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.

FURTHER AMENDED AND RESTATED EIGHTH REPORT OF THE MONITOR DATED AS OF APRIL 19, 2013

INTRODUCTION

1. On January 25, 2012 (the "**Filing Date**"), Terrace Bay Pulp Inc. ("**Terrace Bay**" or the "**Applicant**") filed for and obtained protection from the Ontario Superior Court of Justice (the "**Court**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to an Order of this Court dated January 25, 2012, as amended and restated (the "**Initial Order**"), Ernst & Young Inc. ("**EYI**") was appointed as Monitor (the "**Monitor**") in this CCAA proceeding. The Initial Order initially provided for a stay of proceedings through February 24, 2012, which has since been extended to April 30, 2013 (the "**Stay Period**").

2. In addition to providing a stay of proceedings, the Initial Order authorized Terrace Bay, with the assistance of the Monitor and in consultation with the Province of Ontario, as represented by the Minister of Northern Development and Mines (formerly, the Minister of Northern Development, Mines and Forestry) (the "**Province**") to commence a sales and marketing process to sell the property and assets used by Terrace Bay in connection with its pulp manufacturing business (the "**Sales Process**"). Pursuant to an Order of the Court, the sale transaction to AV Terrace Bay Inc. ("**AVTB**") was approved on July 19, 2012 and subsequently closed on July 23, 2012.

3. The restart of the AVTB mill occurred in October 2012.

4. On October 29, 2012, the Court issued an Order (the "**D&O Claims Procedure Order**") which authorized a process (the "**D&O Claims Procedure**") to call for claims against the directors and officers of Terrace Bay secured by the indemnity provided in paragraph 16 of the Initial Order (the "**Directors' Charge**").

PURPOSE

5. The purpose of this amended and restated eighth report of the Monitor (the "**Eighth Report**") is to report to the Court in relation to the following:

   (a) to provide this Court with an update on claims received pursuant to the granting of the D&O Claims Procedure Order;

   (b) to provide this Court with an update on the process currently underway to find a buyer for the Excluded Real Property (as defined herein);

   (c) Terrace Bay's motion for an Order seeking:

      (i) to extend the Stay Period to October 31, 2013;

      (ii) a declaration that the claim of John Hedican Enterprises ("**JHE**") is not a claim secured by the Directors' Charge;

      (iii) to fully and finally discharge the Directors' Charge;

      (iv) a declaration that 1670721 Ontario Inc., operating under the business name Raymar Petroleum Service ("**Raymar**"), is not a beneficiary under the Plan Note (as defined herein);

      (v) to schedule motions to permit Terrace Bay to proceed with an interim distribution of the Mill Proceeds (as defined below), including with respect to the priority of the claim of the trustee (the "**Plan Note Trustee**") holding the promissory note (the '**Plan Note**") issued pursuant to the Second Amended and Restated Plan of Arrangement dated June 25, 2010 (the "**Plan**") implemented by Terrace Bay in its first restructuring under the CCAA (the "**First CCAA Proceeding**") over the claims of certain parties which registered liens under the *Construction Lien Act* (Ontario) (the "**CLA**") against the Mill Property (as defined below) (the "**Mill Property Lien Claimants**") and other creditors, if this Court so orders, seeking an order directing the payment of an interim distribution in an amount to be approved by the Court to the Plan Note Trustee or to whomever this Court shall otherwise direct;

(vi) to schedule a motion whereby Terrace Bay will seek an Order pursuant to section 47(1) of the *Construction Lien Act* (Ontario) (the "**CLA**"), among other things, authorizing and directing the Land Registry Office to discharge certain other liens and registrations made under the CLA (the "**Non-Mill Liens**") against the Excluded Real Property, as defined below, which real properties are unrelated to the mill facility and business assets previously sold to AVTB (the "**Purchased Assets**") and discharging and vacating the Non-Mill Liens;

(vii) schedule a motion pursuant to section 11.1(4) of the *Companies' Creditors Arrangement Act* (the "**CCAA**") staying the proceedings (the "**OHSA Proceedings**") commenced against Terrace Bay in relation to certain offences under the *Ontario Health and Safety Act* (the "**OHSA Offences**");.

(viii) approve the Monitor's Seventh Report dated October 23, 2012 and this Eighth Report; and

(ix) such other or related relief as Terrace Bay may request and the Court may deem just; and

(d) to report on Terrace Bay's actual receipts and disbursements from October 7, 2012 to April 6, 2013 (the "**Reporting Period**") and its revised cash flow forecast through November 2, 2013.

TERMS OF REFERENCE

6. In preparing this Eighth Report and making the comments herein, the Monitor has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, the Applicant's books and records, discussions with management of the Applicant ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as described in this Eighth Report:

   (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and

   (b) some of the information referred to in this Eighth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed.

7. Future oriented financial information referred to in this Eighth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

SALE PROCESS FOR REAL ESTATE ASSETS

8. In addition to the Purchased Assets that were sold to AVTB, Terrace Bay owns other assets that were not included in the sale to AVTB. Such assets include, but are not limited to, the following:

   (a) a 9-hole golf course (the "**Golf Course**") located in the Township of Terrace Bay (the "**Township**"). The Golf Course is adjacent to the Aguasabon River and Lake Superior and is located in the developed centre of the Township. Next to the Golf Course are lands that could be subdivided for residential use;

(b) an airstrip (the "**Airstrip**") that is currently being leased to the Township. The Airstrip, which is approximately 199 acres in area, is north of the centre of the Township and abuts the mill site;

(c) approximately 800 acres of vacant lands with approximately 5km lakefront exposure (the "**Eastern Lands**"). These lands are located to the south and east of the centre of the Township and are located directly on Lake Superior; and

(d) lands, totaling approximately 3,600 acres to the south and west of the mill site (the "**Western Lands**" which, collectively with the Airstrip, Golf Course and Eastern Lands, are referenced in this Eighth Report as the "**Excluded Real Property**").

9. The Monitor has undertaken the following activities with respect to implementing a sale of the Excluded Real Property:

(a) prepared an information memorandum that details certain key elements of the Excluded Real Property;

(b) prepared certain marketing materials for distribution to potential interested parties, including the production of a professional video highlighting the acquisition opportunity and providing, among other things, an aerial view of the Excluded Real Property. The website hosting this video can be accessed at http://vimeo.com/51242413;

(c) arranged for newspaper publications of the acquisition opportunity, which were published on February 14, 2013 and February 19, 2013 in the National Edition of the *Globe and Mail*, on February 14, 2013 in the *Thunder Bay Chronicle-Journal* and on February 19, 2013 in the *Terrace Bay/Schrieber News*;

(d) prepared a form of letter of intent (the "**Template LOI**") for bidders to use to submit their interest. The Template LOI is attached to this Eighth Report as Appendix "A"; and

(e) provided information to and responded to inquiries from prospective bidders.

10. On February 21, 2013 the Monitor issued a letter to all parties who had expressed an interest in the Excluded Real Property that it had set March 21, 2013 as the deadline by which interested bidders were to submit an LOI. A copy of the form of letter sent is attached to this Eighth Report as Appendix "B". In addition to the attached letter, the Monitor also called the contact person at each interested bidder to advise them of the deadline.

11. The Monitor has received LOIs from a number of parties and is in the process of evaluating such LOIs.

12. The Monitor will further update this Court after it has had an opportunity to complete its review of the LOI's received, including by reporting on whether a transaction with one or more interested parties is being recommended.

THE D&O CLAIMS PROCEDURE

13. With the completion of the sale transaction to AVTB, Terrace Bay wishes to move forward with an interim cash distribution of some of the proceeds of the AVTB sale currently being held by the Monitor (the "**Mill Proceeds**"). It is anticipated that future distributions will be available as the remaining assets of Terrace Bay are realized.

14. The Mill Proceeds are subject to the Directors' Charge and a charge in favour of the Monitor, its counsel and counsel for the Applicants provided in the Initial Order (the "**Administration Charge**"), and are subject to the security granted to the Plan Note Trustee to secure the Plan Note. The D&O Claims Procedure Order was approved by this Court in order to quantify and determine claims, if any, against the directors and officers of Terrace Bay secured by the Directors' Charge (the "**D&O Claims**").

