statement or affidavit annexed to the Application for Vesting Order).

"SCHEDULE 1"

62457-0492 (LT)

Part of 62457-1083 (LT)

62457-1091 (LT)

62457-1096 (LT)

62457-1116 (LT)

62457-1218 (LT)

62457-1222 (LT)

62457- 1224 (LT)

62457-1225 (LT)

62457-1235 (LT)

62457-1236 (LT)

62457-1237 (LT)

"SCHEDULE 2"

62457-1218 (LT)

62457-1222 (LT)

62457-1224 (LT)

62457-1225 (LT)

62457-1235 (LT)

62457-1236 (LT)

62457-1237(LT)

**Schedule D to the Approval and Vesting Order -
Permitted Encumbrances, Easements and Restrictive Covenants related to the Property
(unaffected by the Approval and Vesting Order)**

THE CORPORATION OF THE TOWNSHIP OF TERRACE BAY

**PIN 62457-1096 (LT), PIN 62457-1116 (LT), PIN 62457-1218 (LT), PIN 62457-1222 (LT),
PIN 62457-1224 (LT), PIN 62457-1225 (LT), PIN 62457-1235 (LT), PIN 62457-1236 (LT),
& PIN 62457-1237 (LT)**

1. An order registered on September 26, 1947 as No. LPA32578 made by the Ontario Municipal Board under the Municipal Act incorporating the Improvement District of Terrace Bay.

**PIN 62457-1222 (LT), PIN 62457-1224 (LT), PIN 62457-1225 (LT), PIN 62457-1235 (LT),
PIN 62457-1236 (LT) & PIN 62457-1237 (LT)**

2. An application registered on August 15, 2013 as No. TY163708 to amend the thumbnail property description.

PART OF PIN 62457-1083 (LT), & PIN 62457-1218 (LT)

3. An easement, with the right to pass and repass, registered on January 22, 1954 as No. LPA43496 in favour of The Hydro-Electric Power Commission of Ontario, as partially released on PIN 62457-1218 (LT) by Release registered on July 18, 1979 as No. LT152053.

PIN 62457-1218 (LT)

4. An application registered on June 11, 1952 as No. LPA40453 of notice to add lands, comprised of parts of closed highways, to the registered title.
5. An application registered on September 30, 2010 as No. TY109044 to change the name of the benefitting party in easement registered as No. LPA43496 to Ontario Power Generation Inc.

**FREEHOLD AIRPORT PIN 62457-1218 (LT)
(SEE ALSO LEASEHOLD AIRPORT PIN 62457-1111 (LT))**

6. An application registered on August 29, 1980 as No. LT162634 to which is attached a lease wherein The Corporation of The Township of Terrace Bay is named as tenant.
7. A notice of agreement registered on October 14, 1980 as No. LT163834 to which is attached a licence to Ontario Northland Transportation Commission.

8. A notice registered on October 23, 1998 as No. F82873 to which is attached a lease renewal and addendum wherein The Corporation of The Township of Terrace Bay is named as tenant.
9. An application registered on July 23, 2012 as No. TY143572 to which is attached a partial surrender of lease for land in No. LT162634 as extended by No. F82873.

PIN 62457-1236 (LT)

10. An easement registered on March 15, 1979 as No. LT148631 in favour of The Corporation of the Township of Terrace Bay for entry and repair/maintenance of the sewer line.
11. An easement registered on March 15, 1979 as No. LT148632 in favour of The Corporation of the Township of Terrace Bay for entry and repair/maintenance of the hydro line.

PART OF PIN 62457-1083 (LT)

12. A Land Registrar's order registered on February 3, 2005 as No. TY3308 to amend the thumbnail property description.

GOLF COURSE LEASE

13. Rights of Aguasabon Golf Club under the lease dated January 1, 1967 between Kimberly-Clark Pulp and Paper Company Limited and Aguasabon Golf Club, as amended or modified from time to time.

ONTARIO POWER GENERATION INC.

14. Any rights of Ontario Power Generation Inc. to cause periodic discharge of water flow that results in temporary partial overflow of water onto hole number 4 and the bottom portion of hole number 2 of the golf course located on the Property.
15. The rights of Ontario Power Generation Inc., if any, as illustrated on Reference Plan 55R-9026.
16. Any instruments registered on title to the Property on or before closing by Ontario Power Generation Inc. giving notice of any of the foregoing rights.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPROVAL AND VESTING ORDER
(Non-Mill Property - Township)

BLAKE, CASSELS & GRAYDON LLP
Suite 4000, Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1A9

Michael McGraw, LSUC #46679C
Tel: 416-863-4247
michael.mcgraw@blakes.com

Jenna Willis, LSUC #58498U
Tel: (416) 863-3348
jenna.willis@blakes.com
Fax: (416) 863-2653

Lawyers for the Applicant