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

A COMMISSIONER, ETC.

B. PAUL JASIURA

DATED MARCH 12, 2014

PURCHASE AGREEMENT

by and between

TERRACE BAY PULP INC.

as Vendor

- and -

JIM NICHOLS TRUCKING LTD.

as Purchaser

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PURCHASE AGREEMENT

This **PURCHASE AGREEMENT** dated as of March 12, 2014 is made by and between TERRACE BAY PULP INC. (the "**Vendor**") and JIM NICHOLS TRUCKING LTD. (the "**Purchaser**").

WHEREAS:

Pursuant to the order of the Court (as defined herein) dated January 25, 2012 (as amended and restated, the "**Initial Order**"), the Vendor obtained protection under the *Companies' Creditors Arrangement Act* (Canada) in Court File No. CV-12-9566-00CL (the "**Proceedings**") and Ernst & Young Inc. was appointed as the court-appointed monitor (the "**Monitor**");

Pursuant to the Initial Order, the Vendor, with the assistance of the Monitor, was authorized to market the sale of, among other things, the Property (as defined herein);

Pursuant to the letter of intent dated March 21, 2013 and resubmitted by the Purchaser on December 6, 2013, the Purchaser confirmed its interest in purchasing the Property subject to, among other things, consummation of this Agreement;

The Vendor has agreed to sell all of its right, title and interest in and to the Property to the Purchaser, and the Purchaser has agreed to purchase all of the Vendor's right, title and interest in and to the Property from the Vendor on and subject to the terms and conditions of this Agreement (as defined herein).

The transaction contemplated by this Agreement is subject to the approval of the Court and will be consummated only pursuant to the Approval and Vesting Order (as defined herein) to be entered in the Proceedings.

In consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Defined Terms.

As used in this Agreement, the following words and terms have the following meanings:

"**Agreement**" means this purchase agreement and all schedules to this agreement, as such agreement or schedules may be amended from time to time in accordance with the terms hereof.

"**Ancillary Agreements**" means, collectively, any other agreement, document or instrument contemplated in this Agreement or that the Vendor or the Purchaser enters into in connection with the consummation of the transaction contemplated hereby.

"**Approval and Vesting Order**" has the meaning ascribed to it in Section 5.1(1).

"**Assignment of Permitted Liens**" means an assignment by the Vendor and an assumption by the Purchaser of all right, title and interest of the Vendor in and to the Permitted Liens in accordance with this Agreement, including an indemnity given by the Purchaser in favour of the Vendor in respect of any and all claims, demands, actions, losses, costs, liabilities or expenses under such Permitted Liens.

"**Assumed Liabilities**" has the meaning ascribed to it in Section 2.1(2).

"**Business Day**" means any day other than a Saturday, Sunday, any legal holiday, or a day on which banking institutions in the Province of Ontario are closed.

"**Cash Purchase Price**" has the meaning ascribed to it in Section 3.1(a).

"**Closing**" means the closing of the transaction contemplated herein.

"**Closing Date**" means the thirtieth (30th) day following the later of: (i) the date of issuance of the Approval and Vesting Order, and (ii) the Due Diligence Date, or such other date that the parties agree to in writing.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**DRA**" has the meaning ascribed to it in Section 9.16.

"**Deposit**" has the meaning ascribed to it in Section 3.2(1).

"**Due Diligence Date**" means 5:00 p.m. (Toronto time) on the day that is 30 days after the date of execution and delivery of this Agreement by both parties.

"**E-Reg**" has the meaning ascribed to it in Section 9.16.

"**HST**" has the meaning ascribed to it in Section 3.5.

"**Initial Order**" has the meaning ascribed to it in the recitals.

"**Lien**" means all "Claims" and "Encumbrances", as such terms are defined in the Approval and Vesting Order.

"**Monitor**" has the meaning ascribed to it in the recitals.

"**Monitor's Certificate**" means the certificate to be delivered on Closing and thereafter filed by the Monitor with the Court certifying that all conditions of Closing have been satisfied or waived.

"**OPG**" has the meaning ascribed to it in Section 2.5.

"**Permitted Liens**" means: (a) Liens for current and future taxes, assessments or other governmental charges not yet due or payable, or which are being contested in good faith by appropriate proceedings but not including any taxes in arrears or any penalties thereon; (b) easements, rights-of-way, servitudes, restrictions, zoning, building codes or other land use laws, development agreements, development permits, building covenants, encroachment agreements, reciprocal access agreements, by-laws, municipal agreements, license agreements and other similar encumbrances other than monetary encumbrances, judgments and monetary Liens; (c) minor title defects or irregularities consisting of minor survey exceptions, restrictions in the original grant from the Crown or any other governmental authority and other minor unregistered restrictions as to the use of the Property; and (d) Liens identified on Schedule "A" hereto.

"**Proceedings**" has the meaning ascribed to it in the recitals.

"**Property**" means the lands and premises legally described in Schedule "B" hereto, including all buildings, structures, fixtures, systems and facilities situate thereon and/or forming a part thereof.

"**Purchase Price**" has the meaning ascribed to it in Section 3.1.

"**Purchaser**" has the meaning ascribed to it in the recitals.

"**Receiving Party**" has the meaning ascribed to it in Section 9.17.

"**Tendering Party**" has the meaning ascribed to it in Section 9.17.

"**Township**" means The Corporation of the Township of Terrace Bay.

"**Vendor**" has the meaning ascribed to it in the recitals.

Section 1.2 Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation".

(c) The words "hereof", "herein", "hereunder" and "herewith" and words of similar meaning shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and schedule references refer to the articles, sections, paragraphs and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns; provided, however, that nothing contained in this clause (e) is intended to authorize any assignment or transfer not otherwise permitted by this Agreement.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or reenactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

(h) Any reference in this Agreement to "$" shall mean the lawful currency of Canada.

(i) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 1.3 Governing Law.

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein which apply to contracts made and to be performed entirely in Ontario.

ARTICLE 2
PURCHASE AND SALE

Section 2.1 Purchased Assets.

(1) On the terms and subject to the conditions hereof, the Vendor agrees to sell, assign and transfer all of its right, title and interest in and to the Property to the Purchaser and the Purchaser agrees to purchase all of the Vendor's right, title and interest in and to the Property from the Vendor, on the Closing Date.

(2) Contemporaneously with the purchase of the Property, the Purchaser shall assume and agree to discharge, perform and fulfil, the following obligations and liabilities of the Vendor with respect to the Property:

(a) all obligations and liabilities of the Vendor under the Permitted Liens;

(b) all taxes arising from or relating to the purchase of the Property which are ordinarily the responsibility of a purchaser in a transaction of this nature, including, without limitation, realty taxes, mining land taxes and the transfer taxes referred to in Section 3.4 (subject to adjustments being made on Closing for realty taxes and mining land taxes pursuant to Section 3.3 hereof to reflect the Vendor's responsibility for realty taxes and mining land taxes for the period up to but not including the Closing Date);

(c) all liabilities and obligations relating to the environmental condition of the Property; and

(d) all other obligations and liabilities expressly assumed under this Agreement

(collectively, the "**Assumed Liabilities**").

Section 2.2 "As Is, Where Is".

Notwithstanding any other provision of this Agreement, the Purchaser acknowledges and agrees that it is purchasing the Property and shall accept it on Closing and the Assumed Liabilities on an entirely "as is, where is" basis as they exist as of the date of the Closing without representation, warranty or declaration of any kind with respect to any aspect of the Property (including any conditions, representation or warranty, express or implied, pursuant to the *Sale of Goods Act* (Ontario)) or the Assumed Liabilities, and without recourse to the Vendor. In particular, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for use or purpose, merchantability, physical or environmental condition (including the presence or existence of any contaminant in, on or under, or flowing onto or from the Property or any part thereof or adjoining land, or in the air, surface or groundwater flowing through, onto or from the Property or any part thereof); the existence or non-existence of hazardous or toxic materials, wastes or substances, quality, size, dimension or topography, location of structures, walls, fences, wires, lines, pipes or conduits, in, on or outside of the Property, marketability, zoning, subdivision, the necessity or availability of any rezoning, zoning variances, conditional use permits, building permits, environmental impact statements and other governmental permits, development potential, access rights; applicable restrictive covenants, the Property's compliance with any laws, statutes, regulations or ordinances, municipal agreements or easements, faults, limitations and defects (latent and apparent). The Purchaser acknowledges that the Vendor makes no representation, warranty or with respect to, and that the Purchaser has carried out and relies on the results of its own examinations, investigations and searches with respect to the Property. The description of the Property contained in the Schedules hereto is for the purpose of identification only. The Purchaser acknowledges and confirms that no adjustment of the Purchase Price will be made for any change in condition, value, or quality of the Property from the date hereof to the Closing or otherwise. The provisions of this Section shall survive the Closing of this transaction.

Section 2.3 Covenants and Restrictions.

The Purchaser hereby acknowledges receipt of a copy of the letter dated May 3, 2013 sent by counsel to the Township to counsel to the Vendor regarding the Township's municipal planning process. The Purchaser covenants and agrees to observe, perform and adhere to the provisions of all regulations and restrictions enacted by the Township and any other governmental authority as may be applicable from time to time with respect to the Property.

Section 2.4 Permitted Liens.