15. Under the D&O Claims Procedure Order, a D&O Claims was defined to be:

> "any existing or future right or claim of any Person against one or more of the Directors and/or Officers of the Applicant in respect of any obligations and liabilities which have arisen or may arise or was or may be incurred, in his or her capacity as Director or Officer, after the commencement of the CCAA Proceeding, and which have been indemnified by the Applicant pursuant to paragraph 16 of the Initial Order (including in respect of any

> environmental condition that arose or environmental damage that occurred after January 25, 2012, and excluding, for greater certainty, in respect of any environmental condition that arose or environmental damage that occurred prior to January 25, 2012), except to the extent that, with respect to any Officer and/or Director, such right or claim arose or arises or was or may be incurred as a result of such Director and/or Officer's gross negligence or wilful misconduct"

16. The definition of a D&O Claim specifically does not include claims against the Applicant or any person other than a director or an officer as defined therein, confines claims to those relating to the period prior to the Filing Date and only includes claims indemnified under paragraph 16 of the Initial Order.

17. Pursuant to the D&O Claims Procedure Order, the Monitor:

(a) caused a public notice substantially in the form attached as Schedule 'C' to the D&O Claims Procedure Order (the "**Notice to Creditors**") to be published in each of the *Globe and Mail (National Edition)* and the *Thunder Bay Chronicle-Journal* by the deadlines imposed by the D&O Claims Procedure Order;

(b) posted the Notice to Creditors on the Monitor's website until after 5.00 p.m. (Toronto time) on December 10, 2012 (the "**Claims Bar Date**"). The Notice to Creditors remains accessible on the Monitor's website as at the date of this Eighth Report;

(c) provided the following persons with notice of the D&O Claims Procedure, all in accordance with the D&O Claims Procedure Order:

(i) persons listed in the accounts payable register of the Applicant as being a creditor of the Applicant as at the Filing Date;

(ii) persons listed by Terrace Bay as being an employee or independent contractor performing services for Terrace Bay as at the Filing Date;

(iii) persons identified to the Monitor by Terrace Bay as having an existing or threatened litigation claim against Terrace Bay as at the date of the D&O Claims Procedure Order;

(iv) Governmental agencies listed on Schedule "A" to the D&O Claims Procedure Order;

(v) persons who advised the Monitor that they wished to assert or may have wished to assert a D&O Claim prior to the Claims Bar Date;

(vi) persons who advised the Monitor that they wished to receive a Claims Package (as defined below); and

(vii) persons named on the service list in these CCAA proceedings to receive notice by electronic transmission (collectively the "**Notice Parties**").

(d) sent a package including a copy of an instruction letter, a copy of the D&O Claims Procedure Order and a proof of claim (a "**Proof of D&O Claim**") (all three documents together are collectively the "**Claims Package**") to the Notice Parties; and

(e) posted a copy of the Claims Package on its website.

18. Pursuant to the Claims Procedure Order, the Monitor received a number of proofs of claim, as detailed in the table below:

	# of Claims	**Value of Claims**
Claims received by the Claims Bar Date	19	$427,816.74
Claims received after the Claims Bar Date	2	$77,127.37
Total	21	$504,944.11

Note: The balances above are in mixed CAD/USD currency at par.

19. The Monitor received two proofs of claim prior to the D&O Claims Procedure Order, that appear to assert claims against Terrace Bay and not to assert a claim of a nature that would fall within the definition of a D&O Claim. The claims were received on proof of claim forms available in the *Bankruptcy and Insolvency Act*, were unsolicited and were

not provided in relation to any claims process authorized by this Court. The claims asserted in these two proofs of claim are not included in the above table.

20. After review by the Monitor and its counsel, all of the claims received by the Monitor in response to the D&O Claims Procedure Order were disallowed by notices dated and sent by the Monitor on December 27, 2012 (the "**Notices of Revision or Disallowance**"). These claims were generally disallowed for the following reasons:

(a) the claims asserted related to the period prior to the Filing Date;

(b) the claims were for goods and services provided to the Applicant and were not claims properly made against a director or officer; and/or

(c) the claims as asserted provided no legal basis for liability against a director or officer.

21. In accordance with the D&O Claims Procedure Order, the Notices of Revision or Disallowance were delivered by email where email addresses were available, with normal mail being the method of delivery where email addresses had not been provided to the Monitor.

22. Pursuant to the D&O Claims Procedure Order, Parties receiving a Notice of Revision or Disallowance ("**Claimants**") had 14 days within the Dispute Period to dispute the Monitor's determination of the amount claimed by each party, by filing a notice (a "**Notice of Dispute**") with the Monitor.

23. The Monitor received two Notices of Dispute (within the Dispute Period), for claims having a combined value of $5,829.81. One of these disputes has subsequently been withdrawn by the Claimant. The Monitor has attempted to resolve the other claim, being the above-referenced claim made by JHE, without success. The JHE claim relates to the provision of portable toilets and related services to Terrace Bay in October, 2011. The value of this claim is $791.00. Copies of the Proof of Claim and the Notice of Revision or Disallowance relating to the JHE claim have been annexed as exhibits to the Affidavit of Wolfgang Gericke sworn April 18, 2013 (the "**Gericke Affidavit**"). A copy of the

Notice of Dispute relating to the JHE claim is attached to this Eighth Report as Appendix "C".

24. Terrace Bay is currently seeking an order declaring that the JHE claim is not a claim properly made in the D&O Claims Procedure. Based on the information provided to the Monitor, the Monitor supports this relief being granted.

RAYMAR CLAIM

25. The Monitor has reviewed the Gericke Affidavit in relation to the Raymar Claim (as defined therein). The Raymar Claim was asserted against Terrace Bay in the First CCAA Proceeding. The Monitor was also the court-appointed monitor in the First CCAA Proceeding. The Monitor delivered a notice of revision or disallowance in relation to the proof of claim filed by Raymar in the First CCAA proceeding due to the fact that the goods and services were not ordered by Terrace Bay. In response, Raymar delivered a notice of dispute. Copies of the Raymar proof of claim, the notice of revision or disallowance and notice of dispute in relation to the Raymar claim are annexed as Appendix "D" to the Eighth Report. The determination of the Raymar Claim affects the distribution of funds to creditors with entitlements under the Plan Note. The Monitor understands that notice of this motion is being provided to Raymar so that it may take any steps it considers appropriate in relation to the relief being sought by Terrace Bay.

OHSA OFFENCES

26. The Monitor has reviewed the Gericke Affidavit and agrees with the recommendation of Terrace Bay that a separate hearing be scheduled to determine if this Court will permanently stay the prosecution of the OHSA offences. As Terrace Bay would be forced to expend time and resources if it is required to continue to defend such proceedings, the Monitor also supports Terrace Bay's request for an interim stay of such proceedings pending such hearing.

INTERIM DISTRIBUTION

27. There are sufficient cash proceeds available to permit Terrace Bay to proceed with a first interim distribution, subject to appropriate reserves being maintained to permit the remaining assets of Terrace Bay to be realized and remaining matters relating to the CCAA Proceeding to be fully administered, and in relation to the Administration Charge. To the knowledge of the Monitor, other than the Plan Note and certain registrations made under the *Personal Property Security Act* (Ontario) and the *Repair and Storage Lien Act* (Ontario), as reflected in the Gericke Affidavit, the only persons that have asserted claims that might be considered to be a secured claim, lien or encumbrance against the AVTB Proceeds, are persons who have registered claims for lien and certificates of action relating to such claims under the CLA against the real property of Terrace Bay used in relation to the operation of the pulp mill (the "**Mill Property**").

28. The Monitor agrees with the approach being proposed by the Applicants for the scheduling of a hearing to have this Court determine whether, on the facts of this case, there is a basis for the persons claiming liens under the CLA against the Mill Property to have their claims rank ahead of the security held by the Trustee of the Plan Note.

ACTUAL RECEIPTS AND DISBURSEMENTS

29. Attached as Appendix "E" to this Eighth Report is a summary of Terrace Bay's actual receipts and disbursements for the Reporting Period.

