

Lien Claimant	Description of Original Claim	Work Period (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
	equipment					
Mills & Manufacturing Acrylic Products Ltd.	General Claim: \$47,484.42 Labour and material costs with respect to repair of brown stock high density tank, and resurfacing of reclaim floor	10/12/11 to 10/25/11	12/05/11	n/a	n/a	\$47,484.42 [Terrace Bay]
KMH Engineering Inc.	General Claim: \$12,976.36 Engineering services	06/06/11 to 10/21/11	12/05/11	n/a	n/a	\$12,976.36 [Terrace Bay]
TISI Canada Inc.	Repair Claim: \$7,091.88; General Claim: \$378,542.81 Destructive testing services	09/06/11 to 11/07/11	12/05/11	n/a	\$7,091.17 paid	\$378,542.81 [Terrace Bay]
Vector Construction Ltd.	GTP Claim: \$9,276.17; General Claim: \$249,613.19 Supply of labour, materials, equipment in connection with general repairs and maintenance to	10/17/11 to 10/24/11	12/08/11	\$7,741.83 and \$461.17	n/a	\$250,680.36 [Terrace Bay] \$258,889.36 plus accrued interest and costs [Claimant]

Lien Claimant	Description of Original Claim	Work Period* (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
	the plant at 21 Mill Road, Terrace Bay, Ontario, including repairs to boilers 1, 2 and 3, refractory repairs to kiln #2 and repairs to recovery boiler #2					
FRP Systems Ltd.	GTP Claim: \$2,888.69; General Claim: \$126,559.23 Supply of materials and labour for bleach plant maintenance	09/30/11 to 10/25/11	12/09/11	\$2,325.26 and \$231.10	n/a	\$126,370.41 [Terrace Bay]
EKT 90 Inc.	General Claim: \$534,958.16 Supply of services and labour	10/14/11 to 10/31/11	12/13/11	n/a	n/a	\$534,958.16 [Terrace Bay] \$670,140.30 including interest and excluding legal fees [Claimant]

Lien Claimant	Description of Original Claim	Work Period (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
Link Steel & Mechanical Inc.	GTP Claim: \$334,148.33; General Claim: \$519,236.59 Necessary services, material and labour so as to complete the work required by Terrace Bay to maintain and repair boiler #2, boiler #3, boiler #4, and the precipitator at Terrace Bay	10/20/11 to 11/22/11	12/19/11	\$188,240.05, \$76,350.32, \$17,094.64 and \$14,021.46	n/a	\$566,231.39 [Terrace Bay] \$853,384.92 [Claimant]
North American Kiln Service Inc.	General Claim: \$100,036.95 Maintenance, repairs and labour to lime kiln	11/02/11 (no completion date indicated in lien)	12/19/11	n/a	n/a	\$100,036.95 [Terrace Bay and Claimant]
Skyway Canada Limited	GTP Claim: \$361,306.80; Repair Claim: \$52,578.36; General Claim: \$32,494.08 Labour and equipment related to scaffolding	09/30/11 to 11/29/11	01/04/12	\$46,966.12, \$243,455.94, \$9,432.75 and \$19,885.63	\$52,578.36 paid	\$411,896.40 [Terrace Bay]; \$412,127.18 [Claimant]

Lien Claimant	Description of Original Claim	Work Period (M/D/Y)	Date of registration of Lien (M/D/Y)	Amount Paid pursuant to GTP Project	Amount of Repair Claim Paid	Amount of Remaining Claim
Venshore Mechanical Ltd.	GTP Claim: \$680,256.66; General Claim: \$625,733.11 Supply of materials, labour, tools, equipment, supervision and instrumentation, for the GTP Project; to complete miscellaneous rebuilds and replacements of existing plant equipment, to fabricate and replace worn blow line sections, to repair existing blow tanks and hot water accumulators, to replace effluent piping, and to modify, fabricate, and install ESP support steel	06/20/11 to 11/29/11	01/05/12	\$562,518.52, \$3,568.96 and \$35,909.57	n/a	\$703,992.70 [Terrace Bay]
Vensky-Pouru Electric Limited	GTP Claim: \$214,289.10; Repair Claim: \$81,120.73; General Claim: \$47,379.14 Supply of labour, supervision and materials to install new lightning arrestors, repair hydro lines, assist the GTP Project, work on Precip	09/12/11 to 11/24/11	01/05/12	\$160,524.88, \$11,303.38 and \$16,885.04	\$81,120.73 paid	\$57,866.03 [Terrace Bay]

Lien Claimant	Description of Original Claim	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
	SIR and controls, work on recovery boiler overgate burners, beck dampers and data, assist sub-trades and work on high voltage cables					
Alstom Power & Transport Canada Inc.	GTP Claim: \$2,291,616.73; General Claim: \$358,665.88 Supply of engineering and manufacturing, and the installation of boiler and environmental equipment upgrades	08/17/11 to 11/23/11	01/09/12	\$1,300,986.84, \$250,522.63, \$216,471.58 and \$250,800	n/a	\$373,854.37 [Terrace Bay]
Keating Insulation Inc.	GTP Claim: \$136,716.81; Repair Claim: \$36,569.53; General Claim: \$39,336.74 Supply of services and labour	10/06/11 to 11/28/11	01/10/12	\$90,189.36, \$16,351.61, and \$14,447.35	\$36,569.53 paid	\$55,979.05 [Terrace Bay] \$59,463.89 including interest and excluding legal fees [Claimant]

Lien Claimant	Description of Original Claim	Work Period (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
A.H. Lundberg Systems Limited	GTP Claim: \$1,516,421.81 Supply of materials, equipment, engineering design and analysis (mechanical and process) drawings and technical specifications for an odour abatement system	06/23/11 to 12/30/11	01/12/12	\$1,234,482.22, \$74,492.45 and \$33,025	n/a	\$195,628.39 [Terrace Bay]

64. I am advised by Ms. Desimini that Alstom Power & Transport Canada Inc. served a Notice of Discontinuance of its claim on April 2, 2013. A copy of the Notice of Discontinuance is attached hereto as **Exhibit "M"**.
65. As set out above, the Mill Property Lien Claims relate to services and materials provided in respect of the Mill Property between June and December 2011. Based on the books and records of Terrace Bay, the earliest provision of services or materials occurred on or about June 6, 2011.
66. Further, no certificates of substantial performance were issued to any parties with Mill Property Lien Claims, and the contracts that gave rise to the Mill Property Lien Claims were not subject to a payment certification process.
67. I am advised by Ms. Desimini that nine of the Mill Property Lien Claimants are also Plan Note Beneficiaries who would be entitled to a distribution under the Plan Note in respect of their claim in the 2010 Plan if a distribution was made to the Trustée.
68. The Plan Note Charge was registered on title to Terrace Bay's real property on September 15, 2010. This was prior to the registration of any other interest against the real or personal property of Terrace Bay including the registration of any of the Mill Property Lien Claims (the first registration occurred on November 30, 2011), and prior to the time when any work was commenced in respect of any of the Mill Property Lien Claims (on or about June 6, 2011).