The Purchaser shall, at Closing and subject to the terms and conditions herein:

(a) accept title to the Property pursuant to the Approval and Vesting Order and subject to the Permitted Liens;

(b) satisfy itself as to the due compliance with the provisions of such Permitted Liens and not require releases of any Permitted Lien with respect to the Property; and

(c) be subject to the covenants, obligations and restrictions imposed on the owner of the Property as set out in the Permitted Liens.

Section 2.5 OPG Interests.

The Purchaser hereby acknowledges that Ontario Power Generation Inc. ("**OPG**") has a number of piezometer wells located on a portion of the Property, as illustrated on the map attached hereto as Schedule "C", and that OPG monitors and assesses these wells several times a year to ensure the land is stable and that the water of Hays Lake is secure above the ridge. The Purchaser further acknowledges and agrees that it is taking title to the Property subject to such piezometer wells, and to OPG's continuing right of access to maintain, monitor, repair and replace such wells.

Section 2.6 Due Diligence.

Prior to the Closing Date, the Vendor shall, subject to any confidentiality or safety restrictions, provide the Purchaser and its representatives, at the Purchaser's sole and exclusive risk, reasonable access during normal business hours upon reasonable notice to the Vendor, to the Property and the books, records and files of the Vendor relating to the ownership of the Property that are in possession of the Vendor; provided, however, that the Purchaser shall indemnify the Vendor and any of its representatives from and against any claims arising from the Purchaser's access in accordance with this Section 2.6. The Purchaser shall be responsible for all of its out-of-pocket costs and expenses incurred in connection with this Section and any other due diligence performed by the Purchaser prior to the Closing. The Purchaser acknowledges that the Vendor shall have no obligation hereunder or otherwise to undertake environmental testing of the Property prior to Closing.

Section 2.7 Access to Books and Records.

For a period of one year from the Closing Date or for such longer period as may be required by applicable law, the Purchaser shall retain all original books and records in respect of the Property for the period prior to the Closing Date. So long as such books and records are retained by the Purchaser pursuant to this Agreement, the Purchaser shall cooperate with the Vendor by promptly providing the Vendor with such information and/or, at the Vendor's expense, with copies of such books and records as may be reasonably requested by the Vendor. The provisions of this Section 2.7 shall survive the Closing.

ARTICLE 3
PURCHASE PRICE

Section 3.1 Purchase Price.

In consideration for the sale of the Property to the Purchaser, and upon the terms and subject to the conditions set out herein, the purchase price for the Property shall be the aggregate of (collectively, the "**Purchase Price**"):

(a) $ plus or minus the adjustments referred to in Section 3.3 hereof (the "**Cash Purchase Price**"); and

(b) the amount of the Assumed Liabilities (evidenced by the delivery of the Assignment of Permitted Liens).

Section 3.2 Payment of the Purchase Price.

The Purchase Price shall be paid and satisfied by the Purchaser as follows:

(1) as to the sum of $ (the "**Deposit**"), by certified cheque or bank draft payable to the Monitor, in trust, as of the date of execution and delivery of this Agreement by both parties, to be held in trust as a deposit pending the completion or other termination of this Agreement, and to be credited on the Closing Date against the Cash Purchase Price;

(2) as to the balance of the Cash Purchase Price, by wire transfer of immediately available funds payable to the Monitor, in trust, or as the Monitor may direct; and

(3) an amount equal to the amount of the Assumed Liabilities shall be satisfied by the Purchaser at Closing by execution and delivery by the Purchaser of an assignment and assumption agreement.

Section 3.3 Adjustments.

Adjustments shall be made to the Purchase Price as of the Closing Date for any realty taxes, local improvement rates and charges, assessment rates, the costs of water, sewage, hydro-electric power, gas and other utilities, and all other items normally adjusted between a vendor and a purchaser in respect of the sale of property similar to the Property, provided, however that no adjustments will be made for any amounts which became due and owing prior to the date that the Proceedings were commenced.

Section 3.4 Transfer Taxes.

In addition to the Purchase Price, the Purchaser shall be responsible and shall pay or otherwise discharge all HST, land transfer taxes and similar transfer taxes in connection with the transfer of the Property and all registration and filing fees in connection with the Approval and Vesting Order or any instruments of transfer provided for in this Agreement or that are imposed by reason of the sale, transfer, and assignment of the Property.

Section 3.5 HST.

With respect to harmonized sales tax ("**HST**") payable pursuant to the *Excise Tax Act* (Canada), the Purchaser covenants that:

(a) at Closing, it shall be the "recipient" of the supply of the Property (as "recipient" is defined in subsection 123(1) of the *Excise Tax Act* (Canada));

(b) the Purchaser will report and pay any applicable HST payable as required by the provisions of the *Excise Tax Act* (Canada) in the manner and within the time prescribed by that Act;

(c) the Purchaser will indemnify the Vendor and hold it harmless from any HST, penalty, interest or other amounts which may be payable by or be assessed against the Vendor under the *Excise Tax Act* (Canada) as a result of, or in connection with,

(i) the Vendor's failure to collect and remit any HST applicable on the sale of the Property to the Purchaser, and

(ii) the failure of the Purchaser to comply with its obligations under this Section 3.5; and

(d) on Closing, the Purchaser shall deliver to the Vendor a certificate and indemnity incorporating the provisions of this Section 3.5.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Section 4.1 Vendor's Representations and Warranties.

The Vendor represents and warrants to the Purchaser, and acknowledges that the Purchaser is relying on same, that:

(a) subject to the granting of the Approval and Vesting Order, the Vendor has the power, authority and capacity to enter into this Agreement and to carry out the transaction contemplated hereby;

(b) the Vendor is not a non-resident of Canada within the meaning of section 116 of the *Income Tax Act* (Canada); and

(c) no broker, agent or other intermediary has acted for or on behalf of the Vendor in connection with the negotiation or consummation of this Agreement or the transactions contemplated hereby.

Section 4.2 Purchaser's Representations and Warranties.

The Purchaser represents and warrants to the Vendor, and acknowledges that the Vendor is relying on same, that:

(a) the Purchaser is duly organized, validly existing and in good standing and has full corporate power and authority to enter into and to perform its obligations under this Agreement and the Ancillary Agreements;

(b) this Agreement and each Ancillary Agreement to which the Purchaser is or will become party constitute the Purchaser's valid and binding obligations, enforceable against the Purchaser in accordance with their respective terms;

(c) the execution, delivery and performance by the Purchaser of this Agreement and any Ancillary Agreements to which the Purchaser is or will become a party do not or will not at the time of execution (a) violate or conflict with any provision of the organizational documents of the Purchaser, (b) violate any provision of applicable law, or any order, writ, injunction, judgment or decree of any court or governmental authority applicable to the Purchaser, or (c) violate or result in a breach of or constitute (with due notice or lapse of time, or both) an event of default or default under any contract to which the Purchaser is a party or by which the Purchaser is bound or to which the Purchaser's properties or assets are subject;

(d) except for the Approval and Vesting Order, no consent, waiver, authorization or approval of any person and no declaration to or filing or registration with any governmental authority is required in connection with the execution and delivery by the Purchaser of this Agreement and each Ancillary Agreement to which the Purchaser is or will become a party or the performance by the Purchaser of its obligations hereunder or thereunder;

(e) the Purchaser has available, or prior to the Closing Date will have available, sufficient funding to enable the Purchaser to consummate the purchase of the Property from the Vendor on the terms set forth herein and otherwise to perform all of the Purchaser's obligations under this Agreement;

(f) there is no action, suit, proceeding or claim that is pending or, to the Purchaser's knowledge, threatened in any court or by or before any governmental authority that would adversely affect the Purchaser's ability to perform its obligations under this Agreement on a timely basis;

(g) prior to Closing, the Purchaser will be registered for harmonized sales tax purposes under subdivision (d) of Division V of Part IX of the *Excise Tax Act* (Canada) and will provide its registration number to the Vendor at least 3 days prior to Closing;

(h) the Property transferred pursuant to this Agreement (i) is being purchased by the Purchaser as principal for its own account and is not being purchased by the Purchaser as an agent, trustee or otherwise on behalf of any other person, and (ii) does not constitute a supply of a residential complex made to an individual for the purposes of paragraph 221(2)(b) of the *Excise Tax Act* (Canada); and

(i) the Purchaser will not be a non-resident of Canada for purposes of section 116 of the *Income Tax Act* (Canada) effective on or prior to Closing.

Section 4.3 Survival of Representations and Warranties.

The representations and warranties of the Vendor herein shall merge on Closing. The representations and warranties of the Purchaser herein shall survive the Closing for a period of six (6) months from the Closing Date.

ARTICLE 5
COURT APPROVAL CONDITION

Section 5.1 Court Approval Condition.

(1) No party shall be obligated to complete the transaction contemplated by this Agreement unless the Vendor obtains an Order substantially in the form attached hereto as Schedule "D" (the "**Approval and Vesting Order**").

(2) The Vendor shall file with the Court, as soon as reasonably practicable after the satisfaction or waiver of the condition precedent in favour of the Purchaser set forth in Section 6.1(a) hereof, a motion or motions seeking the Court's issuance of the Approval and Vesting Order. The Purchaser shall promptly provide to the Vendor all such information and assistance within the Purchaser's power as the Vendor may reasonably require to obtain the Approval and Vesting Order.

