

**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.**

Applicant

**MOTION RECORD
(Returnable May 12, 2014)
(Re: Approval of Sale of Certain Non-Mill Property, Interim Distribution and Discharge of
Unsold Property Lien Claims)**

May 5, 2014

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**ONTARIO
SUPERIOR COURT OF JUSTICE
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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

**MOTION RECORD
(Returnable May 12, 2014)
(Re: Approval of Sale of Certain Non-Mill Property, Interim Distribution and Discharge of
Unsold Property Lien Claims)**

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TAB 1

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
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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

**NOTICE OF MOTION
(Returnable May 12, 2014)
(Re: Approval of Sale of Non-Mill Property, Interim Distribution and Discharge of
Remaining Non-Mill Property Lien Claims)**

Terrace Bay Pulp Inc. (the "**Applicant**") will make a motion to a Judge presiding over the Commercial List on Monday, the 12th day of May, 2014 at 8:30 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR an Order:

- (a) abridging the time for service of the Notice of Motion, the Motion Record and the Twelfth Report of the Monitor, Ernst & Young Inc. (the "**Monitor**") (the "**Twelfth Report**") such that the motion is properly returnable on May 12, 2014;
- (b) approving the following four sale transactions (collectively, the "**Sale Transactions**"):
 - i. the sale transaction (the "**Township Sale Transaction**") contemplated by a purchase agreement dated as of January 29, 2014 (the "**Township**

Purchase Agreement") between the Company, as vendor, and The Corporation of the Township of Terrace Bay (the "**Township**"), as purchaser;

- ii. the sale transaction (the "**TBFNC Sale Transaction**") contemplated by a purchase agreement dated as of February 14, 2014 (the "**TBFNC Purchase Agreement**") between the Company, as vendor, and Thunder Bay Field Naturalists Club ("**TBFNC**"), as purchaser;
 - iii. the sale transaction (the "**OPG Sale Transaction**") contemplated by a purchase agreement dated as of March 27, 2014 (the "**OPG Purchase Agreement**") between the Company, as vendor, and Ontario Power Generation Inc. ("**OPG**"), as purchaser; and
 - iv. the sale transaction (the "**Nichols Sale Transaction**") contemplated by a purchase agreement dated as of March 12, 2014 (the "**Nichols Purchase Agreement**", together with the Township Purchase Agreement, the TBFNC Purchase Agreement and the OPG Purchase Agreement, collectively, the "**Purchase Agreements**") between the Company, as vendor, and Jim Nichols Trucking Ltd. ("**Nichols**", together with the Township, TBFNC and OPG, each, a "**Purchaser**", collectively, the "**Purchasers**"), as purchaser;
- (c) authorizing and directing the Company to take such additional steps and execute such additional documents as may be necessary to give effect to the Purchase Agreements;

- (d) declaring that upon delivery of a Monitor's Certificate to a Purchaser, all of the right, title and interest of the Company in and to the Property (as defined in the applicable Purchase Agreement) shall be vested in such Purchaser free and clear from any and all liens, charges and encumbrances other than permitted encumbrances;
- (e) directing the Land Registry Office for the Land Titles Division of Thunder Bay (No. 55) (the "**Land Registry Office**") to enter the applicable Purchaser as the owner of the applicable Property and to delete and expunge from title to the applicable Property specified liens, charges and encumbrances, including, but not limited to the Sold Property Lien Claims (as defined in the Affidavit of Wolfgang Gericke sworn May 5, 2014 (the "**Gericke Affidavit**")), other than certain permitted encumbrances;
- (f) directing that the documents contained in Confidential Appendices "B" and "C" to the Twelfth Report and the Cash Purchase Prices and Deposits (each as defined in the Purchase Agreements) in the redacted Purchase Agreements attached as Exhibits "E" through "H" to the Gericke Affidavit shall remain confidential, sealed and segregated and shall not form part of the permanent court record pending further order of the Court;
- (g) declaring that, other than in relation to and subject to the priority of the Administration Charge (as such term is defined at paragraph 28 of the Initial Order dated January 25, 2012), the security (the "**Plan Note Charge**") held by Computershare Trust Company of Canada (the "**Trustee**") which secures the

obligations of the Company under the promissory note (the “**Plan Note**”) issued by Terrace Bay to the Trustee pursuant to terrace Bay’s 2011 Plan of Compromise and Arrangement (the “**Plan**”) has priority over all other claims and security, liens and encumbrances of any kind, including without limitation, the Sold Property Lien Claims (collectively, the “**Subordinate Claims**”) against, affecting or related to the Sale Proceeds and the Trust Funds (as defined in the Gericke Affidavit); and that the Sale Proceeds and the Trust Funds may be distributed by the Company without regard to and in priority to the Subordinate Claims;

- (h) ordering and directing the Monitor to release to Terrace Bay the net proceeds of the closed Sale Transactions paid to the Monitor, in trust (the “**Sale Proceeds**”), and the other funds held in trust by the Monitor relating to the prior sale of the Mill Property (the “**Trust Funds**”), in the form of one or more payments, up to the aggregate amount of the Sale Proceeds and the Trust Funds (the “**Interim Distributions**”), the amount and timing of which payments shall be in the discretion of the Monitor, acting reasonably, having regard to, among other things, the amount of the Sale Proceeds received and held by the Monitor from time to time, and further ordering and directing Terrace Bay to pay any and all amounts comprising the Interim Distributions to the Trustee, in trust for the Beneficiaries (as defined in the Note Indenture dated as of September 15, 2012 (the “**Indenture**”)), on account of the Company’s obligations under the Plan Note, for distribution as soon as practicable by the Trustee to the Beneficiaries on a pro rata basis in accordance with the Plan Note, the Plan and the Indenture;

- (i) directing that the Unsold Property Lien Claims (as defined in the Gericke Affidavit) be discharged from title to the Unsold Property (as defined in the Gericke Affidavit), including all related Certificates of Action, registrations and Claims for Lien related to the Unsold Property Lien Claims, and directing the Land Registry Office to accept the registration of any such Order as a Discharge of Construction Lien for each of the Unsold Property Lien Claims;
- (j) approving the Twelfth Report the conduct and activities of the Monitor as described therein; and
- (k) such further and other relief as the Applicant may request and this Court shall deem just.

THE GROUNDS FOR THE MOTION ARE:

- (a) the reasons described in the Gericke Affidavit;
- (b) the reasons described in the Twelfth Report;
- (c) sections 11 of the CCAA;
- (d) section 100 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43;
- (e) section 47 of the *Construction Lien Act*, R.S.O. 1990, c.C. 30
- (f) Rules 2.03, 3.02, and 37 of the *Ontario Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (g) such further and other grounds as counsel may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) the Gericke Affidavit;
- (b) the Twelfth Report;
- (c) the pleadings and proceedings herein; and
- (d) such further and other materials as counsel may advise and this Court may permit.

Date: May 5, 2014

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**TO: THE SERVICE LIST AS ATTACHED
TO THE MOTION RECORD**

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF MOTION

**(Re: Approval of Sale of Non-Mill Property, Interim
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Lien Claims)**

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TAB 2

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

Applicant

**AFFIDAVIT OF WOLFGANG GERICKE
(Sworn May 5, 2014)**

I, **WOLFGANG GERICKE**, of the City of Thunder Bay, in the Province of
Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

Introduction

1. I am the President and sole director of Terrace Bay Pulp Inc. ("**Terrace Bay**" or the "**Company**") and, as such, have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, it is based on information and belief and I have indicated the source of such information and belief and I verily believe such information to be true.

Purpose

2. This affidavit is sworn in support of the Company's motion for orders:

- 2 -

- a) abridging the time for service of the Notice of Motion, the Motion Record and the Twelfth Report of the Monitor, Ernst & Young Inc. (the “**Monitor**”) (the “**Twelfth Report**”) such that the motion is properly returnable on May 12, 2014;
- b) ordering and directing that Confidential Appendices “B” and “C” to the Twelfth Report and the Cash Purchase Prices and Deposits (each as defined in the Purchase Agreements (as defined below)) shall remain confidential, sealed and segregated from and shall not form part of the permanent court record pending further order of the Court;
- c) approving the following four sale transactions (collectively, the “**Sale Transactions**”):
 - i. the sale transaction (the “**Township Sale Transaction**”) contemplated by a purchase agreement dated as of January 29, 2014 (the “**Township Purchase Agreement**”) between the Company, as vendor, and The Corporation of the Township of Terrace Bay (the “**Township**”), as purchaser;
 - ii. the sale transaction (the “**TBFNC Sale Transaction**”) contemplated by a purchase agreement dated as of February 14, 2014 (the “**TBFNC Purchase Agreement**”) between the Company, as vendor, and Thunder Bay Field Naturalists Club (“**TBFNC**”), as purchaser;

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- iii. the sale transaction (the “**OPG Sale Transaction**”) contemplated by a purchase agreement dated as of March 27, 2014 (the “**OPG Purchase Agreement**”) between the Company, as vendor, and Ontario Power Generation Inc. (“**OPG**”), as purchaser; and
- iv. the sale transaction (the “**Nichols Sale Transaction**”) contemplated by a purchase agreement dated as of March 12, 2014 (the “**Nichols Purchase Agreement**”, together with the Township Purchase Agreement, the TBFNC Purchase Agreement and the OPG Purchase Agreement, collectively, the “**Purchase Agreements**”) between the Company, as vendor, and Jim Nichols Trucking Ltd. (“**Nichols**”, together with the Township, TBFNC and OPG, each, a “**Purchaser**”, collectively, the “**Purchasers**”), as purchaser;
- d) authorizing and directing the Company to take such additional steps and execute such additional documents as may be necessary to give effect to the Purchase Agreements;
- e) ordering and declaring that upon delivery of a Monitor’s Certificate (as defined in the Orders sought on this motion approving the Sale Transactions) to a Purchaser, all of the right, title and interest of the Company in and to the Property (as defined in the applicable Purchase Agreement) shall be vested in such Purchaser free and clear from any and all liens, charges and encumbrances other than permitted encumbrances;