69. I am advised by Ms. Desimini that as a result of the timing of the registrations and commencement of work with respect to the Mill Property Lien Claims described above, pursuant to the CLA, the Trustee has priority over the Sale Proceeds arising from the sale of the Mill Property to the extent of the actual value of the Mill Property at the time when the first lien arose in respect of the Mill Property Lien Claims.

70. Accordingly, and in the interests of not incurring unnecessary costs and expenses and the Court's time, neither the Company nor the Monitor have, to date, vetted the Mill Property Lien Claims for quantum and timeliness and reserve the right to do so should it become necessary.

Valuation of the Mill Property

71. On or about September 29, 2006, Suncorp Valuations Ltd. ("Suncorp") conducted an appraisal of the Mill (excluding land) for the purpose of determining the replacement cost of such property (the "Appraisal"). A copy of the Appraisal is attached hereto as **Exhibit "N."**

72. Pursuant to the Appraisal, the replacement cost of Terrace Bay's mill (referred to as "building construction" in the Appraisal) as of September 29, 2006 was \$184,911,000. No environmental audit was conducted in connection with the Appraisal.

73. Pursuant to the Allocation Statement, the portion of the Purchase Price allocated to Terrace Bay's real property was \$500,000.

74. On or about March 19, 2010, True Grit Consulting Ltd. prepared a report detailing the Company's environmental issues and offering a preliminary cost analysis relating to environmental remediation liabilities associated with the Mill (the **"True Grit Report"**). The purpose of the True Grit Report was to provide with a reliable estimate of the most likely cost associated with bringing the Mill Property into compliance with applicable environmental regulatory requirements based on previously documented areas of environmental liability. Pursuant to the True Grit Report, the most likely value for the remediation of the 10 areas of liability as identified in the True Grit Report and the probable cost for the demolition and restoration as at March of 2010, exclusive of other costs, such as engineering, management and supervision costs, was approximately \$44,072,000. A copy of the True Grit Report is attached hereto as **Exhibit "O."**
75. Further, the land transfer tax statements filed in connection with the AVTB Transaction indicates that the total consideration was \$500,000, and this entire amount was allocated to the value of land, building, fixtures and goodwill. A copy of the land transfer tax statements is attached hereto as **Exhibit "P"**.
76. Pursuant to municipal tax bills issued to Terrace Bay by the Township of Terrace Bay, the assessment of Mill Property in 2010, 2011 and 2012 was \$22,684,029, \$22,892,015 and \$23,100,000 respectively. Copies of the municipal tax bills are attached hereto as **Exhibit "Q"**.

The Non-Mill Property Lien Claims

77. Certain of the Mill Property Lien Claimants (the "**Non-Mill Property Lien Claimants**") also have made and continue to maintain registrations under the CLA asserting lien claims against real property owned by Terrace Bay which is unrelated to the Mill and the Business and is currently being marketed by the Company and the Monitor including:

- (i) a 9-hole golf course located in the Township of Terrace Bay (the "**Township**"), adjacent to the Aguasabon River, Lake Superior and the commercial centre of the Township (the "**Golf Course**"). The Golf Course is situated next to vacant lands that could be subdivided for residential use;
- (ii) an airstrip (the "**Airstrip**") that is currently being leased to the Township. The Airstrip, which is approximately 199 acres in area, is north of the centre of the Township and abuts the mill site;
- (iii) approximately 800 acres of vacant lands with approximately 5 kilometres of lakefront exposure (the "**Eastern Lands**"). These Eastern Lands are located to the south and east of the centre of the Township and are located directly on Lake Superior; and
- (iv) lands, totaling approximately 3,600 acres to the south and west of the mill site (the "**Western Lands**", and together with the Airstrip, Golf Course and Eastern Lands, the "**Non-Mill Property**").

78. On March 19, 2013, Ms. Desimini sent a letter to the Non-Mill Property Lien Claimants asserting claims against the Non-Mill Property setting out the Company's position that all work or services provided by these claimants was

performed solely on or in relation to assets which were sold to the Purchaser pursuant to the AVTB Transaction (the "**Lien Claimant Letter**"). A copy of the Lien Claimant Letter is attached hereto as **Exhibit "R"**.

79. Pursuant to the Lien Claimant Letter, Terrace Bay advised that it saw no basis upon which any of the Non-Mill Property Lien Claimants could maintain any valid registrations against the Non-Mill Property. Accordingly, Terrace Bay requested that the Non-Mill Property Lien Claimants indicate what amounts (if any) were owing by Terrace Bay pursuant to their claims, and immediately discharge and vacate any and all registration against the Non-Mill Property.
80. As at the date of this affidavit, eight of the 16 Non-Mill Property Lien Claimants have responded to the Lien Claimants Letter, copies of which are attached hereto as **Exhibit "S"** and reflected in the below chart. Currently, two of the Non-Mill Property Lien Claimants have agreed to discharge their registrations against title to the Non-Mill Property.
81. Accordingly, on this motion, the Company seeks 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 liens relating to the Non-Mill Property Lien Claims (the "**Non-Mill Liens**") and vacating any and all registrations and claims for lien related to the Non-Mill Liens. An updated title search of the Non-Mill Property will be filed with the Court prior to the return of this motion.

Raymar Claim

82. On December 18, 2009, Justice Morawetz granted an order approving a claims process for the determination of claims of Terrace Bay's creditors, (as amended, the "**Claims Order**") in connection with the First CCAA Proceeding.
83. Raymar submitted a claim pursuant to the Claims Order for \$10,194.30 which remains unproven (the "**Raymar Claim**").
84. The Raymar Claim relates to outstanding invoices owing by Buchanan Forest Products Ltd., a corporation which was adjudged bankrupt on October 22, 2009. The Raymar Claim therefore does not relate to debts properly owing by Terrace Bay. As a result, Raymar does not have a valid claim against Terrace Bay.
85. By letter from Ms. Desimini dated January 25, 2013, Terrace Bay notified Raymar of the within proceeding (the "**Raymar Letter**"), and advised Raymar of its position that Raymar does not have a valid claim against Terrace Bay. A copy of the Raymar Letter is attached hereto as **Exhibit "T"**.
86. The Raymar Letter indicates that if Raymar disputes the position taken by Terrace Bay, Raymar should respond to Terrace Bay, outlining its position, no later than by February 1, 2013.
87. I am advised by Ms. Desimini that the Raymar Letter was mailed to the address provided by Raymar, along with the Raymar Claim.