(3) Notwithstanding anything else contained in this Agreement, if the Vendor is prevented from closing the transaction contemplated by this Agreement as a result of any person obtaining a stay of the Approval and Vesting Order, either the Vendor or the Purchaser shall have the option, subject to Section 8.1 below, of extending the Closing Date for a period or periods of time, in either case, by notice in writing to the other or to the other's solicitors.

(4) Notwithstanding anything else contained in this Agreement, if the Court shall refuse to grant the Approval and Vesting Order, either party shall have the right to immediately terminate this Agreement.

ARTICLE 6
OTHER CLOSING CONDITIONS

Section 6.1 Conditions Precedent to Performance by the Purchaser.

The obligation of the Purchaser to complete the purchase of the Property contemplated by this Agreement is subject to fulfilment of the following conditions at or before the Closing Date or such other date as may be specified below, which, other than (d) and (e), are included for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part:

(a) on or before the Due Diligence Date, the Purchaser shall have satisfied itself with respect to all aspects of the Property, including soil suitability, environmental matters, availability and suitability of services, title, Permitted Liens, and any other matters of interest to the Purchaser;

(b) the representations and warranties of the Vendor contained in Article 4 hereof shall be true and correct as of the Closing Date in all material respects;

(c) the Vendor shall have complied with all terms and conditions contained in this Agreement applicable to it prior to the Closing Date in all material respects;

(d) the Approval and Vesting Order will have been granted by the Court and such order shall not be the subject of a stay; and

(e) no final or nonappealable order, decree, ruling, injunction or any other action by any court or governmental authority or law that prevents the consummation of the transactions contemplated hereby or otherwise prohibits the transfer of the Property contemplated hereby shall be in effect.

Section 6.2 Conditions Precedent to Performance by the Vendor.

The obligation of the Vendor to complete the sale of the Property contemplated by this Agreement is subject to fulfilment of the following conditions at or before the Closing Date, which, other than (e) and (f) below, are included for the exclusive benefit of the Vendor and may be waived by the Vendor in whole or in part:

(a) the representations and warranties of the Purchaser contained in Article 4 hereof shall be true and correct as of the Closing Date in all material respects;

(b) the Purchaser shall have complied with all terms and conditions contained in this Agreement applicable to it on or before the Closing Date in all material respects;

(c) the Purchaser shall have paid the Purchase Price in accordance with the terms of this Agreement;

(d) the Purchaser shall have executed and delivered any specific assumption agreement as may be required for any Permitted Lien which has not otherwise been expressly set out herein, and any Ancillary Agreement;

(e) the Approval and Vesting Order will have been granted by the Court and such order shall not be the subject of a stay; and

(f) no final or nonappealable order, decree, ruling, injunction or any other action by any court or governmental authority or law that prevents the consummation of the transactions contemplated hereby or otherwise prohibits the transfer of the Property contemplated hereby shall be in effect.

Section 6.3 Non-Satisfaction of Conditions.

If any condition set out in Section 6.1, or Section 6.2 is not satisfied or performed on or before the Closing Date (as such date may be extended pursuant to Section 5.1(3)), or on or before the Due Diligence Date in the case of Section 6.1(a), the Purchaser, in the case of the conditions set out in Section 6.1, or the Vendor, in the case of the conditions set out in Section 6.2, may either (i) terminate this Agreement by written notice to the other party hereto delivered on or before the Closing Date, or on or before the Due Diligence Date in the case of Section 6.1(a) (provided, however, that if the Purchaser does not deliver a confirmation of satisfaction or waiver of Section 6.1(a) on or before the Due Diligence Date, this Agreement shall be deemed to be terminated by the Purchaser), in which case no party shall be under any further obligation to the other to complete the transaction contemplated by this Agreement, or (ii) except in the case of the conditions contained in Section 5.1, Section 6.1(d) and (e) and Section 6.2(c), (e) and (f), waive compliance with any such condition without prejudice to its right of termination of this Agreement in respect of the non-satisfaction or performance of any other condition.

Each party shall use its reasonable efforts to satisfy the closing conditions set forth herein that are within its reasonable control. All conditions to be satisfied on Closing shall be deemed to be satisfied if Closing occurs.

ARTICLE 7
CLOSING

Section 7.1 Time and Place of Closing.

The completion of the transaction contemplated by this Agreement (the "**Closing**") shall take place at 2:00 p.m. (Toronto time) on the Closing Date at the offices of Blake, Cassels & Graydon LLP, Toronto, Ontario or at such other place as may be agreed upon among the parties hereto.

Section 7.2 Insurance Matters.

The Vendor shall continue to maintain up to the Closing Date all property insurance coverage currently maintained by it with respect to the Property.

Section 7.3 Vendor's Deliveries.

At the Closing:

(a) the sale, transfer, assignment, and conveyance of the Property to the Purchaser, shall be effected by the issued and entered Approval and Vesting Order;

(b) the Vendor shall execute and deliver the Assignment of Permitted Liens, the Ancillary Agreements and all other documents contemplated by this Agreement or by the Approval and Vesting Order to be delivered by the Vendor;

(c) the Vendor shall deliver a true copy of the Approval and Vesting Order and, upon completion of the Closing, the Monitor's Certificate; and

(d) the Vendor shall deliver a closing certificate executed by the Vendor, in a form satisfactory to the Purchaser, acting reasonably, certifying that all of the representations and warranties of the Vendor hereunder remain true and correct in all material respects as of the Closing Date.

Section 7.4 Purchaser's Deliveries.

At the Closing:

(a) the Purchaser shall make the payments referred to in Section 3.2(2) and Section 3.4;

(b) subject to the provisions of this Agreement, the Purchaser shall execute and deliver the Assignment of Permitted Liens and any specific assumption agreement as may be required for any Permitted Lien which has not otherwise been expressly set out herein, the HST certificate and indemnity contemplated in Section 3.5(d), the Ancillary Agreements and all other documents contemplated by this Agreement or the Approval and Vesting Order to be delivered by the Purchaser; and

(c) the Purchaser shall deliver a closing certificate executed by the Purchaser, in a form satisfactory to the Vendor, acting reasonably, certifying that all of the representations and warranties of the Purchaser hereunder remain true and correct in all material respects as of the Closing Date.

ARTICLE 8
TERMINATION

Section 8.1 Termination Rights.

This Agreement may be terminated (i) in accordance with Section 6.3; (ii) by mutual written consent of the parties at any time; or (iii) by either party if Closing has not occurred by 5:00 p.m. (Toronto time) on October 31, 2014, provided that a party hereunder may not terminate this Agreement if its default is the reason for such failure.

Section 8.2 Effect of Termination.

In the event of termination pursuant to Section 8.1, this Agreement shall become null and void and have no effect and no party to this Agreement shall have any liability to any other party, except that the Purchaser shall forfeit the Deposit to the Vendor if the Agreement is terminated by the Vendor as a result of a failure of the Purchaser to perform its obligations under Section 6.2(a), (b), (c) or (d), as a genuine estimate of liquidated damages and not as a penalty. The Vendor shall be liable to return the Deposit to the Purchaser if the Agreement is terminated for any other reason.

ARTICLE 9
MISCELLANEOUS

Section 9.1 Survival.

No representations, warranties, covenants and agreements of the Vendor or the Purchaser made in this Agreement shall survive the Closing Date except where, and only to the extent that, the terms of any such covenant or agreement expressly provide for rights, duties or obligations extending after the Closing, or as otherwise expressly provided in this Agreement.

Section 9.2 Severability.

In the event that any part of this Agreement is declared by any court of competent jurisdiction to be null, void or unenforceable, a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Agreement shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable and the application of any provision so substituted, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of (a) the date hereof, and (b) the date this Agreement was last amended.

Section 9.3 Expenses.

Except as otherwise expressly provided herein, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 9.4 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

Section 9.5 Notices.

(1) All notices, requests, demands, consents and other communications under this Agreement shall be in writing and shall be sent via overnight courier, e-mail (including by way of PDF format) or facsimile. If a notice is received on a Business Day before 5:00 PM local time the notice will be deemed to have been received at such time. If the notice is received other than on a Business Day or after 5:00 PM local time, the notice will be deemed to have been received the following Business Day. Notices shall be sent to the following addresses, as applicable:

If to the Vendor:

Terrace Bay Pulp Inc.
1120 Premier Way
Thunder Bay, Ontario P7B 0A3
Attention: Wolfgang Gericke
Facsimile: (807) 346-0453

- and to -

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, Ontario M5L 1A9
Attention: Silvana D'Alimonte/Jenna Willis
Facsimile: (416) 863-2685
E-mail: smda@blakes.com
jenna.willis@blakes.com

With a copy (which shall not constitute notice) to:

Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7
Attention: Alex Morrison
Facsimile: (416) 943-3300
E-mail: alex.f.morrison@ca.ey.com

If to the Purchaser:

Jim Nichols Trucking Ltd.
Box 534
Nipigon, Ontario P0T 2J0
Attention: James Nichols
Facsimile: (807) 887-3311

E-mail: jimnichols@bellnet.ca

(2) Any party may change its address or facsimile number for the purpose of this Section 9.5 by giving the other parties written notice of its new address in the manner set forth above.