30. The following is a summary of some of the larger variances from forecast:

    (a) *Insurance proceeds* were approximately $479,000 less than forecast due to less claims being reimbursed on account of the blow tank explosion. However, this negative variance is offset by lower *Payments to AVTB re Blow Tank* as Terrace Bay was able to retain certain funds related to insurance proceeds.; and

    (b) *Restructuring costs* are approximately $255,000 lower than forecast due to lower professional activity.

31. *Cash Held in Trust by the Monitor* is approximately $1,955,989.50. This represents the net cash deposit paid to the Monitor in relation to the sale transaction with AVTB, less certain adjustments to the purchase price payable to AVTB in the approximate amount of $252,000, and plus accrued interest in the approximate amount of $26,000.

REVISED CASH FLOW FORECAST

32. Attached as Appendix "F" to this Eighth Report is a revised cash flow forecast through November 2, 2013. The closing cash balance at November 2, 2013 is forecast to be approximately $2.9 million when the funds held in trust by the Monitor are included.

33. The Revised Forecast reflects that Terrace Bay will have sufficient liquidity, absent any negative variances, through the extension of the Stay Period now being sought to October 31, 2013.

34. The Revised Forecast was prepared by management of Terrace Bay for the purpose of the CCAA Proceeding, using probable and hypothetical assumptions set out in notes to the Revised Forecast. The Revised Forecast reflects receipts and disbursements to be received or paid over the 30-week projection period in Canadian dollars.

35. The Monitor's review of the Revised Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Monitor by certain of the management and employees of Terrace Bay. Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Revised Forecast. The Monitor has also reviewed the support provided by management of Terrace Bay for the probable assumptions, and the preparation and presentation of the Revised Forecast.

36. Based on the Monitor's review, nothing has come to our attention to cause us to believe that, in all material respects:

    (a) the hypothetical assumptions are not consistent with the purpose of the Revised Forecast;

(b) as at the date of this Eighth Report, the probable assumptions developed by management are not suitably supported and consistent with the plans of Terrace Bay or do not provide a reasonable basis for the Revised Forecast, given the hypothetical assumptions; or

(c) the Revised Forecast does not reflect the probable and hypothetical assumptions.

37. As described in the Terms of Reference above, since the Revised Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Forecast will be achieved.

38. The Revised Forecast has been prepared solely for the purpose described above, and readers are cautioned that they may not be appropriate for other purposes.

RECOMMENDATIONS

39. Terrace Bay continues to act in good faith and with due diligence.

40. The Monitor is of the view that an extension of the Stay Period to October 31, 2013 is appropriate in the circumstances. Such an extension will permit Terrace Bay to complete one or more transactions for the sale of the Excluded Assets. It will also permit other matters necessary to proceed with distributions of the funds realized to date to be scheduled for hearing by this Court, including any issues between the priority of the security held by the Plan Note Trustee and the CLA liens registered against the Mill Property in relation to any portion of the Mill Proceeds.

41. The Monitor is of the view that this Court has information sufficient to permit a declaration that the claim of JHE is not a claim to which the D&O Claims Procedure applies.

42. The Monitor supports Terrace Bay's motion to have this Court declare that the Raymar Claim is not a claim properly asserted against Terrace Bay in the First CCAA Proceeding.

43. The Monitor supports the approach of the Applicant in relation to the motions it proposes to be scheduled to determine issues relating to the Directors' Charge, Mill Property Lien claims, the Non-Mill Liens and the OHSA Proceedings.

All of which is respectfully submitted, as of the 19th day of April, 2013.

ERNST & YOUNG INC.
In its capacity as the Court-Appointed
Monitor of Terrace Bay Pulp Inc.

Per:

Alex Morrison
Senior Vice President

APPENDIX "A"
TEMPLATE LOI

[LETTERHEAD OF POTENTIAL PURCHASER]

_____________________, 2013

Ernst & Young Inc.
Monitor, Terrace Bay Pulp Inc.
222 Bay Street, PO Box 251
Toronto, Ontario
M5K 1J7

Attention: Mr. Alex Morrison , Senior Vice President

Dear Sirs:

Re: [•] (the "Purchaser") proposed purchase from Terrace Bay Pulp Inc. (the "Vendor" or "TBPI"), as represented by Ernst & Young Inc., solely in its capacity as court appointed Monitor and not in its personal capacity (the "Monitor"), the lands as set out on Schedule A attached hereto (collectively, the "Lands")

We are writing to you in your capacity as Monitor of the Vendor.

This non-binding letter of intent confirms our interest in purchasing all of the right, title and interest of the Vendor in the Lands on the following terms and conditions:

1. Purchase Price

$[_______________] (the "**Total Purchase Price**"), as set out on the attached Schedule A and as allocated on Schedule A for each separate parcel of the Lands. In addition to the Total Purchase Price, the Purchaser will be responsible for any harmonized sales tax or goods and services tax in respect of the purchase and sale transaction and will be responsible to account for harmonized sales tax or goods and services tax in respect of the purchase and sale transaction in accordance with the *Excise Tax Act* (Canada). Further, the Purchaser will be responsible for the cost of registering the Approval and Vesting Order (as defined below), including all relevant land transfer taxes and Land Titles Office registration fees necessary to convey the Lands to the Purchaser.

2. Payment of Total Purchase Price

The Total Purchase Price, subject to adjustments in accordance with Section 3 hereof, will be payable by certified cheque or wire transfer of immediately available funds on the Closing Date (to be negotiated and defined in the Purchase Agreement (as defined below)) payable to the Monitor, in trust, or as the Monitor may direct.

3. Adjustments

Usual and appropriate adjustments will be made on the Closing Date, including, without limitation, with respect to realty taxes, local improvement rates and charges, and other items normally adjusted in similar transactions (but there will be no adjustments for amounts that became due and owing prior to the date the Vendor filed for and obtained protection under the *Companies' Creditors Arrangement Act*, being January 25, 2012). On the Closing Date, the parties will enter into an agreement to readjust in respect of the adjustments and for any errors, omissions or changes in the statement of adjustments.

4. Purchase Agreement

The Vendor will advise the Purchaser on or about **April 11, 2013** if it will be invited to submit to the Vendor an offer to purchase the Lands by way of a purchase agreement (the "**Purchase Agreement**"), in a form to be provided by the Vendor.

5. Deposit

In the event that the Purchaser is invited by the Vendor to submit a Purchase Agreement, the Purchaser will pay to the Monitor, in trust, a deposit (the "**Initial Deposit**") in an amount equal to the greater of 2.5% of the Total Purchase Price or $25,000, whichever is greater, by way of certified cheque or bank draft, payable to Ernst & Young Inc., in trust, at the time of submission of the Purchase Agreement. If the Vendor accepts the Purchase Agreement from the Purchaser, the Purchaser will pay to the Monitor, in trust, an additional deposit (the "**Second Deposit**") in an amount equal to 2.5% of the Purchase Price by way of certified cheque or bank draft, payable to Ernst & Young Inc., in trust, within 48 hours of the acceptance and delivery of the Purchase Agreement by the Vendor to the Purchaser. The Initial Deposit will be returned to the Purchaser forthwith without deduction in the event the Purchaser and Vendor do not enter into a binding Purchase Agreement.

6. Due Diligence

The Purchaser and its consultants and representatives will be afforded reasonable access to the Lands and to the books, records and files of the Vendor relating to the ownership of the Lands that are in the possession of the Vendor during regular business hours upon appropriate arrangements being made with the Vendor.

The Purchaser acknowledges that the Vendor has not and will not undertake any environmental testing with respect to the Lands and that the Purchaser will be responsible for all of its out-of-pocket costs and expenses incurred in connection with its due diligence investigations with respect to the Lands, this letter of intent, the Purchase Agreement and any other matters relating to its interest in purchasing the Lands.

7. Title

The Purchaser will have such period of time as provided for in the Purchase Agreement to review and satisfy itself that the titles to the Lands are good and marketable and are (or will be, by virtue of the Approval and Vesting Order (as defined below)) free and clear of all liens, mortgages, charges, and other financial encumbrances other than specific permitted encumbrances to be identified in the Purchase Agreement.

8. Closing

The closing will take place at 2:00 p.m. on a date no later than three (3) business days following the issuance of an Approval and Vesting Order (as defined below) in favour of the Purchaser, or at such other time or place as may be agreed to in writing by the parties.