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- f) ordering and directing the Land Registry Office for the Land Titles Division of Thunder Bay (No. 55) (the “**Land Registry Office**”) to enter the applicable Purchaser as the owner of the applicable Property and to delete and expunge from title to the applicable Property specified liens, charges and encumbrances, including, but not limited to the Sold Property Lien Claims (as defined below), other than certain permitted encumbrances;
- g) ordering and declaring that, other than in relation to and subject to the priority of the Administration Charge (as such term is defined at paragraph 28 of the Initial Order of the Court dated January 25, 2012 (the “**Initial Order**”)), the security (the “**Plan Note Charge**”) held by Computershare Trust Company of Canada (the “**Trustee**”) which secures the obligations of Terrace Bay under the promissory note (the “**Plan Note**”) issued by Terrace Bay to the Trustee pursuant to Terrace Bay’s 2011 Plan of Compromise and Arrangement (the “**Plan**”) has priority over all other claims, security, liens and encumbrances of any kind, including without limitation, the Sold Property Lien Claims (all of such claims, security, liens and encumbrances, collectively, the “**Subordinate Claims**”, which definition, for clarity, does not include any claims, liabilities or obligations secured by the Administration Charge), against, affecting or relating to the Sale Proceeds and the Trust Funds (each as defined below), and that the Sale Proceeds and the Trust Funds may be distributed by the Company without regard to any in priority to the Subordinate Claims;

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- h) ordering and directing that the Unsold Property Lien Claims (as defined below) be discharged and expunged from title to the Unsold Property (as defined below), including all related Certificates of Action, and directing the Land Registry Office to accept the registration of any such Order as a Discharge of Construction Lien for each of the Unsold Property Lien Claims;
- i) ordering and directing the Monitor to release to Terrace Bay the net proceeds of the closed Sale Transactions paid to the Monitor, in trust (the "**Sale Proceeds**") and the other funds held in trust by the Monitor relating to the prior sale of the Mill Property (as defined below) (the "**Trust Funds**"), in the form of one or more payments, up to the aggregate amount of the Sale Proceeds and the Trust Funds (the "**Interim Distributions**"), the amount and timing of which payments shall be in the discretion of the Monitor, acting reasonably, having regard to, among other things, the amount of the Sale Proceeds received and held by the Monitor from time to time, and further ordering and directing Terrace Bay to pay any and all amounts comprising the Interim Distributions to the Trustee, in trust for the Beneficiaries (as defined in the Note Indenture dated as of September 15, 2012 (the "**Indenture**")), on account of the Company's obligations under the Plan Note, for distribution as soon as practicable by the Trustee to the Beneficiaries on a pro rata basis in accordance with the Plan Note, the Plan and the Indenture;
- j) approving the Twelfth Report and the conduct and activities of the Monitor as described therein; and

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- k) such further and other relief as the Company may request and this Court shall deem just.
3. The purpose of this affidavit is to:
- a) provide the Court with an update and summary of the Refreshed Sale Process (as defined below);
 - b) describe the four Sale Transactions and Purchase Agreements to support the Company's request for Orders approving the Sale Transactions;
 - c) provide the Court with the background, facts and basis to support the Company's request for an Order declaring that the Plan Note Charge has priority over all Subordinate Claims against the Sale Proceeds and the Trust Funds and authorizing the Interim Distributions to the Trustee;
 - d) support the Company's request for an Order discharging the Unsold Property Lien Claims and related registrations and encumbrances against title to the Unsold Property; and
 - e) provide the Court with an update on certain ancillary matters, including the status of the OHSA Proceedings (as defined below).

Background

4. On January 25, 2012, Terrace Bay sought and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"), pursuant to

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the Initial Order. In accordance with the Initial Order, Ernst & Young Inc. was appointed Monitor of the Company.

5. Pursuant to the Initial Order, Terrace Bay was authorized to conduct a sales process to solicit offers for its real and personal property assets used in connection with its pulp manufacturing business (the “**Mill Property**”).
6. On July 5, 2012, Terrace Bay entered into an asset purchase agreement with AV Terrace Bay Inc. (“**AV Terrace Bay**”) for the sale of the Mill Property, which agreement was approved by the Court on July 19, 2012. The transaction contemplated by the agreement closed on July 23, 2012.
7. In addition to the sale of the Mill Property, the Initial Order also authorized the Company, with the assistance of the Monitor, to market for sale certain ancillary assets not used in connection with the Company’s business (the “**Non-Mill Property**”). The Non-Mill Property is further detailed in my affidavit sworn October 23, 2013 (the “**October Gericke Affidavit**”), a copy of which is attached hereto as **Exhibit “A”**.
8. As set out in greater detail in the further amended and restated Eighth Report of the Monitor dated April 19, 2013, the Monitor undertook various activities with respect to effecting a sale of the Non-Mill Property, which ultimately led to execution of a purchase agreement on May 22, 2013 between Terrace Bay and a prospective purchaser (the “**First Prospective Purchaser**”).

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9. As described in the October Gericke Affidavit and the Tenth Report of the Monitor dated October 23, 2013 (the "**Tenth Report**"), the First Prospective Purchaser elected in the course of its due diligence investigations not to waive the due diligence condition in the purchase agreement. As such, the purchase agreement between Terrace Bay and the First Prospective Purchaser was terminated.
10. Accordingly, on October 28, 2013, the Company sought and was granted an Order extending the Stay Period (as defined in the Initial Order) until January 20, 2014 so that the Company and the Monitor could conduct a limited re-canvassing of the market for the Non-Mill Property. Copies of the Order and Endorsement of the Honourable Mr. Justice Morawetz dated October 28, 2013 (the "**October Endorsement**") and an unofficial typed transcription thereof are attached hereto as **Exhibit "B"**.

Refreshed Sale Process

11. As described in my affidavit sworn January 10, 2014 (the "**January Gericke Affidavit**"), a copy of which (without Exhibits) is attached hereto as **Exhibit "C"**, and the Eleventh Report of the Monitor dated January 10, 2014 (the "**Eleventh Report**"), and consistent with the proposed re-canvassing of the market set out in the October Gericke Affidavit, the Tenth Report and the October Endorsement, the Monitor, with the assistance of and in consultation with the Company, engaged in the following activities:
 - a) contacted parties who previously submitted a letter of intent to determine their interest in relation to the Non-Mill Property and invited them to confirm their

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interest in proceeding under the letter of intent as submitted or to deliver a new letter of intent;

- b) contacted parties who signed non-disclosure agreements to let them know that the Non-Mill Property was still available for sale, to determine if they had an interest in the Non-Mill Property and invited them to submit a letter of intent;
- c) as appropriate, contacted other parties that had approached the Monitor in respect of purchasing the Non-Mill Property;
- d) informed all of the foregoing parties that the deadline for submitting, or, if applicable, confirming, a letter of intent was December 6, 2013 (the “**Refreshed Bid Deadline**”);
- e) placed an advertisement in the National Edition of the Globe & Mail advising potentially interested parties of the Refreshed Bid Deadline for the submission of a letter of intent to purchase the Non-Mill Property; and
- f) continued to make available to any interested parties the professionally produced video highlighting the properties available for sale.

(collectively, the “**Refreshed Sale Process**”)

12. As described in the January Gericke Affidavit and the Eleventh Report, the Monitor received letters of intent from several prospective purchasers (the “**LOIs**”) by the Refreshed Bid Deadline. With one exception, each LOI expressed an interest in

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purchasing certain (but not all) parts of the real property that comprises the Non-Mill Property.

13. The Twelfth Report will further report to this Court regarding the Refreshed Sale Process and the LOIs received, including a summary of the LOIs included as Confidential Appendix "B" to the Twelfth Report. Disclosure of the summary of the LOIs on the public record prior to consummation of a Sale Transaction may negatively impact the sale price that could be realized in relation to the subject property in the event that a Sale Transaction does not close for any reason. Accordingly, Terrace Bay respectfully requests that Confidential Appendix "B" to the Twelfth Report be held confidential, sealed, and segregated from and not form part of the permanent court record pending further order of the Court.
14. After reviewing and analyzing each of the LOIs, Terrace Bay and the Monitor selected a combination of four offers, which collectively provide for the sale of almost all of the land that comprises the Non-Mill Property (collectively, the **"Sold Property"**).
15. The Company, with the assistance of the Monitor, is reviewing its options with respect to the Non-Mill Property that is not subject to any of the proposed Sale Transactions (the **"Unsold Property"**). The Unsold Property is comprised of a 60 x 110 foot residential lot and a 10 x 130.59 foot walkway, both located in the Township of Terrace Bay.

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16. Terrace Bay and the Monitor intend to report back to the Court and seek any appropriate approvals with respect to the Unsold Property, any future distributions and any other remaining issues in respect of Terrace Bay's estate.