Section 9.6 Further Assurances.

Each of the parties hereto, upon the request of another party hereto, up until the Closing Date, shall make or cause to be made all such further acts, deeds and assurances, as may be reasonably necessary to more effectually implement the transactions contemplated by this Agreement.

Section 9.7 Assignment.

At any time prior to the issuance of the Approval and Vesting Order, the Purchaser shall have the right to assign all of its rights and obligations under this Agreement to any entity which remains, at all times up to and including the Closing Date, an affiliate of the Purchaser upon written notice to the Vendor, and provided that (i) the Purchaser shall remain jointly and severally liable to the Vendor for the performance of the obligations of the Purchaser hereunder, unless released by the Vendor in writing, acting reasonably, and (ii) the assignee of the Purchaser has entered into an agreement with the Vendor assuming all rights and obligations of the Purchaser hereunder on terms and conditions satisfactory to the Vendor, acting reasonably.

Except as set out in the previous paragraph, this Agreement shall not be assignable in whole or in part by the Vendor or the Purchaser without the written consent of the other party, which consent may be unreasonably withheld.

Section 9.8 Enurement.

This Agreement shall enure to the benefit of and be binding upon the parties and their successors and permitted assigns.

Section 9.9 Time.

Time shall be of the essence of this Agreement.

Section 9.10 Counterparts.

This Agreement may be executed in any number of counterparts and by the undersigned in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any of the undersigned by facsimile or "pdf" e-mail transmission shall be as effective as delivery of a manually executed copy of this Agreement by such undersigned.

Section 9.11 Risk of Loss.

The Property is and shall be at the risk of the Vendor up to and including Closing Date. If any loss or damage to any of the Property occurs on or before the Closing Date, the Purchaser shall still be obligated to complete the transaction herein on the terms and conditions set out herein.

Section 9.12 Planning Act.

The Vendor and the Purchaser hereby confirm and agree that this Agreement and the transaction reflected herein are subject to compliance with section 50 of the *Planning Act* (Ontario).

Section 9.13 Dispute Resolution.

The parties hereto hereby irrevocably submit to the exclusive jurisdiction of the Court over any dispute arising out of or relating to this Agreement or the transaction contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action or proceeding related thereto shall be brought within the Proceedings to be heard and determined by way of summary adjudication in such Proceedings or any of the competent Ontario courts taking appeals therefrom.

Section 9.14 Entire Agreement and Modification.

This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes (along with the Confidentiality Agreement dated November 8, 2012 and the Ancillary Agreements) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented or otherwise modified except in a written document executed by the party against whose interest the modification will operate.

Section 9.15 Solicitors as Agents.

Any notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated by this Agreement may be given or delivered and accepted or received by the Purchaser's solicitors on behalf of the Purchaser and by the Vendor's solicitors on behalf of the Vendor and any tender of closing documents and/or funds to be delivered under this Agreement may be made upon the Vendor's solicitors and the Purchaser's solicitors, as the case may be.

Section 9.16 Electronic Registration.

The Purchaser's solicitors and the Vendor's solicitors shall each be obliged to be authorized electronic registration ("**E-Reg**") users and in good standing with the Law Society of Upper Canada, and are hereby authorized by the parties hereto to enter into a document registration agreement in the form adopted by the Joint LSUC-CBAO Committee on Electronic Registration of Title Documents on March 29, 2004 or any replacement thereof, with such amendments as are required to incorporate any agreement between the parties as to the coordination of the Closing and/or as the Vendor's solicitors and the Purchaser's solicitors may agree, acting reasonably (hereinafter referred to as the "**DRA**"), establishing the procedures and timing for completing this transaction, which DRA shall be exchanged between the Vendor's solicitors and the Purchaser's solicitors prior to the Closing Date. The delivery and exchange of all Closing deliveries hereunder and the release hereof to the parties hereto shall be governed by the DRA, pursuant to which the solicitor receiving any Closing deliveries will be required to hold same in escrow, and will not be entitled to release same except in strict accordance with the provisions of the DRA. Despite section 4 of the Joint LSUC-CBAO form of DRA, release of deliveries shall not happen until the registration of the Approval and Vesting Order has been completed.

Section 9.17 Tender.

Any tender of documents or money shall be made upon the party being tendered or upon its solicitors and money shall be tendered by wire transfer of immediately available funds. It is expressly understood and agreed by the parties hereto that an effective tender shall be deemed to have been made by either party (the "**Tendering Party**") upon the other party (the "**Receiving Party**") when the solicitor for the Tendering Party has completed, in addition to all other requirements to effect a valid tender in accordance with the provisions of this Agreement and the DRA (if applicable), all steps required by E-Reg in order to complete this transaction that can be performed or undertaken by the Tendering Party's solicitor without the cooperation or participation of the Receiving Party's solicitor, and specifically when the Tendering Party's solicitor has, where possible, electronically "signed" the transfer and all other instruments to be registered against title to the Property at the time of the Closing for completeness and granted "access" to the Receiving Party's solicitor.

Section 9.18 Broker's Fees.

Each party shall indemnify and hold harmless the other party against any liability, damage, cost or expense involving a finder's or broker's fee payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for such party.

Section 9.19 Vendor and Monitor Liability

The Purchaser acknowledges that all written and oral information obtained from the Vendor, the Monitor or any agent or representative with respect to the Property has been provided and obtained by the Purchaser for the convenience of the Purchaser only, and that the Vendor and the Monitor have not made any representation or warranty, express or implied, statutory or otherwise, as to the accuracy and completeness of any such information. The Purchaser agrees that the Vendor and the Monitor shall have no liability for any representations, express or implied, contained in, or omitted from, any written or oral communications transmitted to the Purchaser in the marketing and sale of the Property, negotiation of this Agreement, the Ancillary Agreements, or in the course of any of the Purchaser's investigations of the Property. The Provisions of this Section shall survive Closing of this transaction.

Section 9.20 Confidentiality

Each party (and their respective agents and representatives) will keep the existence and terms of this Agreement and any written offers made by the Purchaser in connection with this Agreement in strict confidence in accordance with the Confidentiality Agreement dated November 8, 2012, except (i) in the course of conveying necessary information to third parties directly involved in the transaction; and (ii) as may be required by law or otherwise mutually agreed upon in writing by the parties. The Purchaser acknowledges that a copy of this Agreement will be filed by the Vendor and/or the Monitor with the Court and served on the service list in the Proceedings in connection with the motion to obtain the Approval and Vesting Order, and authorizes such disclosure by the Vendor and/or Monitor.

[Signature page follows.]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of this ~~January~~ March 12, 2014.

TERRACE BAY PULP INC.

By:
Name: WOLF GERICKE
Title: DIRECTOR

JIM NICHOLS TRUCKING LTD.

By:
Name: JAMES NICHOLS
Title: SEC TREAS

Index of Schedules

Schedule "A"
Permitted Liens
Jim Nichols Trucking Ltd.

(unaffected by the Approval and Vesting Order)

PIN 62458-0591 (LT)

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

PIN 62458-0314 (LT) & PIN 62458-0579 (LT)

2. An easement registered on May 16, 1985 as No. LT201161 in favour of Ontario Hydro relating to an electrical transmission line.

PIN 62458-0314 (LT)

3. An easement registered on July 27, 2000 as No. F96838 in favour of Hydro Bay Campers Association with rights relating to an access road and service lines over Parts 2, 4, 5 and 7 on Plan 55R-11271.

PIN 62458-0579 (LT)

4. An easement for access and egress purposes registered on July 27, 2000 as No. F96840E.

5. A Land Registrar's order registered on October 6, 2004 as No. F137164 to amend the thumbnail property description by adding T/W No. F96840.

PIN 62458-0314 (LT), PIN 62458-0578 (LT) & PIN 62458-0579 (LT)

6. An application registered on August 23, 2006 as No. TY32012 to amend the thumbnail property description by deleting reference to right-of-way in No. F96840E.

ONTARIO POWER GENERATION INC.

7. Rights of Ontario Power Generation Inc. to have piezometer wells on the Property and to access the Property to maintain, monitor, repair and replace such wells.

8. Any instruments registered on title to the Property on or before closing by Ontario Power Generation Inc. giving notice of the foregoing rights.

CASQUE ISLES TRAIL

9. Rights of third parties to use the Casque Isles Trail.

SCHEDULE "B"

LEGAL DESCRIPTION OF PROPERTY
JIM NICHOLS TRUCKING LTD.