9. Conditions

The obligation of the Vendor and the Purchaser to close the transaction contemplated in the Purchase Agreement is subject to an order being issued and entered by the Ontario Superior Court of Justice approving such transaction, authorizing the Vendor to complete such transaction and vesting title to the Lands in the name of the Purchaser free and clear of all financial encumbrances other than specific permitted encumbrances to be identified in the Purchase Agreement (the "**Approval and Vesting Order**").

[INSTRUCTION TO OFFERORS: PLEASE INSERT ANY OTHER CONDITIONS THAT WOULD BE RQUESTED FOR INCLUSION IN THE PURCHASE AGREEMENT, AND AN APPROXIMATE TIMELINE FOR SAID CONDITIONS TO BE REMOVED.]

10. Covenants, Representations and Warranties

The Vendor has not sold or entered into any other agreements for the sale of the Lands.

The Vendor is not a non-resident of Canada within the meaning of the *Income Tax Canada* (Canada).

The Purchaser acknowledges and agrees that the Lands are being purchased on an "as is, where is" basis and that the Vendor is not making or giving and will not make or give to the Purchaser, except as expressed herein, any representations or warranties, expressed or implied as to any matter, condition or thing pertaining to or affecting the Lands, including, without limitation, representations or warranties in connection with title, zoning, environmental condition, compliance with laws, by-laws and regulations, merchantability, fitness for purpose or quality of or relating to the Lands.

For clarity, the Purchaser will acquire the Lands based on the Purchaser's own investigations, and in connection therewith, the Purchaser acknowledges and agrees that the Purchaser will be responsible to satisfy itself, and to rely on its own investigations to verify, that the condition of the Lands (including, without limitation, the environmental condition) is otherwise satisfactory for the intended use by the Purchaser. The Purchaser will assume, effective on the Closing Date, and at its own cost, full and complete responsibility for the environmental condition of or relating to the Lands, including, without limitation, remediation work, if any, in respect thereof.

11. Financial Ability to Complete Transaction

The Purchaser represents and warrants to the Vendor that it has the financial ability to complete the purchase of the Lands. Attached hereto as Schedule B is evidence of such financial ability, including the method and timing of financing the purchase of the Lands.

[INSTRUCTION TO OFFERORS: NO PRESCRIBED FORM OF SCHEDULE B HAS BEEN PROVIDED. SCHEDULE B SHOULDTHE NAME OF THE ULTIMATE BENEFICIAL OWNER(S) OF THE BIDDER, INCLUDING ITS/THEIR RESPECTIVE PERCENTAGE INTERESTS, AS WELL AS EVIDENCE OF FINANCIAL ABILITY. THIS EVIDENCE MAY INCLUDE CORPORATE FINANCIAL STATEMENTS, ASSURANCE LETTERS FROM FINANCIAL INSTITUTIONS AND THE LIKE.]

12. Timing To Complete Purchase

The Purchaser acknowledges that, if it is invited to submit to the Vendor a Purchase Agreement, it must do so in a form provided to it by the Vendor, and by no later than 5:00 p.m. on **April 18, 2013**. This date is subject to amendment by the Vendor. The Purchaser further acknowledges that the Vendor is under no obligation to respond to or accept this letter of intent, and that the Vendor and the Monitor reserve the right to remove all or part of the Lands from the market at any time, in its sole and absolute discretion.

13. Notice

Any notice given pursuant to this letter of intent will be in writing and will be sufficiently given if sent by e-mail or delivered to either party addressed as follows:

In the case of a notice to the Purchaser:

[▼]
[______________________________
______________________________]
Attention: [__________________]
E-mail: [__________________]

In the case of a notice to the Vendor:

Ernst & Young Inc.
Monitor, Terrace Bay Pulp Inc.
222 Bay Street, PO Box 251
Toronto, Ontario M5K 1J7
Attention: Mr. Alex Morrison, Senior Vice President
E-mail: Alex.F.Morrison@ca.ey.com

14. Confidentiality

Each of the parties (and their respective agents and representatives) will keep the existence and terms of this non-binding letter of intent and the Purchase Agreement (if applicable) in strict confidence, except in the course of conveying necessary information to third parties directly involved in the transaction and except as may be required by law or otherwise mutually agreed upon in writing by the parties, all in accordance with the Confidentiality Agreement dated **[_______________, 2013]**. **[INSTRUCTIONS TO OFFEROR: PLEASE INSERT DATE THE CONDFIDENTIALITY AGREEMENT WAS SIGNED BY YOU]**

15. <u>Assignment</u>

The Purchaser will have the right to assign its rights under this letter of intent or the Purchase Agreement to any entity which remains, at all times up to and including the Closing Date, an affiliate of the Purchaser, PROVIDED THAT:

(a) the Purchaser will deliver written notice to the Vendor of any such assignment;

(b) the Purchaser will remain fully liable to the Vendor for the performance by any such affiliate of the obligations of the Purchaser hereunder and under the Purchase Agreement and will not be released from the performance hereof or thereof; and

(c) the Affiliate enters into an agreement with the Vendor assuming the rights and obligations of the Purchaser under this letter of intent and/or the Purchase Agreement, as the case may be.

Otherwise, the Purchaser may only assign this letter of intent and the Purchase Agreement with the prior written consent of the Vendor, which consent may be withheld in the Vendor's sole and absolute discretion.

16. <u>Agency and Commission</u>

The Purchaser will be responsible for any fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Lands. The Vendor will not be utilizing the services of any real estate agent or salesperson in connection with the sale of the Lands.

17. <u>Non-Binding Letter of Intent</u>

The parties acknowledge that this is a letter of intent only and is not intended to create and does not create a binding or enforceable agreement between the parties or a binding commitment with respect to the purchase of the Lands, save and except for Section 11 (entitled "Financial Ability to Complete Transaction") and Section 14 (entitled "Confidentiality"), each of which is binding on the parties in consideration of $10.00 paid be each party to the other party. Except as specifically provided in the foregoing sentence, neither expenditure of funds nor other act will be part performance of a binding agreement nor entitle either party to assert claims for damages or reimbursement. If the Purchaser is invited to submit a Purchase Agreement, then the parties confirm their willingness to negotiate in good faith to attempt to settle the Purchase Agreement.

18. Execution and Delivery

This letter of intent may be executed and delivered in several counterparts (including by fax or e-mail), each of which when so executed and delivered will be deemed to be an original and will have the same force and effect as an original but such counterparts together will constitute but one and the same instrument.

Please confirm your agreement with the terms of this letter by signing and returning the enclosed duplicate copy.

Yours very truly,

[•]

Per: ______________________________
Name: **[•]**
Title: **[•]**

Acknowledged and agreed this _____ day of ______________________, 2013.

Terrace Bay Pulp Inc.