88. On February 11, 2013, Ms. Desimini sent a copy of the Raymar Letter to the address listed as the registered office and mailing address for Raymar in its corporation profile report obtained from the Ontario Ministry of Government Services. A copy of the corporation profile report for Raymar is attached hereto as Exhibit "U".
89. On February 11, 2013, Ms. Desimini also sent a copy of the Raymar Letter to the address indicated in Raymar's corporation profile report for its director, Guy Santorelli, which letter was returned due to "no such address."
90. As at the date of this affidavit, Terrace Bay has not received a response to the Raymar Letter.
91. The Company is seeking a declaration that that 1670721 Ontario Inc., operating under the business name Raymar, is not a Plan Note Beneficiary (as defined herein).

Other Plan Note Beneficiary Claims

92. If a distribution is made to the Trustee, the Company may seek further orders from the Court with respect to the claims of certain Plan Note Beneficiaries.

OHSA Proceedings

93. The First OHSA Proceeding relates to an incident which occurred on Terrace Bay's former operating premises on or about January 13, 2011.

94. On October 10, 2012, Terrace Bay received a summons to appear before the Ontario Court of Justice (Thunder Bay) in connection with the Second OHSA Proceeding, which relates to an incident which occurred on Terrace Bay's former operating premises on or about October 31, 2011.
95. By letters dated October 23, 2012, November 16, 2012 and January 18, 2013, Marc Flynn of Blakes advised Line Forestier, Crown Counsel, Ministry of Labour ("Crown Counsel") and the Ontario Court of Justice (Thunder Bay) of the existence of the within proceeding, and Terrace Bay's position that claims being made in the OHSA Proceedings are creditor claims and therefore subject to the stay of proceedings (the "OHSA Letters"). Copies of the OHSA Letters (without exhibits) are attached hereto as Exhibit "V".
96. The purpose of the OHSA Proceedings is to determine whether certain penalties under the OHSA can be applied against Terrace Bay. Terrace Bay is concerned that responding to the issues raised in the OHSA Proceedings would involve significant time and resources, and would deplete the funds available for distribution to creditors of Terrace Bay. Any financial obligation incurred in responding to the OHSA Proceedings would only assist the Ministry of Labour in quantifying its claim against Terrace Bay, and provides no benefit to other creditors of Terrace Bay.
97. The OHSA Proceedings are very complex, as they involve incidents which occurred on Mill Property and which caused injury and (in the case of the Second OHSA Proceeding) loss of life. The OHSA Proceedings involve multiple

defendants and will require review of considerable documentation, as well as expert evidence.

98. In the OHSA Letters, Terrace Bay takes the position that if a conviction is entered against Terrace Bay in the OHSA Proceedings, the associated remedy is wholly financial or monetary in nature. If the statutory penalties were levied against Terrace Bay, the Ministry of Labour would be a creditor of Terrace Bay for the quantum ordered in connection with the OHSA Proceedings.
99. Terrace Bay further advised in the OHSA Letters that even if the Ministry of Labour was able to obtain a conviction such that the statutory penalties would apply, the stay of proceedings in the within proceeding would continue to prevent the Ministry of Labour from taking steps to enforce its rights as a creditor against Terrace Bay. Further, any claim of the Ministry of Labour against Terrace Bay, as a result of the OHSA Proceedings or otherwise, is an unsecured claim in the CCAA proceedings in respect of Terrace Bay, and is subordinate to the claims of Terrace Bay's secured creditors.
100. By letters dated October 24, 2012 and November 22, 2012 respectively, Crown Counsel provided a response to Terrace Bay's position as set out in the OHSA Letters. Copies of these letters are attached hereto as Exhibit "W".
101. I am advised by Ms. Desimini that the First OHSA Proceeding and the Second OHSA Proceeding have been adjourned to May 3, 2013 and May 29, 2013, respectively.

102. Terrace Bay intends to bring an application under Section 11.1(4) to permanently stay the OHSA Proceedings. In the interim, it requests that the Court order an interim stay so that it is not prejudiced by any interim step in the proceedings. All parties to the OHSA Proceedings will be served with materials for this motion.

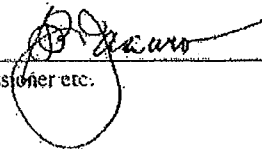
Revised Cash Flow

103. Attached as Appendix F to the Eighth Report is a copy of the Company's revised Cash Flow Projection (the "**Revised Cash Flow Projection**"). The Company has sufficient resources to continue to market its remaining assets, and the stay of proceedings is in place until April 30, 2013.

Good Faith & Due Diligence

104. For the reasons described above, Terrace Bay is requesting an extension of the Stay Period to and including October 31, 2013. Terrace Bay has been and continues to operate in good faith and with due diligence, with a view to completing the sale of the Non-Mill Property, adhering to the Claims Procedure, and distributing the Sale Proceeds, subject to further direction of the Court as may be required.
105. This affidavit is made in support of the Company's motion for an order, among other things, approving an extension of the Stay Period until October 31, 2013, and for no other or improper purpose.

SWORN BEFORE ME at the City of
Thunder Bay, in the Province of Ontario
this 18 day of April, 2013


A Commissioner etc.

B. PAUL JASIURA


WOLFGANG GERICKE

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

AFFIDAVIT OF WOLFGANG GERICKE
(Sworn April 18, 2013)

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Lawyers for the Applicant

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



A COMMISSIONER, ETC.

B. PAUL JASIURA

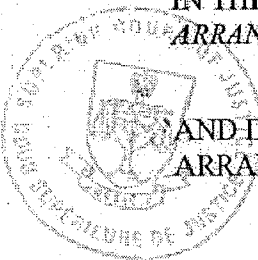
Court File No. CV-12-9566-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	THURSDAY, THE 16 th
	)	
JUSTICE MORAWETZ	)	DAY OF MAY, 2013

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

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



Applicant

ORDER
(Re: Disputed D&O Claim, Interim Distribution and
Scheduling of Construction Lien Motion)

THIS MOTION, made by Terrace Bay Pulp Inc. (the "**Company**"), for an order

(a) declaring that the Disputed D&O Claim (as defined in the affidavit of Wolfgang Gericke sworn April 18, 2013 (the "**Gericke Affidavit**")) 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 Order of the Honourable Mr. Justice Morawetz dated January 25, 2012, as amended and restated (the "**Initial Order**") and is therefore not a claim secured by the Directors' Charge (as defined at paragraph 17 of the Initial Order);