PIN 62458-0314 (LT)

PCL 26553 SEC TBF; PT BLK B PRISKE PT 1 & 2, 55R11271; PT LOCATION SV455 PRISKE; PT LOCATION SV 456 PRISKE PT 3 TO 8, 55R11271; PT LOCATION JK 302 PRISKE PT 10 TO 12, 55R11271;*S/T EASE OVER PARTS 5 & 6, 55R11271 IN LT201161; S/T EASE OVR PARTS 2, 4, 5 & 7 ON 55R11271 IN FAVOUR OF PART 9 ON 55R11271 AS IN F96838, TERRACE BAY; DISTRICT OF THUNDER BAY

PIN 62458-0578 (LT)

PCL 16166 SEC TBF; LOCATION W 304 PRISKE SITUATE NEAR TERRACE BAY ON THE N SHORE OF LAKE SUPERIOR; TERRACE BAY

PIN 62458-0579 (LT)

PCL 16180 SEC TBF; LOCATION S.V. 455 PRISKE; LOCATION S.V. 456 PRISKE ON THE W SIDE OF TERRACE BAY, N SHORE OF LAKE SUPERIOR; EXCEPT LPA39779 & LPA39780; ALSO EXCEPTING PT 3-9, 55R11271; S/T LT201161; TERRACE BAY

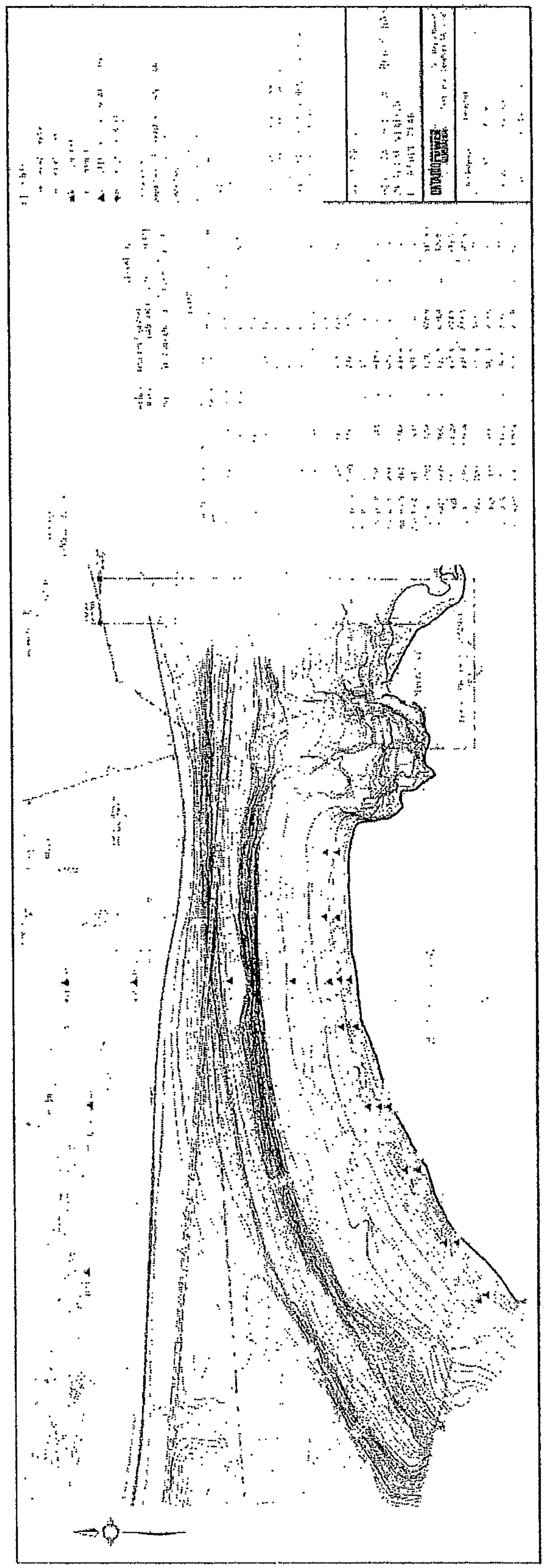
PIN 62458-0591 (LT)

PCL 8591 SEC TBF; BLK B PRISKE SITUATE S OF THE ROW OF THE CANADIAN PACIFIC RAILWAY AT MILE POST 861 N OF TERRACE BAY, LAKE SUPERIOR, IN THE SAID DISTRICT OF THUNDER BAY AS SHOWN ON PL OF SURVEY BY ONTARIO LAND SURVEYOR PETER A. PETERSON DATED JUNE 21, 1897, OF RECORD IN THE DEPARTMENT OF CROWN LANDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEING A STRIP OF LAND S OF AND ADJOINING THE S LIMIT OF THE ROW OF THE CANADIAN PACIFIC RAILWAY N OF TERRACE BAY AFORESAID; COMMENCING AT THE INTERSECTION OF THE W LIMIT OF MINING LOCATION 6 W WITH THE S LIMIT OF SAID ROW, THENCE WLY ALONG THE SOUTHERN LIMIT OF SAID ROW THREE THOUSAND AND SIXTY-TWO FT, THENCE S TWELVE DEGREES TWENTY SEVEN ' W THREE HUNDRED FT, THENCE ELY AND PARALLEL TO THE SLY LIMIT OF SAID ROW THREE THOUSAND ONE HUNDRED AND TWENTY SEVEN FT MORE OR LESS TO THE W LIMIT OF MINING LOCATION 6 W, THENCE NLY ALONG SAID LIMIT THREE HUNDRED FT MORE OR LESS TO THE POB CONTAINING BY ADMEASUREMENT TWENTY-ONE ACRES MORE OR LESS; EXCEPT LPA39780 & PT 1 & 2, 55R11271; T/W OVER PT 2, 55R11271 AS IN F96838; TERRACE BAY AMENDED NOV 16, 2004 FROM THINDER BAY TO THUNDER BAY

Schedule "C"

Map of OPG's Piezometer Wells

See attached.



Schedule "D"

Form of Approval and Vesting Order

See attached.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	WEEKDAY, THE #
	)	
JUSTICE	)	DAY OF MONTH, 20YR

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

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

APPROVAL AND VESTING ORDER
(Non-Mill Property Parcel [•])

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Debtor**") for an order approving the sale transaction (the "**Transaction**") contemplated by a purchase agreement (the "**Purchase Agreement**") between the Debtor and **[•]** (the "**Purchaser**") dated **[•]**, 2014 and appended as Appendix **[•]** to the **[•]** Report of Ernst & Young Inc., in its capacity as monitor (the "**Monitor**"), dated [DATE], 2014 (the "**[•] Report**"), and vesting in the Purchaser the Debtor's right, title and interest in and to the Property (as defined in the Purchase Agreement), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of **[•]** sworn [DATE], 2014 and the Exhibits thereto, and the **[•]** Report and on hearing the submissions of counsel for the Debtor, the Monitor, the Purchaser, [NAMES OF OTHER PARTIES APPEARING], no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed:

1. **THIS COURT ORDERS AND DECLARES** that the time for service of the Notice of Motion, Motion Record and the [•] Report is hereby abridged such that this motion is properly

returnable today, that the manner of service is hereby approved and validated, and that all parties entitled to notice of this motion have been properly served with notice of this motion, and service on any other parties is hereby dispensed with.

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

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

4. **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the Land Titles Division of Thunder Bay (No. 55) of an Application for Vesting Order in the form prescribed by the *Land Titles Act*, the Land Registrar for the said Land Titles Division is hereby

directed to enter **[Name of Purchaser]** as the owner of the Property identified in Schedule B hereto in fee simple, and the said Land Registrar is hereby directed to delete and expunge from title to the Property all of the Claims listed in Schedule C hereto.

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

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

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

(a) the pendency of these proceedings;

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

(c) any assignment in bankruptcy made in respect of the Debtor;

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

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

9. **THIS COURT ORDERS AND DIRECTS** that the documents marked as Confidential Appendix **[•]** to the **[•]** Report contain confidential information and shall remain confidential and shall not form part of the permanent court record pending further order of this Court.

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

11. **THIS COURT ORDERS** that the **[•]** Report of the Monitor dated [DATE], 2014, and the conduct and activities of the Monitor as described therein are hereby approved.

Schedule A – Form of Monitor's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable [NAME OF JUDGE] of the Ontario Superior Court of Justice, Commercial List (the "**Court**") dated [DATE OF ORDER], 2014, the Court approved the purchase agreement made as of [DATE] (the "**Purchase Agreement**") between Terrace Bay Pulp Inc. (the "**Debtor**") and [NAME OF PURCHASER] (the "**Purchaser**") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Property, which vesting is to be effective with respect to the Property upon the delivery by the Monitor to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Property; (ii) that the conditions to Closing as set out in Article 6 of the Purchase Agreement have been satisfied or waived by the Debtor and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

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

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Monitor has received the Purchase Price for the Property payable on the Closing Date pursuant to the Purchase Agreement;

2. The Debtor and the Purchaser have confirmed to the Monitor, in writing, that the conditions to Closing set out in Article 6 of the Purchase Agreement have been satisfied or waived;

3. The sale transaction contemplated by the Purchase Agreement has been completed to the satisfaction of the Monitor; and

4. This Certificate was delivered by the Monitor at [TIME] on _____ [DATE].

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

Per: ______________________________

Name:

Title:

Schedule "B" - Property

PIN 62458-0314 (LT)

PCL 26553 SEC TBF; PT BLK B PRISKE PT 1 & 2, 55R11271; PT LOCATION SV455 PRISKE; PT LOCATION SV 456 PRISKE PT 3 TO 8, 55R11271; PT LOCATION JK 302 PRISKE PT 10 TO 12, 55R11271;*S/T EASE OVER PARTS 5 & 6, 55R11271 IN LT201161; S/T EASE OVR PARTS 2, 4, 5 & 7 ON 55R11271 IN FAVOUR OF PART 9 ON 55R11271 AS IN F96838, TERRACE BAY; DISTRICT OF THUNDER BAY

PIN 62458-0578 (LT)