Per: ______________________________

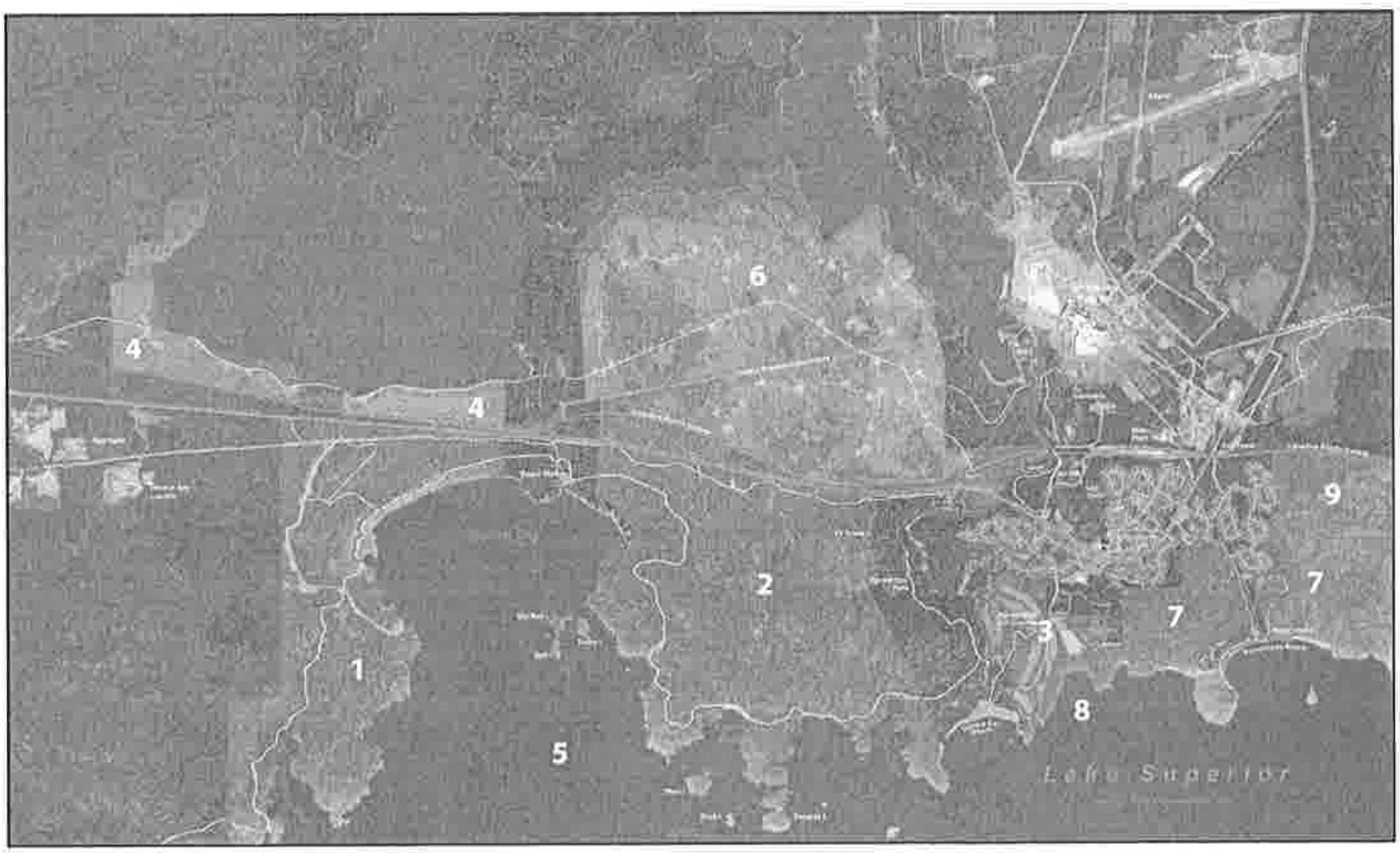
Schedule A

Parcel #	Name	Approx Size (acres)	Offer Price
1	Hydro Bay West	805	
2	Hydro Bay East	1,203	
3	Golf Course	126	
4	Hays Lake West	232	
5	Islands	36	
6	Hays Lake East	1,304	
7	South East Lands	60	
8	Golf Course South	550	
9	North East Lands	150	
10	Airport Lands	199	
Total		4,665	

The Property is made up of a number of legal property identifier numbers ("**PIN's**"). Further, there are no recent surveys of the Property. Certain Parcels may share a common PIN with other parcels.

Based on discussions with certain market participants and research, TBP and the Monitor have allocated certain of the land into the Parcels to allow for the sale to different types of purchasers.

TBP and the Monitor on the sale of the Parcels will work with various purchaser(s) to effect a severance in an appropriate manner which will be mutually satisfactory to both parties.



APPENDIX "B"
BID DEADLINE LETTER

ERNST & YOUNG

Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, ON M5K 1J7
Tel: 416 864 1234
Fax: 416 943 3300
ey.com/ca

March 4, 2013

RE: Terrace Bay Pulp Inc. – Lake Superior Lands

Ernst & Young Inc. ("**EYI**"), in its capacity as the Court appointed Monitor of Terrace Bay Pulp Inc. on behalf of Terrace Bay Pulp Inc. ("**TBP**") is providing you with information on the process for submission of offers for the purchase of all or certain portions of land owned by TBP located in the vicinity of the Township of Terrace Bay, hereinafter referred to as the "TBP Lands".

As set out in the Confidential Information Memorandum ("CIM") prepared by EYI, the TBP Lands are comprised up ten (10) parcels ("Parcels") of land that are available for sale. Prospective purchasers ("Offerors") may propose to acquire one or more of the Parcels. The following are the guidelines established by EYI and TBP for submission of offers.

Submission Procedures

Offerors are requested to submit an offer for one or more of the Parcels no later than 5pm EST, March 21, 2013. A form of non-binding letter of intent ("LOI") is available from EYI for parties to submit an offer.

As a minimum, the LOI must contain the following:

1. The name and background of the Offeror, including the names of the ultimate beneficial owner of the Parcel (s).
2. Details of the Parcels that the Offeror wishes to acquire, as set out in the schedule that is attached to the LOI.
3. The price to be paid, in cash, for each Parcel.
4. Details of the Offeror's financial ability to complete the purchase. Such information could be in the form of a letter from a bank, accountant or a term sheet providing information on any financing to be obtained to finance the purchase.
5. Acknowledgement that the purchase of the Parcel (s) will be on an "as is, where is" basis with only minimal representations and warranties.
6. All conditions precedent necessary to complete the purchase.

Due Diligence

Parties are encouraged to conduct due diligence in advance of submission of LOI's. EYI will make available to Offeror's information relating to the legal description of the Parcels that an Offeror wishes to purchase, as will be set out in the LOI supplied by EYI.

EYI advises that no environmental reports have been or will be commissioned by TBP or EYI. Parties wishing to speak to the Township of Terrace Bay regarding potential uses of the Parcels and rezoning implications are encouraged to contact Mr. Carmelo Notarbartolo if the Township at 807-825-5315 ext 232 should they wish to enquire regarding potential uses and rezoning.

Submission of LOI's

Offeror's are requested to submit two (2) originals of LOI's to the attention of EYI, as set out below;

Ernst & Young Inc., Monitor, Terrace Bay Pulp Inc.
222 Bay Street, Ernst & Young Tower
PO Box 251, Toronto Dominion Centre
Toronto, Ontario
M5K 1J7
Attention: Mr. Alex Morrison
Alex.F.Morrison@ca.ey.com

Other

TBP has advised EYI that, for certain Parcels and under certain terms and conditions, TBP may be prepared to entertain proposals that are in the nature of a joint venture with parties that wish to subdivide and sell and/or develop individual lots. Parties are encouraged to discuss any such proposals with EYI in advance of the submission deadline.

TBP intends to review the LOI's submitted and invite one or more of the Offerors to submit a Purchase Agreement, along with a deposit, in the form of a certified cheque or bank draft, payable to "Ernst & Young Inc. in trust". The deposit, in the amount of the greater of 2.5% of the purchase price or $25,000, is to be submitted at the time of submission of the Purchase Agreement. Upon acceptance of the Purchase Agreement, a second deposit in the form of a certified cheque or bank draft, payable to "Ernst & Young Inc. in trust", in the amount of 2.5% of the purchase price, is due within 48 hours of the delivery of the Purchase Agreement by the Offeror to EYI.

TBP and EYI reserve the right to modify or terminate the offering process outlined herein. Further, TBP and EYI reserve the right to enter into discussions with any party relating to the potential purchase of any of the Parcels at any time prior to the LOI submission deadline.

If you have any questions, please do not hesitate to contact myself or other members of the divestiture team as noted in the Confidential Information Memorandum.

Sincerely,

ERNST & YOUNG INC.

As Court-appointed Monitor of Terrace Bay Pulp Inc., and not in its personal capacity

Per:

Raymond Drost

Raymond Drost
Senior Vice-President

APPNEDIX "C"
JOHN HEDICAN ENTERPRISES NOTICE OF DISPUTE

Court File No CV-12-9566-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

JAN 11 2013

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

Application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C36, as amended.

NOTICE OF DISPUTE OF NOTICE OF REVISION OR DISALLOWANCE

A. PARTICULARS OF CLAIMANT:

(1) Full Legal Name of Claimant: JOHN HEDICAN ENTERPRISES

(2) Full Mailing Address of Claimant: Box 570
Nipigon, ON
P0T 2J0

(3) Telephone Number of Claimant: 807-887-2743

(4) Facsimile Number of Claimant:

(5) Email Address of Claimant: JI-HEDICAN@SHAW.CA

(6) Attention (Contact Person): John or Irene Hedican

By Courier or Personal Delivery:

Ernst & Young Inc., as Monitor of Terrace Bay Pulp Inc.
TD Centre, P.O. Box 251
222 Bay Street, 24th Floor
Toronto, Ontario
M5K 1J7

Attention: Naomi Lieberman

By Facsimile Transmission:

Ernst & Young Inc., as Monitor of Terrace Bay Pulp Inc.