Reference Plans of Survey & Most Recent Stay Extension

17. As described in the January Gericke Affidavit, I was advised by Silvana D'Alimonte of Blake, Cassels & Graydon LLP ("**Blakes**"), counsel to Terrace Bay, that because sales to multiple purchasers were contemplated which would involve the division of some parcels of land among such purchasers, one or more reference plans of survey ("**Reference Plans**") would need to be prepared and registered on title before the closing of certain of the Sale Transactions.
18. In early January 2014, Ms. D'Alimonte was advised by a local surveyor that the field work required to complete such Reference Plans could not be performed during the winter months. The surveyor further advised Ms. D'Alimonte that the earliest that some of the field work could be commenced is in or about late April to early May, while other field work could not be commenced safely until in or about June, 2014.
19. Accordingly, on January 16, 2014, the Company sought and was granted an Order extending the Stay Period until August 15, 2014 in order to provide the time required to have the necessary Reference Plans prepared and registered on title and thereafter complete the Sale Transactions. Copies of the Order and Endorsement of the Honourable

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Mr. Justice Morawetz dated January 16, 2014 and an unofficial typed transcription thereof are attached hereto as **Exhibit "D"**.

20. I am advised by Ms. D'Alimonte that to date, the work required to complete the Reference Plans has not been commenced due to the cold temperatures that have continued through the month of April. While time periods are subject to variance and not within the control of Terrace Bay, it is contemplated that all of the required Reference Plans will be completed by the end of June, 2014.

Purchase Agreements¹

21. After selecting a combination of four LOIs that were submitted in the Refreshed Sale Process, the Company has now entered into, conditional on the approval of this Court, a Purchase Agreement with each of the Purchasers. Collectively, the Sale Transactions represent the best offer or combination of non-overlapping offers received in the Refreshed Sale Process.
22. The consideration to be provided by each Purchaser pursuant to the applicable Purchase Agreement is: (i) the applicable Cash Purchase Price, which is payable to the Monitor on Closing (less the Deposit already held by the Monitor); and (ii) the assumption of certain liabilities, including all obligations and liabilities of the Company under the Permitted Liens, certain taxes arising from or relating to the purchase of the Property and all liabilities and obligations relating to the environmental condition of the Property.

¹ Capitalized terms used in this section but not defined herein have the meaning given to them in the applicable Purchase Agreement.

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23. The quantum of each Cash Purchase Price and Deposit has been redacted from the copies of the Purchase Agreements attached as Exhibits hereto and is provided to the Court in Confidential Appendix "C" to the Twelfth Report. For the same reasons as described above with respect to Confidential Appendix "B", Terrace Bay respectfully requests that Confidential Appendix "C" to the Twelfth Report and the Cash Purchase Prices and Deposits be held confidential, sealed, and segregated from and not form part of the permanent court record pending further order of the Court.
24. As Terrace Bay has previously advised the Court, based on the consideration provided in the Sale Transactions and the nature and extent of the Unsold Property, it is apparent that the Trustee will not be paid in full and that there will be no recoveries for the unsecured creditors of Terrace Bay.
25. Each Purchase Agreement contemplates that Closing will occur on the thirtieth day following the later of: (i) the date of issuance of the applicable Approval and Vesting Order; and (ii) the applicable Due Diligence Date (which, in each case, is 30 days after the execution and delivery of the applicable Purchase Agreement), or such other date as the parties agree to in writing. In some instances, however, Closing is conditional upon a Reference Plan being completed and registered on title. If the Approval and Vesting Orders are granted by the Court on May 12, 2014, subject to the need for registration of a Reference Plan on title which might delay a Closing pursuant to the applicable Purchase Agreement, each of the Sale Transactions could be closed as early as mid-June.

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26. Further details with respect to each Sale Transaction and Purchase Agreement are set out below.

I) The Township Sale Transaction²

27. The Company and the Township have entered into the Township Purchase Agreement, a redacted copy of which is attached hereto as **Exhibit "E"**.
28. Pursuant to the Township Purchase Agreement, the Company has agreed to sell and the Township has agreed to purchase all of the Company's right, title and interest in and to the Property, free and clear of all liens and encumbrances, subject to certain Permitted Liens. The Property is comprised of certain lands (including all buildings, structures, fixtures, systems and facilities situate thereon and/or forming a part thereof), the legal description of which is provided in Schedule "B" to the Township Purchase Agreement and roughly equates to parcels 3, 7, 8, 9 and 10 (as set out in a sketch created by the Monitor for marketing purposes, a copy of which is attached to the Twelfth Report as Appendix "A" (the "**Marketing Sketch**")).
29. The Property includes: (i) a 9-hole golf course located in the developed centre of the Township of Terrace Bay; (ii) an airstrip that is currently being leased by the Township which is approximately 199 acres³ in area and located north of the centre of the Township

² Capitalized terms used in this section but not defined herein have the meaning given to them in the Township Purchase Agreement.

³ All references to the acreage of various lands in this affidavit are provided as estimates only as reference plans of survey are not available to confirm these figures.

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of Terrace Bay; and (iii) approximately 800 acres of vacant lands located directly on Lake Superior to the south and east of the centre of the Township of Terrace Bay.

30. The consummation of the Township Sale Transaction is conditional upon, in addition to customary closing conditions in a transaction of this nature: (i) the granting of an Approval and Vesting Order; (ii) reference plan(s) of survey being completed and registered on title; and (iii) the Township being satisfied with respect to all aspects of the Property on or before the Due Diligence Date (the “**Township Due Diligence Condition**”).
31. By letter dated March 11, 2014, the Township confirmed that the Township Due Diligence Condition was satisfied. Accordingly, the only remaining material conditions to consummation of the Township Sale Transaction are the issuance of the Approval and Vesting Order and a Reference Plan being completed and registered on title.

II) The TBFNC Sale Transaction⁴

32. The Company and TBFNC have entered into the TBFNC Purchase Agreement, a redacted copy of which is attached hereto as **Exhibit “F”**.
33. Pursuant to the TBFNC Purchase Agreement, the Company has agreed to sell and TBFNC has agreed to purchase all of the Company’s right, title and interest in and to the Property, free and clear of all liens and encumbrances, subject to certain Permitted Liens. The Property is comprised of certain lands (including all buildings, structures, fixtures,

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systems and facilities situate thereon and/or forming a part thereof), the legal description of which is provided in Schedule "B" to the TBFNC Purchase Agreement and roughly equates to parcels 2 and 5 (as set out in the Marketing Sketch).

34. The Property includes: (i) approximately 1,203 acres of vacant lands located directly on Lake Superior to the west of the centre of the Township of Terrace Bay; and (ii) approximately 36 acres of vacant lands located on various islands in northern Lake Superior.
35. The consummation of the TBFNC Sale Transaction is conditional upon, in addition to customary closing conditions in a transaction of this nature: (i) the granting of an Approval and Vesting Order; (ii) reference plan(s) of survey being completed and registered on title; and (iii) TBFNC being satisfied with respect to all aspects of the Property on or before the Due Diligence Date (the "**TBFNC Due Diligence Condition**").
36. Pursuant to a Waiver of Condition dated March 17, 2014, TBFNC waived the TBFNC Due Diligence Condition. Accordingly, the only remaining material conditions to consummation of the TBFNC Sale Transaction are the issuance of the Approval and Vesting Order and a Reference Plan being completed and registered on title.

⁴ Capitalized terms used in this section but not defined herein have the meaning given to them in the TBFNC Purchase Agreement.

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III) The OPG Sale Transaction⁵

37. The Company and OPG have entered into the OPG Purchase Agreement, a redacted copy of which is attached hereto as **Exhibit "G"**.
38. Pursuant to the OPG Purchase Agreement, the Company has agreed to sell and OPG has agreed to purchase all of the Company's right, title and interest in and to the Property, free and clear of all liens and encumbrances, subject to certain Permitted Liens. The Property is comprised of certain lands, the legal description of which is provided in Schedule "B" to the OPG Purchase Agreement and roughly equates to parcels 4 and 6 (as set out in the Marketing Sketch).
39. The Property includes approximately 1,536 acres of vacant lands east of Hays Lake and lying south of Big Duck Creek and west of Aguasabon Lake.
40. The consummation of the OPG Sale Transaction is conditional upon, in addition to customary closing conditions in a transaction of this nature: (i) the granting of an Approval and Vesting Order; (ii) reference plan(s) of survey being completed and registered on title; and (iii) OPG being satisfied with respect to all aspects of the Property on or before the Due Diligence Date (the "**OPG Due Diligence Condition**").
41. By letter dated May 1, 2014, OPG waived the OPG Due Diligence Condition. Accordingly, the only remaining material conditions to consummation of the OPG Sale

⁵ Capitalized terms used in this section but not defined herein have the meaning given to them in the OPG Purchase Agreement.

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Transaction are the issuance of the Approval and Vesting Order and a Reference Plan being completed and registered on title.

IV) The Nichols Sale Transaction⁶

42. The Company and Nichols have entered into the Nichols Purchase Agreement, a redacted copy of which is attached hereto as **Exhibit "H"**.
43. Pursuant to the Nichols Purchase Agreement, the Company has agreed to sell and Nichols has agreed to purchase all of the Company's right, title and interest in and to the Property, free and clear of all liens and encumbrances, subject to certain Permitted Liens. The Property is comprised of certain lands (including all buildings, structures, fixtures, systems and facilities situate thereon and/or forming a part thereof), the legal description of which is provided in Schedule "B" to the Nichols Purchase Agreement and roughly equates to parcel 1 (as set out in the Marketing Sketch).
44. The Property includes approximately 745 acres of vacant lands located directly on the west side of the Terrace Bay body of water (also known as Hydro Bay).
45. The consummation of the Nichols Sale Transaction is conditional upon, in addition to customary closing conditions in a transaction of this nature: (i) the granting of an Approval and Vesting Order; and (ii) Nichols being satisfied with respect to all aspects of the Property on or before the Due Diligence Date (the "**Nichols Due Diligence**

⁶ Capitalized terms used in this section but not defined herein have the meaning given to them in the Nichols Purchase Agreement.