PCL 16166 SEC TBF; LOCATION W 304 PRISKE SITUATE NEAR TERRACE BAY ON THE N SHORE OF LAKE SUPERIOR; TERRACE BAY

PIN 62458-0579 (LT)

PCL 16180 SEC TBF; LOCATION S.V. 455 PRISKE; LOCATION S.V. 456 PRISKE ON THE W SIDE OF TERRACE BAY, N SHORE OF LAKE SUPERIOR; EXCEPT LPA39779 & LPA39780; ALSO EXCEPTING PT 3-9, 55R11271; S/T LT201161; TERRACE BAY

PIN 62458-0591 (LT)

PCL 8591 SEC TBF; BLK B PRISKE SITUATE S OF THE ROW OF THE CANADIAN PACIFIC RAILWAY AT MILE POST 861 N OF TERRACE BAY, LAKE SUPERIOR, IN THE SAID DISTRICT OF THUNDER BAY AS SHOWN ON PL OF SURVEY BY ONTARIO LAND SURVEYOR PETER A. PETERSON DATED JUNE 21, 1897, OF RECORD IN THE DEPARTMENT OF CROWN LANDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEING A STRIP OF LAND S OF AND ADJOINING THE S LIMIT OF THE ROW OF THE CANADIAN PACIFIC RAILWAY N OF TERRACE BAY AFORESAID; COMMENCING AT THE INTERSECTION OF THE W LIMIT OF MINING LOCATION 6 W WITH THE S LIMIT OF SAID ROW, THENCE WLY ALONG THE SOUTHERN LIMIT OF SAID ROW THREE THOUSAND AND SIXTY-TWO FT, THENCE S TWELVE DEGREES TWENTY SEVEN ' W THREE HUNDRED FT, THENCE ELY AND PARALLEL TO THE SLY LIMIT OF SAID ROW THREE THOUSAND ONE HUNDRED AND TWENTY SEVEN FT MORE OR LESS TO THE W LIMIT OF MINING LOCATION 6 W, THENCE NLY ALONG SAID LIMIT THREE HUNDRED FT MORE OR LESS TO THE POB CONTAINING BY ADMEASUREMENT TWENTY-ONE ACRES MORE OR LESS; EXCEPT LPA39780 & PT 1 & 2, 55R11271; T/W OVER PT 2, 55R11271 AS IN F96838; TERRACE BAY AMENDED NOV 16, 2004 FROM THINDER BAY TO THUNDER BAY

Schedule C - Claims to be deleted and expunged from title to the Property

<u>The following claims are to be deleted and expunged from the PINS listed under "Schedule 1"</u>

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

<u>Additional Registrations</u>

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

"SCHEDULE 1"

62458-0314 (LT)

62458-0578 (LT)

62458-0579 (LT)

62458-0591 (LT)

Schedule D – Permitted Encumbrances, Easements and Restrictive Covenants related to the Property

(unaffected by the Approval and Vesting Order)

PIN 62458-0591 (LT)

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

PIN 62458-0314 (LT) & PIN 62458-0579 (LT)

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PIN 62458-0314 (LT)

3. An easement registered on July 27, 2000 as No. F96838 in favour of Hydro Bay Campers Association with rights relating to an access road and service lines over Parts 2, 4, 5 and 7 on Plan 55R-11271.

PIN 62458-0579 (LT)

4. An easement for access and egress purposes registered on July 27, 2000 as No. F96840E.

5. A Land Registrar's order registered on October 6, 2004 as No. F137164 to amend the thumbnail property description by adding T/W No. F96840.

PIN 62458-0314 (LT), PIN 62458-0578 (LT) & PIN 62458-0579 (LT)

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8. Any instruments registered on title to the Property on or before closing by Ontario Power Generation Inc. giving notice of the foregoing rights.

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9. Rights of third parties to use the Casque Isles Trail.

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

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

APPROVAL AND VESTING ORDER
(Non-Mill Property Parcel [●])

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

Pamela Huff LSUC#: 27344V
Tel: 416-863-2958

Michael McGraw LSUC#46679C
Tel: 416-863-4247
Fax: 416-863-2653

Lawyers for the Applicant

22489775.2

This is **Exhibit "I"** 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 April 18, 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:

(i) abridging the time for service of the Notice of Motion, the Motion Record and the Eighth Report of the Monitor, Ernst & Young Inc. (the

"**Monitor**") dated April 18, 2013 (the "**Eighth Report**"), and declaring that the motion is properly returnable on April 23, 2013;

(ii) 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 October 31, 2013;

(iii) declaring that the Disputed D&O Claim (as defined below) is not a claim in respect of an obligation or liability incurred by a director or officer of the Company within the meaning of paragraph 16 of the Initial Order ("**D&O Claim**") and is therefore not a claim secured by the Directors' Charge (as such terms are defined herein);

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

(v) declaring that Liftcapital Corporation ("**Liftcapital**") has no claims against the Sale Proceeds and the Additional Cash on Hand (as defined herein) and any distributions can be made without regard to Liftcapital's registration under the *Personal Property Security Act* (Ontario) (the "**PPSA Registrations**"), and discharging Liftcapital's registration;

(vi) scheduling a motion in which the Company will seek an Order, among other things, fully and finally discharging the Directors' Charge and declaring that, other than in relation to and subject to the priority of the

Administration Charge and the claims secured by the Administration Charge, the security held by the Trustee (as defined herein) has priority over all other claims and security, liens and encumbrances of any kinds against the Sale Proceeds and the Additional Cash on Hand (as these terms are defined below), including, without limitation, the Mill Property Lien Claims (as defined below) (collectively, the "**Subordinate Claims**", which definition, for clarity, does not include any claims, liabilities or obligations secured by the Administration Charge) and permitting an interim distribution of the Sale Proceeds and Additional Cash on Hand, in amounts to be determined by this Court, to be paid to the Trustee without regard to and in priority to the Subordinate Claims;

(vii) scheduling a motion in which the Company will seek an Order pursuant to section 47(1) of the *Construction Lien Act* (Ontario) (the "**CLA**"), among other things, authorizing and directing the Land Registry Office to discharge the Non-Mill Liens (as defined below) and vacating any and all registrations and claims for lien related to the Non-Mill Liens;

(viii) scheduling a motion in which the Company will seek an order pursuant to section 11.1(4) of the *Companies' Creditors Arrangement Act* (the "**CCAA**") permanently staying the proceeding known as *R. v. Terrace Bay Pulp Inc. & Gino Leblanc*, brought by the Ministry of Labour, Legal Services Branch against the Company, commenced by Information sworn on January 10, 2012 in the Ontario Provincial Offences Court (Thunder

Bay) (the "**First OHSA Proceeding**"), and the proceeding known as *R. v. Terrace Bay Pulp Inc., Venshore Mechanical Ltd., Joseph Mykietyn, Arthur Szczepaniak & Alain Zborowski*, brought by the Ministry of Labour, Legal Services Branch against the Company, commenced by Information sworn October 15, 2012 in the Ontario Court of Justice, Thunder Bay (Criminal Division) (the "**Second OHSA Proceeding**", together with the First OHSA Proceeding, the "**OHSA Proceedings**")), in connection with alleged violations under the *Occupational Health and Safety Act* (Ontario), and granting an interim stay of proceedings of the OHSA Proceedings pending the disposition of such motion;

(ix) approving the Seventh Report of the Monitor dated October 23, 2012 (the "**Seventh Report**"), the Eighth Report, and the conduct and activities of the Monitor as described therein; and

(x) such further and other relief as the Company may request and this Court shall deem just.

Background

3. On January 25, 2012, Terrace Bay sought and obtained protection from its creditors CCAA pursuant to the Initial Order an order of the Honourable Mr. Justice Morawetz (as amended and restated, the "**Initial Order**").

4. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as Monitor of the Company.

5. The purpose of this affidavit is to:

(i) update the Court on the Claims Procedure (as defined herein);

(ii) support the Company's request for an extension of the Stay Period until October 31, 2013;

(iii) support the Company's request for a declaration that the Disputed D&O Claim is not a valid D&O Claim;

(iv) support the Company's request for a declaration that Raymar is not a Plan Note Beneficiary (as defined herein);

(v) support the Company's request for a declaration that Liftcapital has no claims against the Sale Proceeds and the Additional Cash on Hand (as defined herein) and any distributions can be made without regard to Liftcapital's registration, and for a discharge of Liftcapital's registration;

(vi) support the Company's request to schedule a motion for a full and final discharge of the Directors' Charge, a declaration that, other than in relation to and subject to the priority of the Administration Charge and the claims secured by the Administration Charge, the security held by the Trustee (as defined herein) has priority over the Subordinate Claims, and for an interim distribution of the Sale Proceeds and Additional Cash on Hand to the Trustee without regard to and in priority to the Subordinate Claims;

(vii) support the Company's request to schedule a motion in which the Company will seek an Order pursuant to section 47(1) of the CLA, among other things, authorizing and directing the Land Registry office to discharge the Non-Mill Liens (as defined below) and vacating any and all registrations and claims for lien; and

(viii) to schedule a motion in which the Company will seek an Order pursuant to section 11.1(4) of the CCAA permanently staying the OHSA Proceedings, and granting an interim stay of the OHSA Proceedings pending such motion;

6. Any capitalized terms not defined herein shall have the meanings ascribed to them in the affidavit of Wolfgang Gericke sworn October 23, 2012, attached hereto without exhibits as **Exhibit "A"**.