(b) 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 (as such term is defined at paragraph 28 of the Initial Order), the security held by the Trustee (as defined in the Gericke Affidavit) 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 such terms are defined in the Gericke Affidavit), including, without limitation, the Mill Property Lien Claims (as defined in the Gericke Affidavit) and permitting an interim distribution of the Sale Proceeds and Additional Cash on Hand, in the amount of \$1,825,000, to be paid to the Trustee; and (c) approving the Further Amended and Restated Report of the Monitor, Ernst & Young Inc. (the "Monitor") dated April 19, 2013 (the "Further Amended and Restated Eighth Report"), and the conduct and activities of the Monitor as described therein; was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Gericke Affidavit, the Supplementary affidavit of Wolfgang Gericke sworn May 10, 2013, the Second Supplementary affidavit of Wolfgang Gericke sworn May 14, 2013 and the Exhibits thereto, the factum of the Company dated May 1, 2013, the factum of the Her Majesty the Queen in right of Ontario as represented by the Ministry of Labour (the "Crown") dated May 8, 2013, the Further Amended and Restated Eighth Report, the Ninth Report of the Monitor dated May 14, 2013 and the Order of this Court made on July 19, 2012 (the "AVTB Sale Approval Order"), and on hearing the submissions of counsel for the Company, the Monitor, and the Crown, no one appearing for any other person on the service list although properly served.

DEFINED TERMS

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

SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Further Amended and Restated Eighth Report is hereby abridged so that this Motion is properly returnable today and that any requirement for service of the Notice of Motion, the Motion Record and the Further Amended and Restated Eighth Report on any parties other

than the parties actually served with the Notice of Motion, Motion Record and the Further Amended and Restated Eighth Report is hereby dispensed with and that service in the manner effected by the Company is validated in all respects.

DISPUTED D&O CLAIM

3. **THIS COURT ORDERS AND DECLARES** that the Disputed D&O Claim 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 and is therefore not a claim secured by the Directors' Charge.

INTERIM DISTRIBUTION

4. **THIS COURT ORDERS AND DECLARES** that the Directors' Charge be and is fully and finally discharged.

5. **THIS COURT ORDERS AND DECLARES** 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 has priority over all other claims and security, liens and encumbrances of any kinds against the Sale Proceeds and the Additional Cash on Hand, including, without limitation, the Mill Property Lien Claims.

6. **THIS COURT ORDERS** that the Monitor be and is hereby authorized and directed to release to the Company from the Net Proceeds (as defined in the AVTB Sales Approval Order) held by the Monitor pursuant to the AVTB Sales Approval Order, and the Company be and is hereby authorized and directed to pay, the sum of \$1,825,000 (the "**Interim Distribution**") as an interim distribution on account of the obligations of the Company under the Plan Note (as defined in the Indenture (as defined below)), which amount shall be paid, held and disbursed by the Company as follows:

- (a) the sum of \$1,632,020.11 to the Trustee pursuant to the Note Indenture dated as of September 15, 2012 (the "**Indenture**"), in trust for the Beneficiaries (as defined therein), for distribution as soon as practicable by the Trustee to Beneficiaries under the Plan Note or on a pro rata basis in accordance with the Plan Note, the Plan (as defined in the Indenture) and the Indenture; and

- 4 -

- (b) the sum of \$192,979.89 (the "**Disputed Claim Distribution Amount**") being the pro rata share of the Interim Distribution referable to the Disputed Claim of John Claes S.A. ("**Claes**"), shall be held by the Monitor, in a separate trust account, in trust for Claes and/or the Beneficiaries, as applicable, pending the final determination of the Disputed Claim of Claes in accordance with the Plan and the Claims Process (each as defined in the Indenture), and, following the final determination of such Disputed Claim, the Monitor is empowered, authorized and directed to release the Disputed Claim Distribution Amount to the Company and the Company is authorized and directed to pay the Disputed Claim Distribution Amount shall be released by the Monitor to the Company and paid by the Company to the Trustee, in trust, for distribution to Claes, to the extent it is entitled to receive a further distribution on account of its New Proven Claim (as defined in the Indenture), if any, and, if applicable, (ii) the other Beneficiaries in accordance with the Plan Note, the Plan and the Indenture.

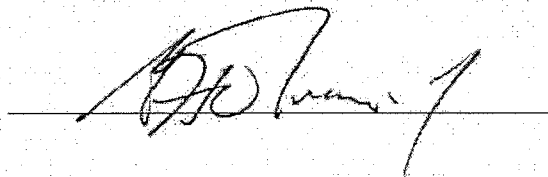
APPROVAL OF MONITOR'S REPORT

7. **THIS COURT ORDERS** that the Further Amended and Restated Eighth Report and the conduct and activities of the Monitor as described therein be and are hereby approved.

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



MAY 16 2013



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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER
(Re: Disputed D&O Claim, Interim Distribution and
Scheduling of Construction Lien Motion)

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Lawyers for the Applicant

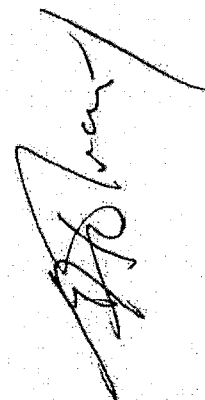
IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36 AND IN
THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TERRACE BAY PULP INC.

Applicant

K. Desimini. *per Appendix*. May 16, 2013.

The note was not approved in writing (a), (c),
and (e).

The Record suggests the requested
relief in these items and I am satisfied
the this relief should be granted.
With respect to 18, adjourned
to a date to be set within 90 days.
The (d) is to be continued from 5²⁰¹³ ~~2013~~
at 11⁰⁰ a.m.
on terms set out in typed
exhibit attached.



ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF MOTION

(Re: Stay of OHSAA Proceedings, Disputed D&O Claim, Interim
Distribution and
Scheduling of Construction Lien Motion)

BLAKE, CASSELS & GRAYDON LLP
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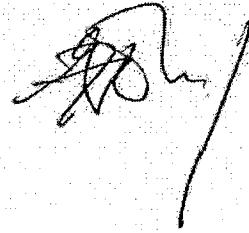
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Lawyers for the Applicant

Endorsement re: Stay of OHSA Proceedings

(be continued on at 11.00 a.m.)

Motion adjourned to June 5, 2013, for two hours. Adjournment is granted on the basis that the Crown will not oppose this Court's exercise of its jurisdiction to grant costs in favour of Terrace Bay Pulp Inc. with respect to its participation at the pre-trial scheduled for May 29, 2013 in connection with the Second OHSA Proceeding (as defined in the affidavit of Line Forestier sworn May 8, 2013), if appropriate.

A handwritten signature in black ink, appearing to be "J. H. /", is located in the lower right quadrant of the page.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

))

THURSDAY, THE 16th

JUSTICE MORAWETZ

DAY OF MAY, 2013

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

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

Applicant

**UNOFFICIAL TRANSCRIPTION OF THE ENDORSEMENT OF THE
HONOURABLE MR. JUSTICE MORAWETZ
DATED MAY 16, 2013**

K. Desimini for Terrace Bay

The motion was not opposed on issues (a), (c) and (e).