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Condition”). A reference plan of survey is not required for consummation of the Nichols Sale Transaction.

46. Pursuant to a Waiver of Due Diligence dated April 16, 2014, Nichols waived the Nichols Due Diligence Condition. Accordingly, the only remaining material condition to consummation of the Nichols Sale Transaction is the issuance of the Approval and Vesting Order.

Discharge and Priority of Construction Lien Claims and Interim Distributions

47. As set out in my affidavit sworn April 18, 2013 (the “**April Gericke Affidavit**”), a copy of which (without Exhibits) is attached hereto as **Exhibit “I”**, various parties registered construction lien claims against Terrace Bay’s real property pursuant to the *Construction Lien Act* (Ontario). Certain parties (the “**Mill Property Lien Claimants**”) registered construction lien claims against the Mill Property (such claims, the “**Mill Property Lien Claims**”). Certain parties (the “**Non-Mill Property Lien Claimants**”), which includes some of the Mill Property Lien Claimants, registered construction lien claims against the Non-Mill Property (such claims, the “**Non-Mill Property Lien Claims**”).
48. The Mill Property Lien Claims were registered against title to the Mill Property, which, as described above, was sold to AV Terrace Bay in 2012. The Mill Property was vested in AV Terrace Bay free and clear of the Mill Property Lien Claims (as well as other liens and encumbrances) pursuant to the Approval and Vesting Order granted by the Court in connection with that transaction on July 19, 2012.

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49. Pursuant to paragraph 5 of the Order of the Honourable Mr. Justice Morawetz dated May 16, 2013 (the "**May Order**"), it was ordered and declared that, other than the priority of the Administration Charge and claims secured by the Administration Charge, the Plan Note Charge had priority over all other claims, security, liens and encumbrances of any kind against the sale proceeds of the Mill Property, including, without limitation, the Mill Property Lien Claims.
50. The May Order also authorized and directed the Monitor to release to Terrace Bay for payment to the Trustee the sum of \$1,825,000 as an interim distribution on account of the obligations of Terrace Bay under the Plan Note. Of that amount, the sum of \$192,979.89 (the "**Disputed Claim Reserve**") was to be held by the Monitor, in trust, pending the determination of a disputed claim by John Claes SA (the "**Disputed Claim**"). A copy of the May Order and the Endorsement of the Honourable Mr. Justice Morawetz dated May 16, 2013 and an unofficial typed transcription thereof are attached hereto as **Exhibit "J"**.
51. I am advised by the Monitor that the Disputed Claim referenced in the May Order has now been resolved and that the Disputed Claim Reserve has now been paid to the Trustee for distribution in accordance with the May Order, the Plan Note, the Plan and the Indenture. I am further advised by the Monitor that there are no remaining disputed claims in relation to the Plan Note.
52. I am advised by the Monitor that the current amount outstanding under the Plan Note is approximately \$8,175,000.

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Basis for Relief in the May Order regarding the Mill Property Lien Claims

53. The April Gericke Affidavit was filed in support of, among other things, the relief granted in respect of the Mill Property Lien Claims in the May Order. The Mill Property Lien Claims are summarized in the chart at paragraph 63 of the April Gericke Affidavit. They fell into three categories of improvements:

- a) claims relating to two projects approved and funded by Natural Resources Canada under the Pulp and Paper Green Transformation Program aimed at improving the environmental performance of the Mill Property and increasing the power generated from renewable resources at the mill;
- b) claims that related to the repair and/or replacement of the blow tank and the damaged equipment and structures caused by an incident which occurred at the mill on or about October 31, 2011; and
- c) claims that relate to work performed in connection with the Mill Property, relating mainly to the annual shutdown of the mill.

54. As described in the April Gericke Affidavit, the Mill Property Lien Claims related to services and materials provided in respect of the Mill Property between June and December 2011. Based on the books and records of Terrace Bay, the earliest provision of services or materials occurred on or about June 6, 2011.

55. As further described in the April Gericke Affidavit, the Plan Note Charge was registered on title to all of Terrace Bay's real property on September 15, 2010. This was prior to the

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registration of any other interest against the real property of Terrace Bay including the registration of any of the Mill Property Lien Claims and the Non-Mill Property Lien Claims (the first registration occurred on November 30, 2011), and prior to the time when any work was commenced in respect of any of the Mill Property Lien Claims and the Non-Mill Property Lien Claims (on or about June 6, 2011).

The Non-Mill Property Lien Claims

56. The relief sought by Terrace Bay on this motion in respect of the Non-Mill Property Lien Claims is essentially the same relief as was granted in the May Order with respect to the Mill Property Lien Claims.
57. The Non-Mill Property Lien Claims relate solely to the same improvements, work, services and materials as the Mill Property Lien Claims. No work or services relating to any of the Non-Mill Property Lien Claims relates to the Non-Mill Property or is different, separate or supplemental to any improvements, work, services or materials that gave rise to the registration of the Mill Property Lien Claims. Attached hereto as **Exhibit "K"** is:
(i) a chart summarizing the Non-Mill Property Lien Claims which remain registered on title to the Non-Mill Property as of May 1, 2014, including amounts, services and materials provided, location of improvements where services and materials were provided, and which Parcel(s) of Non-Mill Property each such claim is registered against, and (ii) the affidavit of Taras Sawula sworn January 27, 2012 (without Exhibits), which provides an allocation of amounts of the Non-Mill Property Lien Claims with respect to

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each of the three categories of Mill Property improvements described above at paragraph 53 above.

58. Since March 19, 2013, Blakes has sent numerous correspondence to counsel for the Non-Mill Property Lien Claimants to: (i) set out the Company's position that all services or materials provided by the Non-Mill Property Lien Claimants were solely on or in relation to the Mill Property and as such, there is no basis upon which any of the Non-Mill Property Lien Claimants can maintain any valid registrations against the Non-Mill Property; (ii) advise that pursuant to the May Order, the Plan Note Charge held by the Trustee was declared to have priority over the Mill Property Lien Claims; (iii) advise that there will be insufficient proceeds from the sale of the Non-Mill Property to the Trustee to pay the obligations under the Plan Note in full; and (iv) request that the Non-Mill Property Lien Claims be discharged. Copies of this correspondence, including Blakes' most recent letter dated March 24, 2014, are attached hereto as **Exhibit "L"**.
59. I am advised by Blakes that in response to its correspondence and/or as a result of subsequent correspondence and discussions, certain Non-Mill Property Lien Claimants have voluntarily discharged their respective Non-Mill Property Lien Claims and related registrations. As described herein, however, and as set out in the chart attached hereto as Exhibit "K", certain of the Non-Mill Property Lien Claimants continue to maintain registrations against title to the Non-Mill Property. Accordingly, on this motion, Terrace Bay seeks the relief set out at paragraphs 2(g) and (h) above with respect to all remaining Non-Mill Property Lien Claims.

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60. I am advised by Blakes that counsel for Fabmar Metals Inc., Link Steel & Mechanical Inc., North American Kiln Service Inc., KMH Engineering Inc., FRP Systems Ltd. and Skyway Canada Limited have advised that these lien claimants do not oppose the relief sought on this motion and/or they will discharge their Non-Mill Property Lien Claims.

Relief Sought Regarding the Sold Property Lien Claims and Interim Distribution

61. The Approval and Vesting Orders sought in connection with the Sale Transactions described above include a declaration that the Sold Property be vested in the applicable Purchaser free and clear of certain liens and encumbrances, including without limitation, the Non-Mill Property Lien Claims registered against the Sold Property (collectively, the “**Sold Property Lien Claims**”). The Approval and Vesting Orders sought provide that such liens and encumbrances continue as against the applicable Sale Proceeds.
62. To facilitate distribution of the Sale Proceeds and the Trust Funds, Terrace Bay also seeks an order declaring that, other than in relation to the claims secured by the Administration Charge, the Plan Note Charge has priority over all of the Subordinate Claims (including, without limitation, the Sold Property Lien Claims) in relation to the Sale Proceeds and the Trust Funds, and that the Interim Distributions may be made to the Trustee without regard to and in priority to the Subordinate Claims.
63. Pursuant to the Purchase Agreements, the Sale Proceeds are to be paid to the Monitor, in trust. Terrace Bay wishes to pay down the amount owing under the Plan Note and therefore also seeks an order authorizing and directing the Monitor to release to Terrace

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Bay the Sale Proceeds and the Trust Funds in the form of one or more further payments, up to the aggregate amount of the Sale Proceeds and the Trust Funds, the amount and timing of which payments shall be in the discretion of the Monitor, acting reasonably, having regard to the amount of the Sale Proceeds received and held by the Monitor from time to time. The Order sought further authorizes and directs Terrace Bay to pay all amounts received comprising the Interim Distributions to the Trustee, in trust for the Beneficiaries, for distribution as soon as practicable by the Trustee to the Beneficiaries on a pro rata basis in accordance with the Plan Note, the Plan and the Indenture.