Status of Claims Procedure

7. Pursuant to an order dated October 29, 2012, Justice Morawetz approved a procedure for the identification, resolution and barring of certain claims against the directors and officers of Terrace Bay (the **"Claims Procedure"**), in order to determine the quantum of claims, if any, secured by the Directors' Charge (the **"Claims Procedure Order"**). A copy of the Claims Procedure Order is attached hereto as **Exhibit "B"**.

8. Pursuant to the Claims Procedure Order, the deadline for claimants to submit claims was 5:00 p.m. (Toronto time) on December 10, 2012 (the **"Claims Bar**

Date"). I am advised by the Monitor that 19 claims were submitted by the Claims Bar Date, and two claims were submitted after the Claims Bar Date. Further, two other claims were received by the Monitor prior to commencement of the claims process, but these claims were not submitted in connection with the Claims Procedure.

9. The Monitor and its counsel reviewed each of the claims submitted.

10. I am advised by Kristina Desimini, associate at the law firm of Blake, Cassels & Graydon LLP (**"Blakes"**), counsel to the Company, that the Monitor sent Notices of Revision or Disallowance to all 21 claimants that submitted D&O Claims pursuant to the Claims Procedure Order, disallowing all 21 claims in full.

11. The Claims Procedure Order states that if a Claimant disputes a Notice of Revision or Disallowance, such Claimant shall deliver a Notice of Dispute to the Monitor by no later than 5:00 p.m. (Toronto time) on the day which is fourteen days after the date of the Notice of Revision or Disallowance. If no Notice of Dispute is so delivered, the Claims Procedure Order states that the Claimant is deemed to accept the classification and amount of its D&O Claim as set out in the Notice of Revision or Disallowance.

12. I am also advised by the Monitor that it received Notices of Dispute from two D&O Claimants, John Hedican Enterprises (**"JHE"**) and Milani Outdoor Fabrics Inc. (**"MOFI"**), by the deadline imposed in the Claims Procedure Order. Copies of such Notices of Dispute are attached hereto as **Exhibit "C"**.

13. MOFI withdrew its Notice of Dispute via e-mail to the Monitor, dated January 25, 2013. A copy of the e-mail is attached hereto as **Exhibit "D"**.

Disputed D&O Claim

14. JHE's D&O Claim is a trade claim that relates to the provision of portable toilets and ancillary services, provided by JHE to the Company and invoiced on October 24, 2011. The value of this claim is $791.00. A copy of Proof of D&O Claim is attached hereto as **Exhibit "E"**.

15. The Monitor supports Terrace Bay's determination that the JHE claim (the "**Disputed D&O Claim**") is not a claim properly made in the Claims Procedure, because (i) the claim relates to debts incurred prior to commencement of the within proceedings; and (ii) the claim does not demonstrate an existing or future right or claim against one or more of the Directors and/or Officers of the Company in respect of any obligations and liabilities which arose or were incurred after the commencement of the within proceeding. A copy of the Notice of Disallowance issued by the Monitor in respect of the Disputed D&O Claim is attached hereto as **Exhibit "F"**.

16. Paragraph 15 of the Claims Procedure Order provides that upon receipt of a Notice of Dispute, the Monitor may: (a) investigate the D&O Claim; (b) attempt to consensually resolve the D&O Claim; (c) deliver a Dispute Package to the Claims Officer together with instructions regarding the issues to be determined by the Claims Officer in relation to the D&O Claim; and/or (d) schedule a 9:30 a.m.

appointment with the Court for the purpose of scheduling a motion to resolve or determine the D&O Claim or any ancillary issues.

17. Notwithstanding the above, as there is only one Disputed D&O Claim, to reduce expense and for purposes of efficiency, Terrace Bay wishes to have the Disputed D&O Claim determined by the Court in the within motion. I am advised by Ms. Desimini that JHE was given adequate notice of the Company's motion.

First Interim Distribution

Sale Proceeds

18. Pursuant to an order dated July 19, 2012 (the "**Approval and Vesting Order**"), Justice Morawetz, among other things, approved a transaction involving the sale of substantially all of the assets of Terrace Bay relating to its business (the "**AVTB Transaction**") to AV Terrace Bay Inc. (the "**Purchaser**"). A copy of the Approval and Vesting Order is attached hereto as **Exhibit "G"**.

19. The AVTB Transaction closed on July 23, 2012. A copy of the Monitor's certificate certifying the same is attached hereto as **Exhibit "H"**.

20. Pursuant to the Approval and Vesting Order, on closing, the Purchaser paid the cash portion of the purchase price, being $1,917,625.95 (the "**Sale Proceeds**").

21. Pursuant to paragraph 5 of the Approval and Vesting Order, Sale Proceeds were paid by the Purchaser to the Monitor, in trust for Terrace Bay. The Company intends to seek one or more Orders permitting a distribution to be made by

Terrace Bay from the Sale Proceeds to the Trustee without regard to, and in priority to, the Subordinate Claims, but subject to appropriate reserves being maintained in relation to the continuing administration of this proceeding and the Administration Charge as are agreed to by the Company and the Monitor and/or ordered by the Court.

22. Pursuant to the asset purchase agreement between the Company and the Purchaser dated July 5, 2012 in connection with the AVTB Transaction (the "**Purchase Agreement**"), the total purchase price was paid as consideration for all or substantially all of the real and personal assets of the Company used in connection with its pulp mill, located at 21 Mill Road in the Township of Terrace Bay, Ontario (the "**Mill Property**") producing or capable of producing various blends of northern bleached softwood kraft pulp and northern bleached hardwood kraft pulp, together with certain other byproducts (collectively, the "**Business**").

23. The Mill Property Lien Claims (as defined below) purport to relate to work performed or services provided in respect of the Mill Property and the Business, which were transferred to the Purchaser in connection with the AVTB Transaction, free and clear of all liens and claims as more particularly set out in the Approval and Vesting Order, including any liens or claims asserted by the Mill Property Lien Claimants and the Non-Mill Property Lien Claimants (as defined below).

24. The purchase price was allocated among the purchased assets as set out in the allocation statement which was Schedule 3.3 to the Purchase Agreement (the "**Allocation Statement**") and is attached hereto as **Exhibit "I"**.

Additional Cash on Hand

25. Following the closing of the AVTB Transaction and the transfer of the Business to the Purchaser, the Company received refunds of certain customer deposits and security deposits which comprised excluded assets under the AVTB Transaction. A portion of the funds received have been used to meet the Company's ongoing expenses, and the remainder is cash on hand at the Company (the "**Additional Cash on Hand**").

26. The Company intends to seek one or more Orders permitting a distribution to be made by Terrace Bay from the Additional Cash on Hand to the Trustee without regard to, and in priority to, the Subordinate Claims, but subject to appropriate reserves being maintained in relation to the continuing administration of this proceeding and the Administration Charge as are agreed to by the Company and the Monitor and/or ordered by the Court.

Non-Mill Property

27. As described in greater detail below, the Company and the Monitor continue to work towards a sale of the Non-Mill Property (as defined below). As of the date of this affidavit, there are no proceeds with respect to the Non-Mill Property.

Court-Ordered Charges

Administration Charge

28. Pursuant to the Initial Order, the Court granted a charge in favour of the Monitor, counsel to the Monitor, and counsel to Terrace Bay, (the "**Administration Charge**") against the property of Terrace Bay up to a maximum amount of $750,000, as security for professional fees and disbursements before and after the Initial Order.

29. Pursuant to the Initial Order, the Administration Charge ranks in priority to all other security interests, trusts, liens, charges and encumbrances in respect of the Company's property.

30. The parties entitled to the benefit of the Administration Charge have rendered invoices to the Company from time to time, which have been paid in the ordinary course by the Company. The Company intends to keep current all invoiced amounts and for appropriate reserves to be maintained in connection with any distributions that are proposed to be made to the Trustee.

Directors and Officers' Charge

31. Pursuant to the Initial Order, the Directors' Charge is second in priority to the Administration Charge.

32. Terrace Bay has conducted the Claims Procedure detailed above. Other than the Disputed D&O Claim, there are no outstanding claims against the directors or officers of the Company that would be covered by the Directors' Charge.

33. As described above, the Company and the Monitor believe that the Disputed D&O Claim is without merit as a claim against directors or officers of Terrace Bay.

34. As described above, Terrace Bay sold and transferred its pulp mill and all or substantially all of the related business assets to the Purchaser in connection with the AVTB Transaction, and the Purchaser has continued the employment of substantially all of the former Terrace Bay employees. Terrace Bay is no longer operating any business and has no employees, so there is no practical risk of future claims against the directors and/or officers of Terrace Bay.

35. Consequently, if the Court finds that the Disputed D&O Claim is not a valid claim against the Directors' Charge, the Directors' Charge can be discharged.

Other Charges

36. Other than the Administration Charge and the Directors' Charge, there are no other priority charges against the property of Terrace Bay.

Secured Creditors

Province Loan

37. As at January 23, 2012, the principal amount of $24,166,666.00, together with interest accrued thereon to January 23, 2012 (the "**Province Loan Obligations**"), remained outstanding pursuant to the loan agreement between the Company and the Province dated September 15, 2010 (the "**Province Loan Agreement**").