Attention: Naomi Lieberman

Fax No.: (416) 943-3300

- or –

By Email Transmission:

Email: terracebay@ca.ey.com

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

Dated at Toronto, this ___27th____ day of _____December______________, 2012.

ERNST & YOUNG INC.,
In its capacity as the court-appointed Monitor of
Terrace Bay Pulp Inc.

Per:

Naomi Lieberman
(416) 943-3435

B. REASONS FOR DISPUTE:

(Provide full particulars of the basis for your dispute of the Notice of Revision or Disallowance and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the D&O Claim)

We provided portable toilets and services to Terrace Bay Pulp. This was authorized by Joe Young prior to providing services.
Po # 5025334

This Notice of Dispute must be returned to and received by the Monitor by no later than 5:00 p.m. (Toronto time) on the day which is fourteen days (14) after the date of the Notice of Revision or Disallowance, at the following address or facsimile number:

Ernst & Young Inc., as the Monitor of Terrace Bay Pulp Inc.
222 Bay Street
24th Floor
Toronto-Dominion Centre
P.O. Box 251
Toronto, ON M5K 1J7

Attention: Naomi Lieberman
Facsimile: 416-943-3300
Email: terracebay@ca.ey.com

John Hedican Enterprises/Enviro Clean

145 McKirdy Ave.
Box 570
Nipigon, Ontario P0T 2J0

INVOICE

Invoice No.: 697

Date: 10/24/2011

Due upon receipt

Sold to
Terrace Bay Pulp Inc

Business No.: 895979086RT0001

Item No.	Unit	Quantity	Description	Tax	Unit Price	Amount
		2.0	portable toilet unit	H	125.00	250.00
		1.0	set -up & delivery fee	H		100.00
		2.0	septic service & cleaning per unit	H	75.00	150.00
	hours	2.5	travel time for septic service & pick-up	H	80.00	200.00
			PO#5025334			
			H - HST 13%			
			HST			91.00
Comment: PO# 5025334					Total Amount	791.00

APPENDIX "D"
RAYMAR CLAIM DOCUMENTS

Received
FEB 03 2010

FEB 03 2010
Received

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

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

1. **Particulars of Creditor**

(a) Full Legal Name of Creditor: 1670721 Ontario Inc o/a Raymor Petroleum Service (the **"Creditor"**) (Full legal name should be the name of the original Creditor of the Applicant, regardless of whether an assignment of a Claim has been made, or a portion thereof, has occurred prior to or following the Filing Date.)

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

P.O. Box 40270
Thunder Bay Ontario
P7K 1N8

(c) Telephone Number: 939-2572
E-mail Address:
Facsimile Number: 939-1171
Attention (Contact Person): Ginger WALL

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

Yes: [ ]
No: [✓]

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

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

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

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

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

(e) E-mail Address: ______

(f) Attention (Contact Person): ______

3. **Proof of Claim:**

I, Guy Santorelli (*name of individual Creditor or Representative of Corporate Creditor*), of the City of Thunder Bay (*City, Province or State*) do hereby certify:

(i) that I

[ ] am the Creditor of the Applicant; OR

[✓] am the President (*state position or title*) of Roymar Petroleum Service (*name of Creditor*)

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

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

A. PRE-FILING CLAIM:

CDN$ $10,184.30 (*insert $ value of Claim*)

B. RESTRUCTURING CLAIM:

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

C. The Creditor's Claim is denominated in:

[✓] Canadian Dollars
[ ] U.S. Dollars
[ ] Other: ______ (stipulate other currency referenced)

D. TOTAL CLAIM(S) $ 10,184.30

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

4. **Nature of Claim:**

(Check and complete appropriate category)

[✓] A. UNSECURED CLAIM OF $ 10,184.30 . That in respect of this debt, no assets of the Applicant are pledged as security.

[ ] B. SECURED CLAIM OF $ ____________

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

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

5. **Particulars of Claims:**

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

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

6. **Filing of Claims:**

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

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

FAILURE TO FILE YOUR PROOF OF CLAIM AS DIRECTED BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, WILL RESULT IN YOUR CLAIM BEING BARRED AND EXTINGUISHED FOREVER, AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST THE APPLICANT.

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

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

DATED this 3rd day of ~~January~~ February, 2010

X ________________________
Witness:

Per: X ________________________

Print name of Creditor: 1670721 Ontario Inc. o/a T. Raymar Petroleum Service

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

Name: Guy Santorelli

Title: President

Accounting Office and Mailing Address
P.O. Box 40270
Thunder Bay, ON P7K 1N8
Phone: (807) 939-2572
Fax: (807) 939-1171

RAYMAR PETROLEUM SERVICE

Technicians Office
3143 West Arthur Stree
Thunder Bay, ON P7C 4V
Phone: (807) 939-250
Fax: (807) 939-250

Terrace Bay

Customer

Name: Buchanan Forest Products
Address: P.O. Box 29037 McIntyre Centre
Thunder Bay, ON P7B 6P9

Date: 01-Oct-08
Work Order #: 162(
PO#: 12422(

Quantity	Description	Price	Tota
	Reconditioned 4 used pumps supplied by Commercial Electric for the Terrace Bay job.		
29	hr Labour	65.00	1,885.0
3	7H Nozzles	153.25	459.7
1	11 AP Nozzles	62.25	62.2
3	1" x 25' Arctic Hose	376.40	1,129.2
1	3/4" x 20' Arctic Hose	211.55	211.5
3	1" x 8" Whip Hose	25.65	76.9
3	1" Breakaway	171.92	515.7
3	1" Swivels	69.40	208.2
3	7H Nozzle Boots	8.56	25.6
1	3/4" Swivel	33.10	33.1
1	3/4" Breakaway	92.58	92.5
1	11AP Nozzle Boot	12.15	12.1
3	2" x 1.5" Red Coupling	3.56	10.6
6	1-1/2" x Short Nipple	1.76	10.5
3	1-1/2" x 1" Red Coupling	2.34	7.0
2	1-1/2" Plug	1.24	2.4
1	Tokheim Control Valve	320.70	320.7
1	Tokheim Bypass Valve	352.25	352.2
1	Tokheim Meter Gasket	28.45	28.4
1	Tokheim Cover Gasket	30.00	30.0
4	Spray Cans Adhesive Remover	10.90	43.6
		Sub-total	5,517.9
		GST	275.9
		PST	441.4
		Total	6,235.2

GST # 85683 8123 RT0001

Accounting Office and Mailing Address
P.O. Box 40270
Thunder Bay, ON P7K 1N8
Phone: (807) 939-2572
Fax: (807) 939-1171

RAYMAR PETROLEUM SERVICE

3143 West Arthur Stree
Thunder Bay, ON P7C 4V
Phone: (807) 939-250
Fax: (807) 939-250

Terrace Bay

Customer

Name: Buchanan Forest Products
Address: P.O. Box 29037 McIntyre Centre
Thunder Bay, ON P7B 6P9

Date: 19-Dec-0
Work Order #: 177
PO#: 12492

Quantity	Description	Price	Tota
	PO# 124929 Supply Nozzles and Hose		
1	1" x 25' Arctic Hose	376.40	376.4
2	OPW 7H Nozzles	153.25	306.5
2	OPW 11A Nozzles	60.80	121.6

Sub-total	804.5
GST	40.2
PST	64.3
Total	909.0

GST # 85683 8123 RT0001

Accounting Office and Mailing Address
P.O. Box 40270
Thunder Bay, ON P7K 1N8
Phone: (807) 939-2572
Fax: (807) 939-1171

RAYMAR PETROLEUM SERVICE
1670721 Ontario Inc.