The record supports the requested relief in these items and I am satisfied that this relief should be granted with respect to (b), adjourned to a date to be set within 90 days.

Item (d) to be continued June 5, 2013 at 11:00 a.m. on terms set out on typed endorsement attached.

Mr. Justice G. Morawetz

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


A COMMISSIONER, ETC.

B. PAUL JASIURA

Summary of Construction Lien Claims Registered Against Sold and Unsold Property (as of May 1, 2014)

Lien Claimant	Services and/or Materials Supplied	Supply Period (M/D/Y)	Date of Registration of Lien (M/D/Y)	Amount	Property or Part of Property Subject to Lien Registrations
North West Installations Inc.	Supply of transition pieces with respect to Pulp and Paper Green Transformation Program project related to environmental performance of mill	09/29/11 to 10/18/11	11/30/11	\$26,768.57	Properties 3, 6, 7, 8, 9 and 10
Fabmar Metals Inc.	Services and labour provided to fabricate metal plates and grates for various equipment in the mill	09/15/11 to 10/19/11	12/02/11	\$75,505.80	Properties 3, 6, 7, 8, 9 and 10
Vector Construction Ltd.	Supply of labour, materials and equipment in connection with general repairs and maintenance to the mill including repairs to boilers 1, 2 and 3, refractory repairs to kiln #2 and repairs to recovery boiler #2	10/17/11 to 10/24/11	12/08/11	\$258,889.36	Properties 3, 6, 7, 8, 9 and 10
EKT 90 Inc.	Supply of services and labour related mainly to mill shutdown	10/14/11 to 10/31/11	12/13/11	\$534,958.16	Properties 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 Unsold Properties
Link Steel & Mechanical Inc.	Maintenance, repairs and labour to boiler #2, boiler #3, boiler #4, and precipitator at mill	10/20/11 to 11/22/11	12/19/11	\$853,384.92	Properties 3, 6, 7, 8, 9 and 10
North American Kiln Service Inc.	Maintenance, repairs and labour to lime kiln at mill	11/02/11 (no completion date indicated in lien)	12/19/11	\$100,036.95	Properties 3, 6, 7, 8, 9 and 10

Lien Claimant	Services and/or Materials Supplied	Supply Period (M/D/Y)	Date of Registration of Lien (M/D/Y)	Amount	Property or Part of Property Subject to Lien Registrations
Skyway Canada Limited	Labour and equipment related to scaffolding with respect to Pulp and Paper Green Transformation Program Project related to environmental performance of the mill, repairs and maintenance at the mill and mill shutdown	09/30/11 to 11/29/11	01/04/12	\$746,379.24	Properties 3, 6, 7, 8, 9 and 10
Keating Insulation Inc.	Supply of services and labour with respect to Pulp and Paper Green Transformation Program Project related to environmental performance of mill, repairs and maintenance at the mill and mill shutdown	10/06/11 to 11/28/11	01/10/12	\$212,623.08	Properties 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 Unsold Properties
FRP Systems Ltd.	Supply materials and labour for bleach plant maintenance at mill	09/30/11 to 10/25/11	12/09/11	\$129,447.92	Properties 3, 6, 7, 8, 9 and 10
KMH Engineering Inc.	Engineering services related to mill	06/06/11 to 10/21/11	12/05/11	\$12,976.36	Properties 3, 6, 7, 8, 9 and 10

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 TARAS SAWULA
(Sworn January 27, 2012)

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

Introduction

1. I am the Vice-President Taxation & Compliance of Buchanan Sales Inc. and a former officer of Terrace Bay Pulp Inc. ("Terrace Bay" or the "Company"). I have been retained by the Company pursuant to the Temporary Services Agreement approved by the Initial Order in these proceedings to perform various executive functions for 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) declaring that the GTP Hearing (defined below) be heard on Monday, January 30, 2012; and
- (ii) authorizing Terrace Bay to continue the GTP Project, and requiring Terrace Bay to pay all obligations incurred by Terrace Bay in connection with the GTP Project to any contractor or supplier, whether or not incurred prior to or after the date of the Initial Order, from funds received from Natural Resources Canada ("NRC") for such obligations, which funds shall be deemed to be held in trust by Terrace Bay for such contractors, and shall not be available to other creditors of Terrace Bay.

Background

3. Terrace Bay sought and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to an order of Mr. Justice Morawetz dated January 25, 2012 (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed as Monitor of the Company.
4. At the hearing of the initial Application, the Company requested various relief relating to the GTP Project as set out in the Notice of Application. Pursuant to the endorsement of Mr. Justice Morawetz dated January 25, 2012, the hearing of such

relief (the "GTP Hearing") was adjourned to February 2, 2012. For the reasons described below, the Company requests that the GTP Hearing be heard on Monday, January 30, 2012, as the delay of the GTP Hearing to February 2, 2012 may jeopardize the GTP Project.

5. Reference is made herein to the affidavit of Wolfgang Gericke sworn January 24, 2012 (the "Gericke Affidavit"). Unless defined herein, terms used herein have the meaning ascribed to them in the Gericke Affidavit.

GTP Project

6. As described in the Gericke Affidavit, the Company has obtained funding from NRC under the Pulp and Paper Green Transformation Program (the "GTP Program"), which provides financing for approved capital projects that offer demonstrable environmental benefits, such as improvements to energy efficiency or the capacity to produce alternative energy.
7. Specifically, NRC has approved two projects targeting certain capital investments to improve the environmental performance of the Mill by reducing greenhouse gas emissions as well as particulates and sulphur dioxide emissions, and increasing the power generated from renewable resources at the Mill (the "GTP Project"). The GTP Project is governed by two agreements between Her Majesty the Queen in Right of Canada, as represented by the Minister of Natural Resources, and Terrace Bay. A copy of the Non-Repayable Contribution Agreement (the "GTP Agreement") for one of the projects is attached hereto as

Exhibit "A". The form of agreement for the other project is substantially the same.

8. Pursuant to the terms of the GTP Agreement, the completion of the GTP Project is required by March 31, 2012, when the GTP Program expires. New emissions rules coming into effect in 2013 necessitate the GTP Project. As such, the completion of the GTP Project is necessary to preserve the value of the Terrace Bay business and to make the Mill more attractive to potential purchasers.
9. In connection with the GTP Project, the Company hires contractors and/or utilizes its own tradespeople to complete the work and submits the invoices received to NRC. There is approximately \$420,000 owing to contractors hired to complete the GTP Project for work performed to October 31, 2011 (the "October Arrears"), which amount has been paid by NRC to Terrace Bay. Terrace Bay seeks approval to pay the contractors for the October Arrears from its cash resources.
10. In addition, approximately \$5 million is owed to GTP Project contractors for work performed in November and December (the "November and December Arrears"), which expenses have been submitted to NRC. Terrace Bay seeks approval to pay the amounts owing for November and December Arrears, from amounts once received by Terrace Bay from NRC.