38. The AVTB Transaction was structured to repay the Province Loan Obligations in full by way of loan forgiveness by the Province of Ontario, as represented by the Minister of Northern Development and Mines (formerly the Minister of Northern Development, Mines and Forestry) (the "**Province**"). The Purchase Agreement required that the Province discharge all security securing the Province Loan Obligations.

39. Taking into account the forgiveness of Province Loan Obligations, the effective consideration for the AVTB Transaction was in excess of $27,000,000.

40. As a result of the AVTB Transaction, the Province Loan Obligations have been repaid in full and all security held by the Province has been discharged.

Trustee under the 2010 Plan Note

41. By Order dated March 11, 2009, Terrace Bay filed for and obtained protection from its creditors under the CCAA, to enable the Company to pursue a

restructuring of its business for the benefit of its stakeholders (the "**First CCAA Proceeding**").

42. On May 21, 2011, Terrace Bay filed a plan of compromise and arrangement (as amended, the "**CCAA Plan**"), which was approved by affected creditors of Terrace Bay in accordance with the CCAA, and sanctioned by Order of the Honourable Mr. Justice Morawetz dated July 27, 2010 (the "**Sanction Order**"). A copy of the CCAA Plan and the Sanction Order are attached hereto as **Exhibit "J"**.

43. The Sanction Order authorized and directed the Company and the Monitor to take all steps and actions necessary or appropriate to implement the CCAA Plan. The CCAA Plan required that the Company issue a promissory note (the "**Plan Note**") to Computershare Trust Company of Canada (the "**Trustee**"), to be held by the Trustee for and on behalf of the holders of Proven Unsecured Claims (as defined in the CCAA Plan) (collectively, the "**Plan Note Beneficiaries**").

44. In accordance with the CCAA Plan, the Plan Note was issued on September 15, 2010. Terrace Bay's obligations under the Plan Note are secured by all assets, property and undertakings, real and personal, of the Company. The Trustee registered a security interest against all present and after-acquired personal property under the *Personal Property Security Act* (Ontario) (the "**PPSA**") (the "**Plan Note Security Interest**") on September 14, 2010, and a charge/mortgage over all of Terrace Bay's real property (the "**Plan Note Charge**") on September 15, 2010.

45. At the time of registration of the Plan Note Security Interest, the Plan Note Security Interest was a first priority security interest against all personal property of the Company, subordinate only to security taken by Terrace Bay's operating lender, Callidus Capital Corporation (**"Callidus"**) and security taken by the Province.

46. At the time of registration of the Plan Note Charge, the Plan Note Charge was a first priority charge against all personal property of the Company, subordinate only to security taken by Callidus and the Province.

47. Both the Province and Callidus have since been paid in full and discharged all of their respective personal and real property security. As a result, except as set out below, the Trustee maintains a first priority security interest and charge against all the real and personal property of the Company, dating from September 15, 2010, the date of plan implementation.

48. The face amount of the Plan Note is $30 million. The repayment amount under the Plan Note was structured on a sliding scale based on Terrace Bay's cumulative net income following implementation of the 2010 Plan to permit greater recovery at higher levels of cumulative net income. The cumulative net income is calculated as of the maturity date under the Plan Note. As the Company's filing under the CCAA is an event of default under the Plan Note, the Plan Note matured on January 25, 2011 upon commencement of these proceedings.

49. Based on the cumulative net income of the Company to January 25, 2011, the amount payable under the Plan Note is $10 million. The obligations under the Plan Note do not bear interest.

Other Secured Creditors

50. The Company maintained its obligations for payroll, source deductions, and HST up to the closing of the AVTB Transaction. As at closing of the AVTB Transaction, the Company was current in respect of its income taxes.

51. All creditors who claim an interest in the real or personal property of the Company, including governmental creditors or others who may have deemed trust or statutory priority claims, will be served with materials in support of this motion.

52. Pursuant to paragraphs 30 to 32, inclusive, of the Initial Order, the Administration Charge and the Directors' Charge rank in priority to all security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise.

PPSA Creditors

53. The chart below details the personal property security registrations made against the Company in Ontario, Manitoba, Alberta, Quebec, New York, Wisconsin and District of Columbia. All registrations occurred after registration of the Plan Note Charge (as defined herein).

Secured Party	Description
Trustee	Registrations filed in Ontario, Quebec, New York, Wisconsin and the District of Columbia between September 14-16, 2010, against all assets of Terrace Bay. The Ontario and Quebec registrations expire September 14, 2020.
Xerox Canada Ltd.	Registered in Ontario on October 1, 2010 against "Equipment" and "Other". Expiry date: October 1, 2014
	Registered in Ontario on October 4, 2010 against "Equipment" and "Other". Expiry date: October 4, 2013
	Registered in Ontario on January 6, 2011 against "Equipment" and "Other". Expiry date: January 6, 2017.
Liftcapital Corporation	Registered in Ontario on December 8, 2010 against material handling equipment. Expiry date: December 8, 2014.

Xerox

54. Xerox Canada Ltd. ("**Xerox**") has three PPSA registrations against Terrace Bay in respect of certain copy equipment subject to a lease in favour of Xerox.

55. On April 16, 2013, Ms. Desimini sent a letter to Xerox, requesting that Xerox indicate whether any amounts are owing to Xerox by Terrace Bay, and if not, requesting that Xerox discharge its registrations against Terrace Bay. A copy of the Xerox letter is attached hereto as **Exhibit "K"**.

Liftcapital

56. Liftcapital Corporation ("**Liftcapital**") has a PPSA registration against Terrace Bay in respect of a used 2007 Toyota truck, which is subject to a lease in favour of Liftcapital.

57. The Company believes that all obligations owing to Liftcapital have been paid in full.

58. Accordingly, the Company seeks a declaration from the Court that Liftcapital has no claims against the Sale Proceeds and the Additional Cash on Hand and that any distributions can be made without regard to Liftcapital's registration. The Company also seeks an Order discharging Liftcapital's registration.

Real Property Secured Creditors

59. As described above, the Trustee maintains a charge against the real property of Terrace Bay. The Plan Note Charge was registered prior to the registration of all other charges against the real property of Terrace Bay.

Construction Lien Claims

Overview

60. As described in my affidavit sworn January 24, 2012 (the "**Gericke Affidavit**"), a copy of which is attached hereto (without Exhibits) as **Exhibit "L"**, various parties registered construction lien claims against Terrace Bay's real property pursuant to the CLA. As described in greater detail below, certain parties have registered construction lien claims against the Mill Property (the "**Mill Property Lien Claimants**"), while certain parties, including certain of the Mill Property Lien Claimants, have registered construction lien claims (the "**Non-Mill Liens**") against the Non-Mill Property (as defined below).

Mill Property Lien Claims

61. The claims of the Mill Property Lien Claimants fall into three categories:

(i) claims relating to two projects approved and funded by Natural Resources Canada (“**NRC**”) 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 (each a “**GTP Claim**”);

(ii) claims that relate 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 Property on or about October 31, 2011 (each a “**Repair Claim**”); and

(iii) claims that relate to work performed in connection with the Mill Property, relating mainly to the annual shutdown of the Mill Property (each a “**General Claim**”; all General Claims, together with the GTP Claims and the Repair Claims, are collectively referred to as the “**Mill Property Lien Claims**, and those with Mill Property Lien Claims are referred to as “**Mill Property Lien Claimants**”).

62. The Mill Property Lien Claims are registered on title to the Mill Property, which, as described above, was sold to the Purchaser. An updated copy of a title search of the Mill Property will be filed with the Court prior to the return of the motion described in paragraph 2(vi) above.

63. Based on the information provided to me by Aaron Blazina, the Controller of Terrace Bay, information contained in the books and records of Terrace Bay, the Monitor, Ms. Desimini and the Mill Property Lien Claimants, the claims of the

Mill Property Lien Claimants, including the current amount owing on each claim, are detailed in the chart below:

Lien Claimant	Description of Original Claim[1]	Work Period[2] (M/D/Y)	Date of registration of Construction Lien (M/D/Y)	Amount Paid pursuant to GTP Project	Amount of Repair Claim Paid	Amount of Remaining Claim[3]
North West Installations Inc.	GTP Claim : $26,768.57 Supply of transition pieces - fully assembled with expansion joint ¼" blanking plate to be installed in upper bolted flange of expansion joint, ¼" blanking plank; expansion joint as per flakt drawing c26090 carbon steel, additional items for expansion joints, 400' 178" x 1 – ½" flatbar supplied in 10' pieces, gaskets re: expansion joint	09/29/11 to 10/18/11	11/30/11	$23,689	n/a	$3,079.57 [Terrace Bay]
Fabmar Metals Inc.	General Claim: $75,505.80 Supply of services, material and labour to complete work required by Terrace Bay in order to fabricate metal plates and grates for various	09/15/11 to 10/19/11	12/02/11	n/a	n/a	$75,505.80 [Terrace Bay]

[1] As described in the affidavit of Taras Sawula sworn January 27, 2012.
[2] Time period during which goods and/or services were provided.
[3] Where the claimant and the Company are in disagreement of the amount of the remaining claim, this is indicated in square brackets below.