Technicians Office
3143 West Arthur Stree
Thunder Bay, ON P7C 4V
Phone: (807) 939-250
Fax: (807) 939-250

Terrace Bay

Customer

Name: Buchanan Forest Products
Address: P.O. Box 29037 McIntyre Centre
Thunder Bay, ON P7B 6P9

Date: 13-Jan-0
Work Order #: 178
PO#: 12507

Quantity	**Description**	**Price**	**Tota**
	Supply only.		
4	11A OPW Nozzle	60.80	243.2
2	7H OPW Nozzle	153.24	306.4
1	Arctic Hose - 15'	167.00	167.0

Sub-total	716.6
GST	35.8
PST	57.3
Total	809.8

GST # 85683 8123 RT0001

Accounting Office and Mailing Address
P.O. Box 40270
Thunder Bay, ON P7K 1N8
Phone: (807) 939-2572
Fax: (807) 939-1171

RAYMAR PETROLEUM SERVICE

Technicians Offic
3143 West Arthur Stree
Thunder Bay, ON P7C 4V
Phone: (807) 939-250
Fax: (807) 939-250

Terrace Bay

Customer

Name: Buchanan Forest Products
Address: P.O. Box 29037 McIntyre Centre
Thunder Bay, ON P7B 6P9

Date: 09-Feb-0
Work Order #: 178
PO#: 12527

Quantity	Description	Price	Tota
	Supply only.		
1	OPW 7H Nozzle	183.60	183.6
1	Catlow breakaway	75.38	75.3

Sub-total	258.9
GST	12.9
PST	20.7
Total	292.6

GST # 85683 8123 RT0001

Accounting Office and Mailing Address
P.O. Box 40270
Thunder Bay, ON P7K 1N8
Phone: (807) 939-2572
Fax: (807) 939-1171

RAYMAR PETROLEUM SERVICE

Technicians Office
3143 West Arthur Stree
Thunder Bay, ON P7C 4V
Phone: (807) 939-250
Fax: (807) 939-250

Terrace Bay

Customer

Name: Buchanan Forest Products
Address: P.O. Box 29037 McIntyre Centre
Thunder Bay, ON P7B 6P9

Date: 04-Feb-0
Work Order #: 232
PO#: 12527

Quantity	Description	Price	Tota
	PO# 125273 or 1252731 ?? Terrace Bay - replace nozzle and swivel on #3.		
8	hr Labour	65.00	520.0
8	hr Environmental Insurance Charge on Labour	10.00	80.0
480	Travel Kilometers	0.75	360.0
3	7H Nozzles	194.48	583.4
2	1" Swivel	88.32	176.6
1	¾" Swivel	44.16	44.1
1	11AP Nozzle	80.98	80.9

Sub-total	1,845.2
GST	92.2
PST	
Total	1,937.4

GST # 85683 8123 RT0001

"Colleen Tiboni"
<tibonic@carrel.com>
03/02/2010 04:05 PM

To <terracebay@ca.ey.com>
cc
bcc
Subject Terrace Bay Claims - Claimant 1670721 Ontaro Inc. o/a Raymar Petroleum Service

Please see attached correspondence from Rod Johansen.

To respond to Mr. Johansen directly please click on the following link: johansen@carrel.com

Colleen A. Tiboni
Corporate Legal Assistant to Roderick W. Johansen
CARREL+Partners LLP
1136 Alloy Drive
Thunder Bay, ON P7B 6M9
Phone: (807) 346-3000 - Ext. 3017
Direct Phone: (807) 346-3017
Fax: (807) 346-3600
Toll Free: 1-800-263-0578
Website: www.carrel.com

www.carrel.com

<<ernst & Young Inc. feb 3-10 with claim.pdf>>

ernst & Young Inc. feb 3-10 with claim.pdf

CARREL+Partners LLP
BARRISTERS, SOLICITORS, TRADEMARK AGENTS

1136 Alloy Drive
Thunder Bay, Ontario
P7B6M9

Phone: (807) 346-3000
Fax: (807) 346-3600
1-800-263-0578

February 3, 2010
42673-003

Ernst & Young Inc. *Via E-mail terracebay@ca.ey.com*
Court-appointed Monitor of Terrace Bay Pulp Inc.
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7

Attention: Franca Mazzulla

Dear Madam:

RE: Terrace Bay Claims
Claimant: 1670721 Ontario Inc. o/a Raymar Petroleum Service

We enclose duly completed Proof of Claim against Terrace Bay Pulp Inc. executed by our client 1670721 Ontario Inc. o/a Raymar Petroleum Service.

Yours truly

CARREL+Partners LLP

Roderick W. Johansen

RWJ/cat
Enc.

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

Name of Claimant: 1670721 Ontario Inc. o/a Raymar Petroleum Service.

Reference #: 445

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

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

- X Voting Purposes
- X Distribution Purposes

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

- ☐ Voting Purposes
- ☐ Distribution Purposes

C) Revision or Disallowance:

	Secured ($CDN)	**Unsecured ($CDN)**
Proof of Pre-Filing Claim or Restructuring Claim as Submitted ($CDN)		$10,184.30
Revisions		($10,184.30)
Revised Pre-Filing Claim or Restructuring Claim as Accepted ($CDN)		$0.00

Reason for the Revision or Disallowance:

Your proof of claim included a number of invoices addressed to Buchanan Forest Products and not the Applicant. The purchase orders you provided confirmed that Buchanan Forest Products was the party that requested the services that were described in your proof of claim. The total of these purchase orders was $10,184.39. As a result, the Monitor has disallowed your claim in its entirety.

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

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

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

Address for Service of Notices of Dispute:

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

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

Dated at Toronto this 31st day of May, 2010.

ERNST & YOUNG INC.
In its capacity as the court-appointed
Monitor of Terrace Bay Pulp Inc.

Per: ______________________

Todd Ambachtsheer, CA, CIRP
Vice President

/

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

Pursuant to the order of the Honourable Mr. Justice Morawetz dated December 18, 2009, we hereby give you notice of our intention to dispute the Notice of Revision or Disallowance bearing Reference Number 445 and dated June 4, 2010 issued by Ernst & Young Inc. in its capacity as Monitor of the Applicant in respect of our Claim.

Name of Creditor: 1670721 Ontario Inc o/a Raymar Petroleum Service

	Reviewed Claim as Accepted ($CDN)	Reviewed Claim as Disputed ($CDN)	Secured ($CDN)	Unsecured ($CDN)
Total Claim				$10,184.70

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

All work performed for Terrace Bay Pulp Inc. It requested invoices be directed to Great west Timber who handled payment of Terrace Bay Pulp obligations.

Signature of Individual: x [signature]

Date: June 14 2010

(Please print name): GUY SANTORELLI

Telephone Number: (807) 939-2505

Facsimile Number: (807) 939-2507

Email Address: —

Full Mailing Address:

PO Box 32038 Thunder Bay ON P7E 0A1

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

Address for Service of Notices of Dispute:

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

CARREL+Partners LLP
BARRISTERS, SOLICITORS, TRADEMARK AGENTS

1136 Alloy Drive
Thunder Bay, Ontario
P7B6M9

Phone: (807) 346-3000
Fax: (807) 346-3600
1-800-263-0578

June 16, 2010
42673-003

Franca Mazzulla re Terrace Bay Claims *Via E-mail*
Ernst & Young Inc.
Court-Appointed Monitor of
Terrace BayPulp Inc.
Ernst & Young Tower
222 Bay Street
Toronto, ON M5K 1J7

Dear Madam:

Re: 1670721 Ontario Inc. o/a Raymar Petroleum Service and Terrace Bay Pulp Inc.

On behalf of 1670721 Ontario Inc. o/a Raymar Petroleum Service. we enclose Notice of Dispute of Terrance Bay Pulp Inc.