64. I am advised by Blakes that the Administration Charge, the Plan Note Charge⁷ and the Sold Property Lien Claims are the only known secured claims or encumbrances against, affecting or relating to the Sold Property or the Sale Proceeds. All property taxes and mining taxes with respect to the Sold Property are current.
65. The Administration Charge and the Plan Note Charge are the only secured claims or encumbrances against, affecting or relating to the Trust Funds that Terrace Bay is aware of.
66. Pursuant to the May Order, the Director's Charge (as defined in the Initial Order) was fully and finally discharged.
67. I am advised by Blakes that all creditors who have registered a security interest in the Sold Property or against the personal property of Terrace Bay will be served with

⁷ Paragraphs 41-49 of the April Gericke Affidavit provide detailed background with respect to the Plan Note Charge.

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materials in support of this motion. In addition, I am advised by Blakes that the materials in support of this motion will be served on the relevant governmental creditors or governmental parties who might assert a statutory priority or trust claim against the Sold Property or the Trust Funds.

Relief Sought Regarding the Unsold Property Lien Claims

68. As described above, Terrace Bay, with the assistance of the Monitor, is reviewing its options with respect to the Unsold Property. Based on the Sale Proceeds and the Trust Funds, the nature and extent of the Unsold Property, and the current amount outstanding under the Plan Note, it is apparent that the obligations secured by the Plan Note Charge cannot and will not be paid in full.
69. Accordingly, it is apparent that there will be no recovery for the holders of Subordinate Claims.
70. While the Unsold Property is not being conveyed at this time, in order to avoid the time and expense of an additional motion to request the same relief as is being requested at this time in relation to the Sold Property, Terrace Bay seeks an order discharging and expunging the Non-Mill Property Lien Claims registered against title to the Unsold Property (collectively, the “**Unsold Property Lien Claims**”) and directing the Land Registry Office to discharge and expunge from the register the Unsold Property Lien Claims. The basis for this relief is identical to the basis for the relief sought in relation to the Sold Property Lien Claims.

- 27 -

Status of OHSA Proceedings

71. As described in my previous affidavits in these CCAA proceedings, the Ministry of Labour, Legal Services Branch commenced a proceeding known as *R. v. Terrace Bay Pulp Inc. & Gino Leblanc* against Terrace Bay on January 10, 2012 in the Ontario Provincial Offences Court (Thunder Bay) (the “**First OHSA Proceeding**”), and a proceeding known as *R. v. Terrace Bay Pulp Inc., Venshore Mechanical Ltd., Joseph Mykietyn, Arthur Szczepaniak & Alain Zborowski* against Terrace Bay on October 15, 2012 in the Ontario Provincial Offences Court (Thunder Bay) (the “**Second OHSA Proceeding**” together with the First OHSA Proceeding, the “**OHSA Proceedings**”). The Second OHSA Proceeding was subsequently transferred to Ontario Provincial Court (Thunder Bay).
72. On May 15 and June 5, 2013, Terrace Bay brought a motion in these CCAA proceedings seeking, among other things, a declaration that the OHSA Proceedings were stayed such that Terrace Bay was not required to defend or participate further in the OHSA Proceedings (the “**OHSA Motion**”). By Endorsement dated August 9, 2013, the OHSA Motion was denied (the “**OHSA Decision**”).
73. After the OHSA Decision, in order to avoid the expense and time associated with a trial in the OHSA Proceedings, Terrace Bay, in consultation with the Monitor, commenced negotiations with the Ontario Ministry of the Attorney General, Ministry of Labour (the “**Crown**”) with a view to arriving at a disposition of the OHSA Proceedings without a trial.

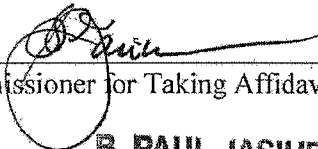
- 28 -

74. On April 4, 2013, Terrace Bay finalized a plea agreement with the Crown for settlement of both OHSA Proceedings (the "**Plea Agreement**"). A pre-trial hearing in the OHSA Proceedings took place on April 4, 2014, at which the Plea Agreement was accepted by Order of the Honourable Madam Justice Pelletier of the Ontario Court of Justice, Northwest Region.
75. Pursuant to the Plea Agreement, Terrace Bay plead guilty to two offences under the *Occupational Health and Safety Act* (Ontario). All other charges against Terrace Bay in the OHSA Proceedings were withdrawn. Fines of \$200,000 and \$75,000 plus a victim surcharge of 25% of such fines were imposed against Terrace Bay (the "**Offence Award**"). The total amount of the Offence Award is \$343,750. The Offence Award does not become due and payable until April 4, 2016.
76. A copy of the Information of Robert Garrety, a Ministry of Labour Inspector, sworn October 15, 2012 (the "**Information**") is attached hereto as **Exhibit "M"**. The last page of the Information evidences Justice Pelletier's acceptance of the Plea Agreement on April 4, 2014.
77. I am advised by Kevin Matthews, counsel to Terrace Bay in connection with the OHSA Proceedings, that he has requested a copy of Justice Pelletier's reasons for decision but has not yet received same. A copy will be provided to the Court once received, as part of Terrace Bay's next motion materials.

- 29 -

78. It is the position of Terrace Bay and the Monitor that the Offence Award is an unsecured claim against the estate of Terrace Bay, subject to the stay of proceedings imposed by the Initial Order. Further, it is the position of Terrace Bay that the Offence Award is to be treated in the same manner and with identical priority as other unsecured claims against the estate of Terrace Bay.
79. This affidavit is made in support of the Company's motion for, among other things, approval of the Sale Transactions, and for no other purpose.

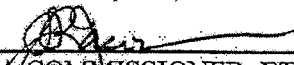
SWORN BEFORE ME at the City of
Thunder Bay, in the province of Ontario, this
5th day of May, 2014


A Commissioner for Taking Affidavits

B. PAUL JASIURA


WOLFGANG GERICKE

This is Exhibit "A" referred to in the
Affidavit of Wolfgang Gericke
sworn the 5th day of May, 2014


A COMMISSIONER, ETC.

B. PAUL JASIURA

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.**

Applicant

**AFFIDAVIT OF WOLFGANG GERICKE
(Sworn October 23, 2013)**

I, Wolfgang Gericke, of the City of Thunder Bay, in the Province of Ontario,
MAKE OATH AND SAY AS FOLLOWS:

Introduction

1. I am the President and sole director of Terrace Bay Pulp Inc. ("Terrace Bay" or the "Company") and, as such, have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, it is based on information and belief and I verily believe such information to be true.

Overview of Relief Sought

2. This affidavit is sworn in support of the Company's motion for an order:

- (a) abridging the time for service of the Notice of Motion, the Motion Record and the Tenth Report of the Monitor, Ernst & Young Inc. (the "**Monitor**"), (the "**Tenth Report**") and declaring that the motion is properly returnable on October 28, 2013;
 - (b) approving an extension of the stay of proceedings (the "**Stay Period**"), provided for at paragraph 10 of the Order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 25, 2012 (as amended and restated, the "**Initial Order**") to April 30, 2014;
 - (c) approving the Ninth Report of the Monitor dated May 14, 2013, the Tenth Report, and the conduct and activities of the Monitor as described therein; and
 - (d) such further and other relief as the Company may request and this Court shall deem just.
3. The purpose of this affidavit is to provide the Court with the Company and the Monitor's next steps for the sale of the Non-Mill Property (defined below), and to support the extension of the Stay Period in order to complete this sales process.

Background

4. On January 25, 2012, Terrace Bay sought and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (the "**CCAA**"),

pursuant to the Initial Order. In accordance with the Initial Order, Ernst & Young Inc. was appointed Monitor of the Company.

5. Pursuant to the Initial Order, Terrace Bay was authorized to conduct a sales process to solicit offers for a sale of all or substantially all of the assets and properties of the Company used in connection with the pulp manufacturing business (the "Mill Property").
6. On July 5, 2012, the Company entered into an asset purchase agreement with AV Terrace Bay Inc. for the sale of the Mill Property, and this agreement was approved by the Court in a decision released by the Honourable Mr. Justice Morawetz on July 19, 2012 (the "Mill Property Purchase Agreement"). The transaction contemplated by the Mill Property Purchase Agreement closed on July 23, 2012.
7. In addition to the sale of the Mill Property, the Initial Order also authorized the Company, with the assistance of the Monitor, to market for sale certain ancillary assets not used in connection with the Company's business (as further detailed below, the "Non-Mill Property").
8. As set out in greater detail in the further amended and restated Eighth Report of the Monitor dated April 19, 2013, the Monitor undertook various activities with respect to implementing a sale of the Non-Mill Property, including:
 - (a) preparing an information memorandum;
 - (b) preparing marketing materials including a professional video;

- (c) arranging for advertising in the National Edition of the *Globe and Mail*, the *Thunder Bay Chronicle-Journal*, and the *Terrace Bay/Schrieber News*;
 - (d) preparing a form letter of intent; and
 - (e) providing information to prospective bidders.
9. As set out in greater detail in the Tenth Report, the Monitor received letters of intent from a number of parties, which ultimately led to an executed purchase agreement on May 22, 2013 (the "**Non-Mill Property Purchase Agreement**").
10. I am advised by Kristina Desimini of Blake, Cassels & Graydon LLP, lawyers for Terrace Bay ("**Company Counsel**"), that the Non-Mill Property Purchase Agreement provided, among other terms, that completion of the sale was conditional on the purchaser satisfying itself regarding certain due diligence items by an agreed upon date (the "**Due Diligence Date**"). Pursuant to the Non-Mill Property Purchase Agreement, the purchaser was entitled to act in its sole discretion in deciding whether or not to waive its due diligence condition (the "**Due Diligence Condition**").
11. I am advised by Company Counsel that, at the purchaser's request, the Due Diligence Date was extended on two occasions. Subsequently, on September 24, 2013, the purchaser, through its legal counsel, informed Terrace Bay that its due diligence investigations had not been satisfied, it did not wish to proceed with waiving the Due Diligence Condition, and as a result the Non-Mill Property Purchase Agreement was automatically terminated.

