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April 24, 2013

Kristina Desimini
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VIA E-MAIL OR OVERNIGHT COURIER

Reference: 71942/4

TO: THE ATTACHED SERVICE LIST

Re: Terrace Bay Pulp Inc. ("Terrace Bay") – Order and Endorsement dated April 23, 2013

Attached please find copies of the Order, as issued and entered, and Endorsement of the Honourable Mr. Justice Morawetz dated April 23, 2013, in connection with yesterday's motion for, among other things, an extension of the stay of proceedings provided for at paragraph 10 of the Order of the Honourable Mr. Justice Morawetz dated January 25, 2012 (as amended and restated, the "**Initial Order**"). Also attached is an unofficial transcription of the Endorsement.

Please note the following:

- Terrace Bay has not received any responses to the letter to the Service List dated April 18, 2013, confirming opposition to its motion (among other things) fully and finally discharging the Directors' Charge provided for at paragraph 17 of the Initial Order, declaring that the security held by the Trustee has priority over all other claims and security, liens and encumbrances of any kinds against the Sale Proceeds and the Additional Cash on Hand, including, without limitation, the Mill Property Lien Claims (as these terms are defined in the affidavit of Wolfgang Gericke sworn April 18, 2013 (the "**Gericke Affidavit**")) (collectively, the "**Subordinate Claims**"), and permitting an interim distribution of the Sale Proceeds and Additional Cash on Hand, in amounts to be determined by the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), to be paid to the Trustee without regard to and in priority to the Subordinate Claims ("**Motion A**"). Accordingly, as noted in the Endorsement, Motion A is returnable on May 15, 2013. We understand that some counsel are still seeking instructions with respect to Motion A and we request that you advise the undersigned as soon as possible if you intend to oppose this motion and the basis for any such opposition;
- Terrace Bay's motion (pursuant to section 47(1) of the *Construction Lien Act* (Ontario)), among other things, authorizing and directing the Land Registry Office to discharge the Non-Mill Liens (as defined in the Gericke Affidavit) and vacating any and all registrations and claims for lien related to the Non-Mill Liens ("**Motion B**") will be spoken to (with respect to scheduling only) on May 15, 2013. We have been requested to clarify the specific parcels of land against which the Non-Mill Liens are registered. Further information will follow under separate cover in this regard; and
- pursuant to the Endorsement, Terrace Bay's motion seeking a permanent stay of the proceeding known as *R. v. Terrace Bay Pulp Inc. & Gino Leblanc*, brought by the Ministry of Labour, Legal Services Branch against Terrace Bay, commenced by Information sworn on January 10, 2012 in

the Ontario Provincial Offences Court (Thunder Bay) (the "**First OHSA Proceeding**"), and the proceeding known as *R. v. Terrace Bay Pulp Inc., Venshore Mechanical Ltd., Joseph Mykietyn, Arthur Szczepaniak & Alain Zborowski*, brought by the Ministry of Labour, Legal Services Branch against Terrace Bay, commenced by Information sworn October 15, 2012 in the Ontario Provincial Offences Court (Thunder Bay) and transferred to Ontario Provincial Court (Thunder Bay) (the "**Second OHSA Proceeding**", together with the First OHSA Proceeding, the "**OHSA Proceedings**")), in connection with alleged violations under the *Occupational Health and Safety Act* (Ontario) ("**Motion C**") has been scheduled for 3 hours on May 15, 2013. Any motion for an interim stay pending the final disposition of the Court on Motion C will be argued or addressed at this time.

Sincerely,



Kristina Desimini

kdi/cbx
Enclosures

SERVICE LIST

TO:	ERNST & YOUNG INC. 222 Bay Street Toronto-Dominion Centre P.O. Box 251 Toronto, ON M5K 1J7 Alex Morrison Tel: 416-941-7743 Fax: 416-943-3300 Email: alex.f.morrison@ca.ey.com Todd Ambachtsheer Tel: 416-943-2018 Fax: 416-943-3300 Email: todd.j.ambachtsheer@ca.ey.com Roger Leslie Tel: 416-941-1811 Fax: 416-943-3300 Email: roger.f.leslie@ca.ey.com Robert Ferguson Email: robert.ferguson@ca.ey.com The Monitor	AND TO:	McMILLAN LLP Barristers & Solicitors Brookfield Place, Box 747 4400-181 Bay Street Toronto, ON M5J 2T7 Sheryl E. Seigel Tel: 416-307-4063 Fax: 416-865-7048 Email: sheryl.seigel@mcmillan.ca Lawyers for the Monitor, Ernst & Young Inc.
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AND TO:	GOODMANS LLP Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Fred Myers Tel: 416-597-5923 Fax: 416-979-1234 Email: fmyers@goodmans.ca Lawyers for the Corporation of the Township of Terrace Bay	AND TO:	NATURAL RESOURCES CANADA 615 Booth Street Ottawa, ON K1A 0E9 Sarah Jayne Blair Tel: 613-943-6908 Email: sarahjayne.blair@nrcan-rncan.gc.ca
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