Yours truly

CARREL+Partners LLP

Roderick W. Johansen
RWJ/cat
Enc.

c.c. client (+Enc.) *Via E-Facsimile*

APPENDIX "E"
ACTUAL RECEIPTS AND DISBURSEMENTS

Terrace Bay Pulp Inc.
CCAA Cash Flows
October 7, 2012 to April 6, 2013

	Actual		Forecast	Variance
Bank balance, opening	**$ 2,654,802**	**(A)**	**$ 2,654,802**	**$ -**
Blocked account receipts:				
Insurance Proceeds	2,520,543		3,000,000	(479,457)
Other Receipts	274,458		166,000	108,458
Total cash receipts from all sources	$ 2,795,001		$ 3,166,000	$ (370,999)
Expected cash outlays during the week:				
Utilities	-		(1,800)	1,800
Restructuring Cost	(780,331)		(1,035,000)	254,669
Other income/expenses	(20,579)		(122,430)	101,851
Insurance	(660)		-	(660)
Property taxes	(167,235)		(167,845)	610
Payments to AVTB re Blow Tank	(2,291,146)		(3,000,000)	708,854
Total cash outlays	$ (3,259,951)		$ (4,327,075)	$ 1,067,124
Net Receipts and Disbursements	**$ (464,950)**	**(B)**	**$ (1,161,075)**	**$ 696,125**
Bank balance, closing	**$ 2,189,853**	**(C)=(A)+(B)**	**$ 1,493,727**	**$ 696,126**
Cash Held in Trust by the Monitor	**$ 1,954,490**	**(D)**	**$ 1,943,501**	**$ 10,989**
Total Cash	**$ 4,144,343**	**(E)=(C)+(D)**	**$ 3,437,228**	**$ 707,115**

APPENDIX "F"
REVISED CASH FLOW FORECAST

Terrace Bay Pulp Inc.
CCAA Cash Flows

Week	1	2	3	4	5	6	7	8	9	10
Beginning of Week	**7-Apr-07**	**14-Apr-07**	**21-Apr-07**	**28-Apr-07**	**5-May-07**	**12-May-07**	**19-May-07**	**26-May-07**	**2-Jun-07**	**9-Jun-07**
End of Week	**13-Apr-13**	**20-Apr-13**	**27-Apr-13**	**4-May-13**	**11-May-13**	**18-May-13**	**25-May-13**	**1-Jun-13**	**8-Jun-13**	**15-Jun-13**
Bank balance, beginning of week	**2,189,853**	**2,174,853**	**2,146,937**	**2,028,321**	**2,018,821**	**2,002,821**	**1,986,821**	**1,970,821**	**1,810,821**	**1,805,321**
Block account receipts:										
Other Receipts (Note 1)	-	-	-	10,500	-	-	-	-	10,500	-
Total cash receipts from all sources	-	-	-	10,500	-	-	-	-	10,500	-
Expected cash outlays during the week:										
Restructuring Cost (Note 2)	(15,000)	(15,000)	(117,616)	(15,000)	(15,000)	(15,000)	(15,000)	(150,000)	(15,000)	(15,000)
Other income/expenses (Note 3)	-	(1,000)	(1,000)	(5,000)	(1,000)	(1,000)	(1,000)	(10,000)	(1,000)	(1,000)
Property taxes (Note 4)	-	(11,916)	-	-	-	-	-	-	-	-
Total Cash outlays	(15,000)	(27,916)	(118,616)	(20,000)	(16,000)	(16,000)	(16,000)	(160,000)	(16,000)	(16,000)
Bank balance, end of week	**2,174,853**	**2,146,937**	**2,028,321**	**2,018,821**	**2,002,821**	**1,986,821**	**1,970,821**	**1,810,821**	**1,805,321**	**1,789,321**
Funds Held in Trust by the Monitor	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**
Total Cash Balance, end of the week	**4,130,842**	**4,102,926**	**3,984,311**	**3,974,811**	**3,958,811**	**3,942,811**	**3,926,811**	**3,766,811**	**3,761,311**	**3,745,311**

Notes

1. Other receipts primarily represent tax refunds due to the Applicant

2. Restructuring costs represent disbursements to the Company's counsel and the Monitor.

3. Other expenses represent miscellaneous disbursements

4. Property taxes reprsent disbursements to the the Township of Terrace Bay

Terrace Bay Pulp Inc.
CCAA Cash Flows

Week	11	12	13	14	15	16	17	18	19	20	21	22
Beginning of Week	**16-Jun-07**	**23-Jun-07**	**30-Jun-07**	**7-Jul-07**	**14-Jul-07**	**21-Jul-07**	**28-Jul-07**	**4-Aug-07**	**11-Aug-07**	**18-Aug-07**	**25-Aug-07**	**1-Sep-07**
End of Week	**22-Jun-13**	**29-Jun-13**	**6-Jul-13**	**13-Jul-13**	**20-Jul-13**	**27-Jul-13**	**3-Aug-13**	**10-Aug-13**	**17-Aug-13**	**24-Aug-13**	**31-Aug-13**	**7-Sep-13**
Bank balance, beginning of week	**1,789,321**	**1,773,321**	**1,613,321**	**1,607,821**	**1,591,821**	**1,575,821**	**1,550,821**	**1,474,821**	**1,458,821**	**1,442,821**	**1,417,821**	**1,341,821**
Block account receipts:												
Other Receipts (Note 1)	-	-	10,500	-	-	-	-	-	-	-	-	-
Total cash receipts from all sources	-	-	10,500	-	-	-	-	-	-	-	-	-
Expected cash outlays during the week:												
Restructuring Cost (Note 2)	(15,000)	(150,000)	(15,000)	(15,000)	(15,000)	(15,000)	(75,000)	(15,000)	(15,000)	(15,000)	(75,000)	(15,000)
Other income/expenses (Note 3)	(1,000)	(10,000)	(1,000)	(1,000)	(1,000)	(10,000)	(1,000)	(1,000)	(1,000)	(10,000)	(1,000)	(1,000)
Property taxes (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash outlays	(16,000)	(160,000)	(16,000)	(16,000)	(16,000)	(25,000)	(76,000)	(16,000)	(16,000)	(25,000)	(76,000)	(16,000)
Bank balance, end of week	1,773,321	1,613,321	1,607,821	1,591,821	1,575,821	1,550,821	1,474,821	1,458,821	1,442,821	1,417,821	1,341,821	1,325,821
Funds Held in Trust by the Monitor	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**
Total Cash Balance, end of the week	3,729,311	3,569,311	3,563,811	3,547,811	3,531,811	3,506,811	3,430,811	3,414,811	3,398,811	3,373,811	3,297,811	3,281,811

Notes

1. Other receipts primarily represent tax refunds due to the Applicant

2. Restructuring costs represent disbursements to the Company's counsel and the Monitor

3 Other expenses represent miscellaneous disbursements

4 Property taxes reprsent disbursements to the the Township of Terrace Bay

Terrace Bay Pulp Inc.
CCAA Cash Flows

Week	23	24	25	26	27	28	29	30
Beginning of Week	**8-Sep-07**	**15-Sep-07**	**22-Sep-07**	**29-Sep-07**	**6-Oct-07**	**13-Oct-07**	**20-Oct-07**	**27-Oct-07**
End of Week	14-Sep-13	21-Sep-13	28-Sep-13	5-Oct-13	12-Oct-13	19-Oct-13	26-Oct-13	2-Nov-13
Bank balance, beginning of week	**1,325,821**	**1,309,821**	**1,293,821**	**1,277,821**	**1,192,821**	**1,176,821**	**1,160,821**	**1,144,821**
Block account receipts:								
Other Receipts (Note 1)	-	-	-	-	-	-	-	-
Total cash receipts from all sources	-	-	-	-	-	-	-	-
Expected cash outlays during the week:								
Restructuring Cost (Note 2)	(15,000)	(15,000)	(15,000)	(75,000)	(15,000)	(15,000)	(15,000)	(200,000)
Other income/expenses (Note 3)	(1,000)	(1,000)	(1,000)	(10,000)	(1,000)	(1,000)	(1,000)	(10,000)
Property taxes (Note 4)	-	-	-	-	-	-	-	-
Total Cash outlays	(16,000)	(16,000)	(16,000)	(85,000)	(16,000)	(16,000)	(16,000)	(210,000)
Bank balance, end of week	1,309,821	1,293,821	1,277,821	1,192,821	1,176,821	1,160,821	1,144,821	934,821
Funds Held in Trust by the Monitor	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**	**1,955,990**
Total Cash Balance, end of the week	3,265,811	3,249,811	3,233,811	3,148,811	3,132,811	3,116,811	3,100,811	2,890,811

Notes

1. Other receipts primarily represent tax refunds due to the Applicant

2. Restructuring costs represent disbursements to the Company's counsel and the Monitor

3 Other expenses represent miscellaneous disbursements

4. Property taxes reprsent disbursements to the the Township of Terrace Bay