Construction Lien Claimants

11. As mentioned in the Gericke Affidavit, as of January 18, 2012, construction lien claims have been registered against Terrace Bay's real property by lien claimants (collectively, the "Construction Lien Claimants") in the amount of \$9,199,572.63.
12. The lien claims of the Construction Lien Claimants can be put into three categories, namely (i) claims for work that relate to the GTP Project (each a "GTP Claim"), (ii) claims for work that relate to the repair and/or replacement of the blow tank and the damaged equipment and structures caused by the October 31 Accident (each a "Repair Claim"); and (iii) claims that relate to work done in connection with the Mill which relate mainly to the Annual Shutdown (each a "General Claim").

13. Based on information provided to me by Aaron Blazina, the controller of Terrace Bay, the claims of the Construction Lien Claimants are broken down as follows:

Construction Lien Claimant	GTP Claim	Repair Claim	General Claim
North West Installations Inc.	\$26,768.57	Nil	Nil
Fabmar Metals Inc.	Nil	Nil	\$75,505.80
Mills & Manufacturing Acrylic Products Ltd.	Nil	Nil	\$47,484.42
KMH Engineering	Nil	Nil	\$12,976.36
TISI Canada Inc.	Nil	\$7,091.88	\$378,542.81
Vector Construction Ltd.	\$9,276.17	Nil	\$249,613.19
FRP Systems Ltd.	\$2,888.69	Nil	\$126,559.23
EKT 90 Inc.	Nil	Nil	\$534,958.16
Link Steel & Mechanical Inc.	\$334,148.33	Nil	\$519,236.59
North American Kiln Service Inc.	Nil	Nil	\$100,036.95
Skyway Canada Limited	\$361,306.80	\$52,578.36	\$332,494.08
Venshore Mechanical Ltd.	\$680,256.66	Nil	\$625,733.11
Venasky-Pouru Electric Limited	\$214,289.10	\$81,120.73	\$47,379.14
Alstom Power & Transport Canada Inc.	\$2,291,616.73	Nil	\$358,665.88
Keating Insulation Inc.	\$136,716.81	\$36,569.53	\$39,336.74
A.H. Lundberg Systems Limited	\$1,516,421.81	Nil	Nil
TOTAL	\$5,573,689.67	\$177,360.5	\$3,448,522.46

Position of NRC

14. I have spoken directly with representatives of NRC, both before and after the granting of the Initial Order, and can confirm that it is the NRC's position that prior to issuing payment for the November and December Arrears (and payment for any future work performed in connection with the GTP Project), it must have
- (i) proof that the October Arrears have been paid to contractors and suppliers; and
 - (ii) satisfactory arrangements in place to ensure that funds paid by NRC to Terrace Bay in the future will go directly to pay the November and December Arrears and amounts owing to contractors and company tradesmen who provide goods and services for the GTP Project in the future. With these arrangements in place, NRC has confirmed that it is committed to working with Terrace Bay to complete the GTP Project.
15. As a result, Terrace Bay requires the relief described in paragraph 2(ii) above. To the extent that the relief sought is not granted, NRC has taken the position that it will not pay Terrace Bay the amounts for the November and December Arrears, to the detriment of those Construction Lien Claimants. Moreover, NRC will not fund any future work in connection with the GTP Project, to the detriment of Terrace Bay, the value that may be achieved through the Sales Process and the local contractors and the suppliers who would otherwise have continued to supply goods and services in connection with the GTP Project during the course of the CCAA proceedings.

16. It is proposed that the October Arrears will be paid from the Company's cash resources. Terrace Bay requires each of those Construction Lien Claimants owed October Arrears to continue working on the GTP Project. Moreover, payment of the October Arrears is a condition of receiving funding from NRC to make payment of the November and December Arrears, and any future funding.

Urgency

17. Terrace Bay suspended the GTP Project in December 2011, as it was not certain funding would be available to pay contractors for ongoing work. Given that the GTP Program expires on March 31, 2012, the Company requires that work recommence in connection with the GTP Project as soon as possible.
18. Should the requested relief be granted, it will take a minimum of one week for NRC to process the payments, for the Company to then distribute the funds to contractors and for the contractors to resume work on the GTP Project. As a result, the Company requests that the GTP Hearing be heard on Monday, January 30, 2012, rather than Thursday, February 2, 2012, as the delay will put in jeopardy the ability of Terrace Bay to meet the March 31st deadline.
19. Notice of the motion returnable January 30, 2012 was given to counsel to the Construction Lien Claimants by letter on January 26, 2012. Attached hereto as Exhibit "B" is a copy of the letter sent by Terrace Bay's counsel, Blake, Cassels & Graydon LLP to the Service List, including counsel to the Construction Lien Claimants.

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF TARAS SAWULA
(Sworn January 27, 2012)**

BLAKE, CASSELS & GRAYDON LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

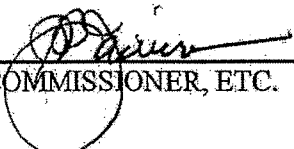
Pamela Huff LSUC# 27344V
Tel: (416) 863-2958
Fax: (416) 863-2653

Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174

Marc Flynn LSUC#: 52831B
Tel: (416) 863-2685
Fax: (416) 863-2653

Lawyers for the Applicant

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


A COMMISSIONER, ETC.

B. PAUL JASIURA



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

March 24, 2014

VIA E-MAIL

Michael McGraw
Dir: 416-863-4247
michael.mcgraw@blakes.com

To the Addressees Set Out in **Schedule "A"** Hereto

Reference: 71942/4

Re: Terrace Bay Pulp Inc. ("TBPI")
Re: Construction Lien Claims against Non-Mill Property and Outstanding Motion

Further to our previous correspondence, we write with respect to the registration or registrations (collectively, the "Non-Mill Liens") which you or your client (as applicable) continues to maintain under the *Construction Lien Act* (Ontario) (the "CLA") against the real property unrelated to the pulp mill business owned by TBPI, as more particularly described in the PINs set out in the attached Schedule "B" (the "Non-Mill Property"). We also write regarding TBPI's outstanding motion originally returnable April 23, 2013 pursuant to section 47(1) of the CLA seeking an order, among other things, authorizing and directing the Land Registry Office to discharge the Non-Mill Liens (the "Motion").

Our previous correspondence dated March 19, 2013; April 18, 2013; April 24, 2013 and May 2, 2013 is attached (without enclosures) at Schedule "C" for your reference.