Next Steps in the Sale of the Non-Mill Property

12. The Non-Mill Property includes, but is 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").
13. As a result of the termination of the Non-Mill Property Purchase Agreement, the Company and the Monitor consider it worthwhile to conduct a limited re-cannvassing of the market for the Non-Mill Property. To this end, the Company and the Monitor will undertake the following activities:

- (a) contacting each party that previously submitted a letter of intent to determine their interest in relation to the Non-Mill Property and inviting them to confirm their interest in proceeding under the letter of intent as submitted or to deliver a new letter of intent;
- (b) contacting parties who signed non-disclosure agreements to let them know that the Non-Mill Property is still available for sale, to determine if they have an interest in the Non-Mill Property and to invite them to submit a letter of intent;
- (c) as appropriate, contacting other parties that have approached the Monitor in respect of purchasing the Non-Mill Property;
- (d) informing all of the foregoing parties that the deadline for submitting, or, if applicable, confirming, a letter of intent is December 13, 2013; and
- (e) placing an advertisement in the National Edition of the *Globe & Mail* advising potentially interested parties of the December 13, 2013 deadline for the submission of a letter of intent to purchase the Non-Mill Property

(all actions referred to above shall hereafter be referred to collectively as the "Refreshed Sale Process").

14. The Company and the Monitor believe that the Refreshed Sale Process will allow Terrace Bay to refresh its canvassing of the market and better position it to select a purchaser for the Non-Mill Property and maximize recoveries to the Company's creditors.

Revised Cash Flow

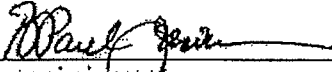
15. Attached as Appendix "B" to the Tenth Report is Terrace Bay's revised cash flow forecast through to May 3, 2014 (the "Revised Cash Flow Forecast"). As set out in the Revised Cash Flow Forecast, Terrace Bay is projected to have approximately \$498,000 on hand at May 3, 2014, excluding trust funds held by the Monitor.
16. The Company has sufficient resources to continue the sale of the Non-Mill Property in accordance with the Refreshed Sale Process, and seeks an extension of the Stay Period until April 30, 2014. The Company will return to Court before that date for approval of a transaction or some alternative relief, which would require arrangements for an additional cash infusion.

Good Faith & Due Diligence

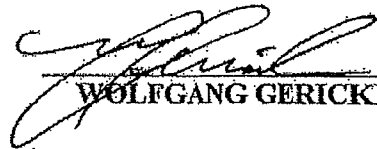
17. For the reasons described above, Terrace Bay is requesting an extension of the Stay Period to and including April 30, 2014. Terrace Bay has been and continues to operate in good faith and with due diligence, with a view to completing the sale of the Non-Mill Property.
18. The extension of the Stay Period is necessary to provide the stability needed to continue the activities which have been ongoing following the granting of the Initial Order. Such stability is required while the Company works to conclude a transaction for the Non-Mill Property.

19. This affidavit is made in support of the Company's motion for an order, *inter alia*,
extending the Stay Period and for no other purpose.

SWORN BEFORE ME at the City of
Thunder Bay, in the Province of Ontario
this 23rd day of October, 2013


A Commissioner etc.

B. PAUL JASIURA


WOLFGANG GERICKE

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF WOLFGANG GERICKE
(Sworn October 23, 2013)

Blake, Cassels & Graydon LLP
Suite 4000, Commerce Court West
199 Bay Street,
Toronto, Ontario M5L 1A9

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

Kristina Desimini LSUC#: 58872Q
Tel: (416) 863-2255
Email: kristina.desimini@blakes.com
Fax: (416) 863-2653

Lawyers for the Applicant

This is Exhibit "B" referred to in the
Affidavit of Wolfgang Gericke
sworn the 5th day of May, 2014


A COMMISSIONER, ETC.

B. PAUL JASIURA

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.

)

MONDAY, THE 28th

)

JUSTICE MORAWETZ

)

DAY OF OCTOBER, 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

ORDER
(STAY EXTENSION)

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Company**"), for an order (a) approving an extension of the stay of proceedings (the "**Stay Period**"), 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**") to April 30, 2014 and (b) approving the Ninth Report of the Monitor, Ernst & Young Inc. (the "**Monitor**") dated May 14, 2013 (the "**Ninth Report**"), the Tenth Report of the Monitor (the "**Tenth Report**"), and the conduct and activities of the Monitor as described therein, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Wolfgang Gericke sworn October 23, 2013 (the "**Gericke Affidavit**") and the Exhibits thereto, the Ninth Report, the Tenth Report, and on hearing the submissions of counsel for the Company and the Monitor, no one appearing for any other person on the service list although properly served.

- 2 -

DEFINED TERMS

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

SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, Motion Record and the Tenth Report is hereby abridged so that this Motion is properly returnable today and that any requirement for service of the Notice of Motion, Motion Record and the Tenth Report on any parties other than the parties actually served with the Notice of Motion, Motion Record and Tenth Report is hereby dispensed with and that service in the manner effected by the Applicant is validated in all respects.

STAY EXTENSION

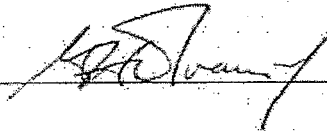
3. **THIS COURT ORDERS** that the Stay Period be and is hereby extended until ^{January 20} ~~April 30~~, 2014.

APPROVAL OF MONITOR'S REPORT

4. **THIS COURT ORDERS** that the Ninth Report, the Tenth Report and the conduct and activities of the Monitor as described therein be and are hereby approved.

ENTERED ON THE RECORDS OF THE COURT
ON 10/20/13
LE 10/20/13 10:30 AM

OCT 20 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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER
(STAY EXTENSION)

Blake, Cassels & Graydon LLP
Suite 4000, Commerce Court West
199 Bay Street,
Toronto, Ontario M5L 1A9

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

Kristina Desimini LSUC#: 58872Q
Tel: (416) 863-2255
Email: kristina.desimini@blakes.com
Fax: (416) 863-2653

Lawyers for the Applicant

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

Oct 28/13

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

Applicant:

M. M. Grand for Thomas B.
S. Seigel for Ernst & Young Inc
Muntz.

F. Myers for Tranships of Insurance Co.

The Applicant moves for an extension
of the Stay Period to ~~April~~ April 30, 2014.

It required
the sale of
them only for
Nov-17th
to pay the
debts.

Mr. J. Allen Thompson and the Applicant wants to conduct a limited ~~business~~

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

proceeding commenced at Toronto

**MOTION RECORD
(RETURNABLE OCTOBER 28, 2013)
(RE: STAY EXTENSION)**

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

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

Kristina Desimini LSUC#: 58872Q
Tel: 416-863-2255
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Fax: 416-863-2653

Lawyers for the Applicant

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

recommending of the merit.

The Non Till ^{properties} ~~lands~~ are somewhat unusual. The Non-Till Property includes, but is not limited to, the following:

(a) Golf Course

(b) Airstrip

(c) 800 ~~acres~~ acres of vacant land
+ the Signior(d) 3600 ~~acres~~ acres (some on lake).

A Sales Process was followed. A number of parties submitted ~~the~~ letter of intent. The offer that was considered the best failed to ~~be~~ ^{be} made close.

The issue is what to do now.

The Applicant and the Vendor submit that a limited ~~recommending~~ ^{recommending} should take place between now and April

Page _____ of _____

Judges Initials _____

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Copy	Judges Endorsement Continued
	Counsel to Teri-ann Bay argues for a
	much shorter timeframe - a matter
	of weeks - and suggests that the
	Master should revisit the
	possibility possibility of firming up
	an offer from RAT one of the
	parties who participated in the
	first sale process.
	There were apparently 8 such parties
	who originally participated
	Counsel to Cor Teri-ann Bay is concerned
	about cost
	Cor Teri-ann Bay is, however, not
	without its own assets. It is
	a potential purchaser of one of
	the Non Till Assets
	It is noted that the position of Cor
	Teri-ann Bay as creditor is
	unaffected in its payment
	are current

Page _____ of _____

Judges Initials _____

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

In my view, it is necessary to consider the financial implications of extending the stay and to balance that against the potential benefits of a limited recovery of the market. The Applicant has no ongoing business. Its cash resources decline monthly. These factors suggest that it is in the interests of stakeholders that the sale process should be completed as soon as possible.

The Sale Process did proceed a
rather protected path.

It seems to me that the proper balance point is such that the Applicant / Trustee should have a period of time to recover the market - with the emphasis

Page _____ of _____

Judges Initials _____

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

of the reality process being contemplated
in parties who should agreed
intent.

In my view the limited recoveries
~~the~~ can be ~~so~~ accomplished in 30-45 days
thereafter the Trustee can report
back to Court with its recommendations.

Taking into account that if a sale
is ~~proposed~~ ^{recommended} it will take
more ~~to~~ time to close it
seem to me appropriate to
extend the stay ~~to~~ to Jan 20, 2014.

In arriving at ~~this~~ ^{this} ~~conclusion~~ ^{conclusion},
I have accepted that the
Applicant continues to work
in good faith and with
~~due diligence~~ ~~attorney~~

Page _____ of _____

Judges Initials _____

Court File Number: _____

Superior Court of Justice
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

delines such that the system
is justified.

Consul to the Tinto advised
that no adverse comment has
been received to the 9th
+ 10th Rpts which are
approved together with the
described activities.

Note granted & ted is ok to July 20, 2004
Rpts 9 + 10 approved.

[Signature]

Page _____ of _____

Judges Initials _____

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	TUESDAY, THE 28 th
	)	
JUSTICE MORAWETZ	)	DAY OF OCTOBER, 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

UNOFFICIAL TRANSCRIPTION OF THE ENDORSEMENT OF THE
HONOURABLE MR. JUSTICE MORAWETZ
DATED OCTOBER 28, 2013

M. McGraw for Terrace Bay
 S. Seigel for Ernst & Young Inc., Monitor
 F. Myers for Township of Terrace Bay

The Applicant moves for an extension of the Stay Period to April 30, 2014.

A proposed transaction for the sale of Non-Mill Assets has fallen through and the Applicant wants to conduct a limited recanvassing of the market.

The Non Mill property assets are somewhat unusual. The Non-Mill Property includes but is not limited to, the following:

- (a) Golf Course
- (b) Airstrip
- (c) 800 acres of vacant land on Lake Superior
- (d) 3600 acres (some on Lake)

A Sales Process was followed. A number of parties submitted Letters of Intent. The offer that was considered the best failed to close.

The issue is what to do now. The Applicant and the Monitor submit that a limited recanvassing should take place between now and April.

Counsel to Corp. Terrace Bay argues for a much shorter time frame – a matter of weeks – and suggests that the Monitor should revisit the possibility of firming up an offer from one of the parties who participated in the first sale process.

There were apparently 8 such parties who originally participated.

Counsel to Corp. Terrace Bay is concerned about costs.

The Corp Terrace Bay is, however, not without its own agenda. It is a potential purchaser of some of the Non Mill Assets.

It is noted that the position of Corp Terrace Bay, as creditor is unaffected as tax payments are current.

In my view, it is necessary to consider the financial implications of extending the stay and to balance that as against the potential benefits of a limited recanvassing of the market. The Applicant has no ongoing business. Its cash resources decline monthly. These factors suggest that it is in the interests of stakeholders that the sale process should be completed as soon as possible.

It seems to me that the proper balance point is such that the Applicant/Monitor should have a period of time to recanvass the market – with the emphasis of the marketing process being concentrated on parties who showed original interest.

In my view this limited recanvassing can be completed in 30-45 days. Thereafter the Monitor can report back to Court with its recommendations.

Taking into account that if a sale is recommended it will take more time to close, it seems to me appropriate to extend the stay to January 20, 2014.

In arriving at this conclusion, I have accepted that the Applicant continues to work in good faith and with due diligence such that the extension is justified.

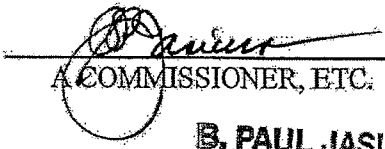
Counsel to the Monitor advised that no adverse comment has been received to the 9th and 10th Reports which are approved together with the described activities.

Motion granted extending stay to January 20, 2014.

Reports 9 and 10 approved.

Mr. Justice G. Morawetz

This is Exhibit "C" referred to in the
Affidavit of Wolfgang Gericke
sworn the 5th day of May, 2014


A COMMISSIONER, ETC.

B. PAUL JASIURA

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.

Applicant

**AFFIDAVIT OF WOLFGANG GERICKE
(Sworn January 10, 2014)**

I, Wolfgang Gericke, of the City of Thunder Bay, in the Province of Ontario,

MAKE OATH AND SAY AS FOLLOWS:

Introduction

1. I am the President and sole director of Terrace Bay Pulp Inc. ("Terrace Bay" or the "Company") and, as such, have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, it is based on information and belief and I have indicated the source of such information and belief and I verily believe such information to be true

Purpose

2. This affidavit is sworn in support of the Company's motion for an order:
 - a) abridging the time for service of the Notice of Motion, the Motion Record and the Eleventh Report of the Monitor, Ernst & Young Inc. (the "Monitor") (the

- 2 -

"Eleventh Report") such that the motion is properly returnable on January 16, 2014;

- b) approving an extension of the stay of proceedings (the "**Stay Period**"), provided for at paragraph 10 of the Order of the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated January 25, 2012 (as amended and restated, the "**Initial Order**") to August 15, 2014;
 - c) approving the Eleventh Report and the conduct and activities of the Monitor as described therein; and
 - d) such further and other relief as the Company may request and this Court shall deem just.
3. The purpose of this affidavit is to provide the Court with an update on the sale of Terrace Bay's Non-Mill Property and the status of the OHSA Proceedings (as such terms are defined herein), and to support the Company's request for an extension of the Stay Period in order to complete the Refreshed Sales Process (as defined below).
4. Capitalized terms not defined herein shall have the meanings ascribed to them in my affidavit sworn October 23, 2013 (the "**October Gericke Affidavit**").

Background

5. On January 25, 2012, Terrace Bay sought and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"), pursuant to

- 3 -

the Initial Order. In accordance with the Initial Order, Ernst & Young Inc. was appointed Monitor of the Company.

6. Pursuant to the Initial Order, Terrace Bay was authorized to conduct a sales process to solicit offers for its Mill Property.
7. On July 5, 2012, Terrace Bay entered into an asset purchase agreement with AV Terrace Bay Inc. for the sale of the Mill Property, which agreement was approved by the Court on July 19, 2012. The transaction contemplated by the agreement closed on July 23, 2012.
8. In addition to the sale of the Mill Property, the Initial Order also authorized the Company, with the assistance of the Monitor, to market for sale certain ancillary assets not used in connection with the Company's business (as further detailed in the Gericke Affidavit, the "Non-Mill Property").
9. As set out in greater detail in the further amended and restated Eighth Report of the Monitor dated April 19, 2013, the Monitor undertook various activities with respect to effecting a sale of the Non-Mill Property, which ultimately led to execution of the Non-Mill Property Purchase Agreement between Terrace Bay and a prospective purchaser (the "First Prospective Purchaser").
10. As described in the October Gericke Affidavit and the Tenth Report of the Monitor dated October 23, 2013 (the "Tenth Report"), the First Prospective Purchaser elected in the course of its due diligence investigations not to waive the Due Diligence Condition of the

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Non-Mill Property Purchase Agreement. As such, the Non-Mill Property Purchase Agreement was terminated.

11. Accordingly, on October 28, 2013, the Company sought and was granted an Order extending the Stay Period until January 20, 2014 so that the Company and the Monitor could conduct a limited re-canvassing of the market for the Non-Mill Property. Copies of the Order and Endorsement of the Honourable Mr. Justice Morawetz dated October 28, 2013 (the "Endorsement") are attached herein as **Exhibit "A"**.
12. Consistent with the proposed re-canvassing of the market set out in the October Gericke Affidavit, the Tenth Report and the Endorsement, the Monitor, with the assistance of and in consultation with the Company, engaged in the following activities:
 - a) contacted parties who previously submitted a letter of intent to determine their interest in relation to the Non-Mill Property and invited them to confirm their interest in proceeding under the letter of intent as submitted or to deliver a new letter of intent;
 - b) contacted parties who signed non-disclosure agreements to let them know that the Non-Mill Property is still available for sale, to determine if they have an interest in the Non-Mill Property and invited them to submit a letter of intent;
 - c) as appropriate, contacted other parties that have approached the Monitor in respect of purchasing the Non-Mill Property;

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- d) informed all of the foregoing parties that the deadline for submitting, or, if applicable, confirming, a letter of intent was December 6, 2013 (the "**Refreshed Bid Deadline**"); and
- e) placed an advertisement in the National Edition of the Globe & Mail advising potentially interested parties of the December 6, 2013 deadline for the submission of a letter of intent to purchase the Non-Mill Property;

(collectively, the "**Refreshed Sale Process**").

Status of Sale of Non-Mill Property

- 13. The Monitor received letters of intent from several prospective purchasers (the "**LOIs**") by the Refreshed Bid Deadline. With one exception, each LOI expressed an interest in purchasing certain (but not all) parts of the real property that comprises the Non-Mill Property.
- 14. After reviewing and analyzing each of the LOIs, Terrace Bay and the Monitor selected a combination of offers from several different purchasers which collectively provide for the sale of almost all of the land that comprises the Non-Mill Property.
- 15. The Company, with the assistance of the Monitor, is reviewing its options with respect to the parcel of the Non-Mill Property that is not subject to any of the contemplated sales.

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16. Terrace Bay and the Monitor have provided a draft agreement of purchase and sale to each of the prospective purchasers. The parties are currently proceeding to negotiate the terms of the agreements.
17. I am advised by Silvana D'Alimonte of Blake, Cassels & Graydon LLP, counsel to Terrace Bay, that because sales to multiple purchasers are contemplated which involve the splitting of some parcels of land among such purchasers, reference plans of survey will need to be prepared and registered on title before the closing of certain of the contemplated sales of the Non-Mill Property.
18. Ms. D'Alimonte has been advised by a local surveyor that the field work required to complete such reference plans cannot be performed during the winter months. The surveyor further advised Ms. D'Alimonte that the earliest that some of the field work could be commenced is in or about late April to early May, while other field work cannot be commenced safely until in or about June, 2014. While time periods are subject to variance and not within the control of Terrace Bay, it is contemplated that all of the required reference plans will be completed by the end of June, 2014.
19. While Terrace Bay will work to close the proposed transactions in a timely manner, closing of certain of the transactions, of necessity, will follow the completion and registration on title of the required reference plans of survey. Accordingly, in order to provide for the time required to have the necessary reference plans of survey prepared and registered, Terrace Bay requests an extension of the Stay Period to August 15, 2014.