As you are aware, the property of TBPI upon which the pulp mill and other property related to TBPI's business was located (the "Mill Property") was purchased by AV Terrace Bay Inc. ("AVTB"). Pursuant to the Order of the Honourable Mr. Justice Morawetz dated July 19, 2012 (the "Approval and Vesting Order"), title to the Mill Property was conveyed to AVTB free and clear of all claims and encumbrances, including the lien claims asserted by you or your client against the Mill Property (the "Mill Liens"). By Order of Justice Morawetz dated May 16, 2013 (the "May Order"), the security held by the Plan Note Trustee was declared to have priority over all claims, liens and encumbrances including the Mill Liens with respect to the proceeds of sale of the Mill Property.

As set out in the motion materials served upon you in support of TBPI's stay extension motion returnable January 16, 2014 (the "Stay Extension Motion"), TBPI, with the assistance of the Monitor, is in the process of selling the Non-Mill Property. Purchase agreements are being negotiated and it is anticipated that court approval for the sale of the Non-Mill Property will be sought in the near future. As with the sale of the Mill Property, TBPI will be seeking one or more orders approving of the sale of the Non-Mill Property, substantially on the same terms as the Approval and Vesting Order.

The May Order made in relation to the Mill Property provided that the security held by the Plan Note Trustee has priority over the claims of other security, liens, claims and encumbrances. Based on the anticipated proceeds that will be realized from the sale of the Non-Mill Property, and as set out in the materials filed in support of the Stay Extension Motion, there will not be sufficient funds to pay the Plan Note Trustee in full. As such, even if the Non-Mill Liens are found to be valid and properly registered against the Non-Mill Property (which is disputed and not admitted or acknowledged by this letter), there will be no surplus funds



Page 2

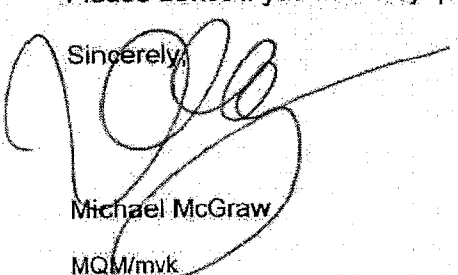
available for distribution to the holders of the Non-Mill Liens. Moreover and as previously advised, it is our understanding that all services and materials provided by you or your client were provided solely on or in relation to the Mill Property.

Accordingly, it remains TBPI's position that there is no legal or factual basis upon which you or your client can assert the Non-Mill Liens or maintain registrations under the CLA against the Non-Mill Property. We repeat our previous requests that these registrations be discharged.

Please be advised that unless you or your client take all necessary steps within 14 days of this letter to discharge the Non-Mill Liens and related Certificates of Action on title to the Non-Mill Property, Terrace Bay reserves all of its rights and remedies, including, without limitation, to proceed with the Motion, and to seek costs and expenses, as well as any damages it has incurred or may incur relating to such registrations, on a full indemnity basis.

Please advise if you have any questions or wish to discuss.

Sincerely,



Michael McGraw

MQM/mvk

SCHEDULE "A"

SERVICE LIST

CONSTRUCTION LIEN CLAIMANTS			
AND TO:	NORTH WEST INSTALLATIONS INC. c/o Peter Hollinger 1204A Roland Street Thunder Bay, ON P7B 5M4 Tel: 807-344-1340 Fax: 807-344-1313 Email: holinger@tbaytel.net	AND TO:	FABMAR METALS INC. c/o MacIvor Harris Roddy LLP 101 – 1151 Barton Street Thunder Bay, ON P7B 5N3 T. Michael Harris Tel: 807-623-1100 Fax: 807-623-1122 Email: mike@macivorlaw.com
AND TO:	MILLS & MANUFACTURING ACRYLIC PRODUCTS LTD. c/o Martin Scrimshaw Scott LLP 1 S. Cumberland Street Thunder Bay, ON P7B 2T1 Laird S.S. Scrimshaw Tel: 807-345-3600 Fax: 807-344-8152 Email: msslaw@tbaytel.net	AND TO:	KMH ENGINEERING INC. c/o Carrel + Partners LLP 1136 Allow Drive Thunder Bay, ON P7B 6M9 Rod Johansen Tel: 807-346-3000 Fax: 807-346-3600 Email: johansen@carrel.com
AND TO:	TISI CANADA INC. c/o Houser, Henry & Syron LLP 2000 – 145 King Street West Toronto, ON M5H 2B6 John E.G. Gilgan Tel: 416-860-8007 Fax: 416-362-3757 Email: jgilgan@houserhenry.com	AND TO:	FRP SYSTEMS LTD. c/o Carrel + Partners LLP 1136 Alloy Drive Thunder Bay, ON P7B 6M9 Rod Johansen Tel: 807-346-3000 Fax: 807-346-3600 Email: johansen@carrel.com
AND TO:	EKT 90 INC. c/o Christie & Potestio 203 – 920 Tungsten Street Thunder Bay, ON P7B 5Z6 Attention: David John Christie Tel: 807-344-6651 Fax: 807-345-1105 Email: Christie@chrpot.on.ca	AND TO:	LINK STEEL & MECHANICAL INC. c/o MacIvor Harris Roddy LLP 101 – 1151 Barton Street Thunder Bay, ON P7B 5N3 T. Michael Harris Tel: 807-623-1100 Fax: 807-623-1122 Email: mike@macivorlaw.com

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AND TO:	NORTH AMERICAN KILN SERVICE INC. c/o MacIvor Harris Roddy LLP 101 - 1151 Barton Street Thunder Bay, ON P7B 5N3 T. Michael Harris Tel: 807-623-1100 Fax: 807-623-1122 Email: mike@macivorlaw.com	AND TO:	SKYWAY CANADA LIMITED c/o Eccleston LLP 66 Wellington Street West, Suite 3820 P.O. Box 230 Toronto, ON M5K 1J3 Kenneth Peter Eccleston Tel: 416-504-2722 Fax: 416-504-2686 Email: ken@ecclestonllp.com Janice Quigg Tel: 416-504-2722 Fax: 416-504-2686 Email: JQuigg@ecclestonllp.com
AND TO:	MCLEAN & KERR LLP Barristers & Solicitors 130 Adelaide Street West, Suite 2800 Toronto, ON M5H 3P5 Gus Camelino Tel: 416-369-6621 Fax: 416-366-8571 Email: gcamelino@mcleankerr.com Lawyers for Vector Construction Ltd.	AND TO:	KEATING INSULATION INC. c/o Christie & Potestio 203 - 920 Tungsten Street Thunder Bay, ON P7B 5Z6 David John Christie Tel: 807-344-6651 Fax: 807-345-1105 Email: Christie@chrpot.on.ca

SCHEDULE "B"