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20. Terrace Bay intends to seek Court approval of the various sales once agreements of purchase and sale are executed with each of the successful bidders and any due diligence conditions provided therein have been either satisfied or waived. In this regard, and if appropriate, it is contemplated that one or more motions seeking approval of such transactions will be brought to this Court.
21. Based on a review of the LOIs received in advance of the Refreshed Bid Deadline and the transactions now contemplated, it is now apparent that there will be no recoveries for the unsecured creditors of Terrace Bay.

Status of OHSA Proceedings

22. The Ministry of Labour, Legal Services Branch commenced a proceeding known as *R. v. Terrace Bay Pulp Inc. & Gino Leblanc* against Terrace Bay on January 10, 2012 in the Ontario Provincial Offences Court (Thunder Bay) (the "**First OHSA Proceeding**"), and a proceeding known as *R. v. Terrace Bay Pulp Inc., Venshore Mechanical Ltd., Joseph Mykietyn, Arthur Szczepaniak & Alain Zborowski* against Terrace Bay on October 15, 2012 in the Ontario Provincial Offences Court (Thunder Bay) (the "**Second OHSA Proceeding**" together with the First OHSA Proceeding, the "**OHSA Proceedings**"). The Second OHSA Proceeding was subsequently transferred to Ontario Provincial Court (Thunder Bay).
23. On May 15 and June 5, 2013, Terrace Bay brought a motion in these CCAA proceedings seeking, among other things, a declaration that the OHSA Proceedings were stayed such

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that Terrace Bay was not required to defend or participate further in the OHSA Proceedings (the "**OHSA Motion**"). By Endorsement dated August 9, 2013, the OHSA Motion was denied (the "**OHSA Decision**").

24. Pursuant to the OHSA Decision, Justice Morawetz held that Terrace Bay had a choice, albeit an unenviable choice, to defend or not to defend the OHSA Proceedings.
25. After the OHSA Decision, in order to avoid the expense and time associated with a trial in the OHSA Proceedings, Terrace Bay, in consultation with the Monitor, commenced negotiations with the Ontario Ministry of the Attorney General, Ministry of Labour (the "**Crown**") with a view to arriving at a disposition of the OHSA Proceedings without a trial.
26. Terrace Bay is in advanced negotiations with the Crown with a view to finalizing a possible plea agreement with the Crown for settlement of both OHSA Proceedings. The next pre-trials scheduled in the First OHSA Proceeding and the Second OHSA Proceeding are March 28, 2014 and January 23, 2014 respectively.
27. One of the proposed plea terms is the imposition of a fine plus a victim surcharge of 25% of such fine, to be levied against Terrace Bay (the "**Offence Award**"). Another proposed term is that the Offence Award shall not become due and owing by Terrace Bay until the date that is two years from the date the plea is accepted by Order of a court in the OHSA Proceedings.

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28. It is the position of Terrace Bay and the Monitor that the Offence Award is an unsecured claim against the estate of Terrace Bay, subject to the stay of proceedings imposed by the Initial Order. Further, the Offence Award is to be treated in the same manner and with identical priority as other unsecured claims against the estate of Terrace Bay.

Revised Cash Flow

29. Attached as Appendix "B" to the Eleventh Report is Terrace Bay's revised cash flow forecast through to August 16, 2014 (the "**Revised Cash Flow Forecast**"). As set out in the Revised Cash Flow Forecast, Terrace Bay is projected to have approximately \$582,000 on hand at August 16, 2014, excluding trust funds held by the Monitor.
30. Based on information contained in the Revised Cash Flow Forecast, the Company will have sufficient resources to complete the sale of the Non-Mill Property, and seeks an extension of the Stay Period until August 15, 2014. The Company contemplates that it will return to Court before that date for approval of one or more of the contemplated sales transactions.

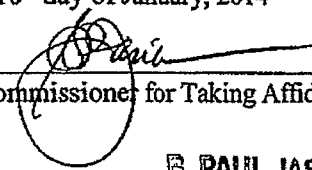
Good Faith and Due Diligence

31. For the reasons described above, Terrace Bay requests an extension of the Stay Period to and including August 15, 2014. Terrace Bay has been and continues to operate in good faith and with due diligence, with a view to completing the sale of the Non-Mill Property and finalizing the Proposed Plea Agreement.

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32. The extension of the Stay Period is necessary to provide the stability needed to conclude the contemplated sales of the Non-Mill Property.
33. This affidavit is made in support of the Company's motion for, among other things, extension of the Stay Period, and for no other purpose.

SWORN BEFORE ME at the City
of Thunder Bay, in the province of Ontario,
this 10th day of January, 2014


A Commissioner for Taking Affidavits

B. PAUL JASIURA

) 
WOLFGANG GERICKE

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF

TERRACE BAY PULP INC

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at Toronto

**AFFIDAVIT
OF WOLFGANG GERICKE
Sworn January 10, 2014**

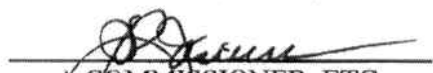
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Lawyers for Terrace Bay Pulp Inc.

This is **Exhibit "D"** referred to in the
Affidavit of Wolfgang Gericke
sworn the 5th day of May, 2014


A COMMISSIONER, ETC.

B. PAUL JASIURA

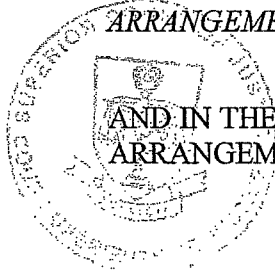
Court File No. CV-12-9566-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	THURSDAY, THE 16 th
	)	
JUSTICE MORAWETZ	)	DAY OF JANUARY, 2014

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

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



Applicant

ORDER
(STAY EXTENSION)

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Company**"), for an order (a) approving an extension of the stay of proceedings (the "**Stay Period**"), 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**") to August 15, 2014 and (b) approving the Eleventh Report of the Monitor, Ernst & Young Inc. (the "**Monitor**") dated January 10, 2014, (the "**Eleventh Report**"), and the conduct and activities of the Monitor as described therein, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Wolfgang Gericke sworn January 10, 2014 (the "**Gericke Affidavit**") and the Exhibits thereto, the Eleventh Report, and on hearing the submissions of counsel for the Company and the Monitor, no one appearing for any other person on the service list although properly served,

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DEFINED TERMS

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

SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Eleventh Report is hereby abridged so that this Motion is properly returnable today and that any requirement for service of the Notice of Motion, the Motion Record and the Eleventh Report on any parties other than the parties actually served with the Notice of Motion, Motion Record and Eleventh Report is hereby dispensed with and that service in the manner effected by the Company is validated in all respects.

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period be and is hereby extended until August 15, 2014.

APPROVAL OF MONITOR'S REPORT

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

ENTERED AT / SCRIE A TORONTO
CN / BOOK NO:
LE / DANS LE REGISTRE NO:



JAN 16 2014



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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

**ORDER
(STAY EXTENSION)**

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Lawyers for the Applicant

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

Jan 16-14

Applicant

M. McGraw

for Terrace Bay

S. Sigel
for Toronto

J. A. Edge
for Township of Terrace Bay

January 16, 2014

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD
(RETURNABLE JANUARY 16, 2014)
(STAY EXTENSION)

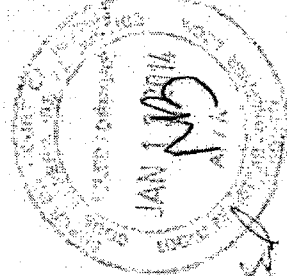
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Fax: 416-863-2653

Lawyers for the Applicant

The motion was not opposed. The applicant
of Mr. Justice and the 11th Regent
provided the immediately signed for
The motion requests.
I am satisfied that the Applicant has
in it ~~not~~ continues to act
in good faith and with
due diligence and that
the extension is warranted.



I am also satisfied that there is no evidence that my conduct would be materially prejudicial to the estate.

There has been no adverse comment received in respect of the 11th Report.

The estate and conduct of the Trustee as reflected in the 11th Report were approved.

The stay order to August 15, 2014 is both reasonable and appropriate in the circumstances.

The grant of ad litem agreed.

GHD [Signature] RST,

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.

Applicant

**UNOFFICIAL TRANSCRIPT OF ENDORSEMENT OF
MR. JUSTICE MORAWETZ
Dated January 16, 2014**

M. McGraw for Terrace Bay
S. Siegel for Monitor
J.R. Edge for Township of Terrace Bay

The motion was not opposed. The affidavit of Mr. Gericke and the 11th Report provide the evidentiary support for the extension request.

I am satisfied that the Applicant has and continues to act in good faith and with due diligence and that the extension is warranted. I am also satisfied that there is no evidence that any creditor would be materially prejudiced by the extension.

There has been no adverse comment received in respect of the 11th Report.

The activities and conduct of the Monitor as referenced in the 11th Report are approved.

The stay extension to August 15, 2014 is both reasonable and appropriate in the circumstances.

Motion granted and order signed.

“Morawetz, J.”