Schedule "B"**NON-MILL ASSETS****Legal Description****62457-0432**

PCL 9558 SEC TBF; LT 508 PL M143 STREY; TERRACE BAY

62457-0492

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

62457-1083

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

62457-1091

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

62457-1096

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

62457-1116

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

62457-1218

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

62457-1119

PCL 8625 SEC TBF; WATER LOT JK 314 STREY SITUATE IN TERRACE BAY OF LAKE SUPERIOR OPPOSITE PT OF MINERAL LOCATION 4 SALTER'S SURVEY AS IN PPA5278; TERRACE BAY

62457-1120

PCL 8626 SEC TBF; LOCATION JK 301 STREY AS IN PPA5279; S/T LPA43492, LPA43494, LPA43496, LT210598; TERRACE BAY

62457-1222

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

62457-1224

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

62457-1225

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

62457-1235

PT LOCATION KJ 300 STREY; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

62457-1236

PT LOCATION JK 300 STREY; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; SUBJECT TO AN EASEMENT AS IN LT148631; SUBJECT TO AN EASEMENT AS IN LT148632; TOWNSHIP OF TERRACE BAY

62457-1237

PT LOCATION JK 300 STREY; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

62457-1229

PT LOCATION JK300 STREY PT 1, 55R13391; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

62457-1230

PT LOCATION JK300 STREY PT 2, 55R13391; TOGETHER WITH AN EASEMENT AS IN F117275; TOGETHER WITH AN EASEMENT AS IN LT169283; TOGETHER WITH AN EASEMENT AS IN LT148629; TOWNSHIP OF TERRACE BAY

62458-0523

PCL 5378 SEC TBF; MINING CLAIM TB 3413 PRISKE S/T RIGHT IN LPA32803; TERRACE BAY

62458-0533

PCL 8623 SEC TBF; LOCATION JK 303 PRISKE AS IN PPA5276; TERRACE BAY

62458-0534

PCL 8666 SEC TBF; LOCATION JK 302 PRISKE AS IN PPA5289 EXCEPT LPA39780, LPA67285, PT 10-12, 55R11271; TERRACE BAY

62458-0578

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

62458-0579

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

62458-0591

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.

62501-0002

PCL 8904 SEC TBF; FIRSTLTLY: ISLAND D PL M122 STREY IN LAKE SUPERIOR
OPPOSITE THE SAID TOWNSHIP NO. 83; SECONDLY: ISLAND E PL M122 STREY IN
LAKE SUPERIOR OPPOSITE THE SAID TOWNSHIP NO. 83; SAVING AND EXCEPTING
THEREFROM THE RIGHT OF THE CROWN TO ERECT AND MAINTAIN A LIGHHOUSE
OR LIGHTHOUSES OR OTHER WORKS ON THE SAID ISLANDS NECESSARY TO
SECURE THE SAFE NAVIGATION OF THE WATERS ADJACENT THERETO; THIRDLY:
ISLAND F PL M122 STREY IN LAKE SUPERIOR OPPOSITE THE SAID TOWNSHIP
NO. 83; DISTRICT OF THUNDER BAY

62501-0095

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2109; DISTRICT OF THUNDER BAY

62501-0096

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2110; DISTRICT OF THUNDER BAY

62501-0097

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2111; DISTRICT OF THUNDER BAY

62501-0098

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2112; DISTRICT OF THUNDER BAY

62501-0099

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2113; DISTRICT OF THUNDER BAY

62501-0100

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYNE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2114; DISTRICT OF THUNDER BAY

62501-0101

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2115; DISTRICT OF THUNDER BAY

62501-0102

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2119; DISTRICT OF THUNDER BAY

62501-0103

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2120; DISTRICT OF THUNDER BAY

62501-0104

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2121; DISTRICT OF THUNDER BAY

62501-0105

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2124; DISTRICT OF THUNDER BAY

62501-0106

ISLANDS IN LAKE SUPERIOR IN FRONT OF TWPS SYINE, STREY & PRISKE
UNSURVEYED TERRITORY MORE PARTICULARLY ENUMERATED AND DESCRIBED
AS FOLLOWS: J.D.2125; DISTRICT OF THUNDER BAY

62458-0314

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

SCHEDULE "C"



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

March 19, 2013

VIA E-MAIL

Kristina Desimini
Dir: 416-863-2255
kristina.desimini@blakes.com

Reference: 71942/4

To the Addressees Set Out in Schedule "A" Hereto

Re: Terrace Bay Pulp Inc. ("Terrace Bay") – Registrations against Non-Mill Lands

To the Addressees Set Out in Schedule "A" Hereto:

We are writing because your client has effected registrations under the *Construction Lien Act* (Ontario) against the real property that was owned by Terrace Bay Pulp Inc. (the "Real Property") at the time of its filing for protection under the *Companies' Creditors Arrangement Act* (Canada) in January of 2012. Please note that any reference in this letter to a lien or claim of your client is meant to reference the registrations made against title, and is not, nor shall same be construed to be, an admission by Terrace Bay that your client maintains a valid lien or claim against Terrace Bay under the *Construction Lien Act* (Ontario) (the "CLA") or otherwise, and Terrace Bay fully reserves all of its rights to challenge any lien or claim asserted by your client on any basis whatsoever.

As you are aware, the real property upon which the pulp mill was located and all related personal property and other property relating to the business, as more particularly set out in the asset purchase agreement dated as of July 5, 2012 and filed with the Ontario Superior Court of Justice (Commercial List) (the "Vested Property"), has been purchased by AV Terrace Bay Inc. Pursuant to an approval and vesting order granted by Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the "Court") on July 19, 2012, title to the Vested Property was conveyed free and clear of all liens and claims as more particularly set out in the order, including any liens or claims asserted by your client. We do not know if your client continues to assert that any amounts remain owing to it in relation to any liens or claims that were registered against title to the Vested Property and hereby request that you provide us with an update of such amounts, if any, within seven (7) days of the date of this letter.

A search of title reflects that your client continues to maintain a registration under the CLA against certain real property owned by Terrace Bay which is unrelated to the pulp mill business (the "Non-Mill Assets"), as more particularly described by PIN in Schedule "B" hereto). As you may be aware, the majority of the Non-Mill Assets are currently being marketed by Terrace Bay for sale and any purchaser will require that the Non-Mill Assets be sold free and clear of liens and encumbrances. We understand that all work or services provided by your client was performed solely on or in relation to the Vested Property and can see no basis upon which your client maintains any registration against the Non-Mill Assets. Accordingly, we request that your client immediately discharge and vacate its registration against the Non-Mill Assets. If your client fails to discharge and vacate all registrations, we will have no alternative but to seek an order from the Court to clear title and to seek compensation for all costs incurred in this regard.

Blakes

Page 2

If you have any questions, please contact the undersigned. Your prompt attention to these matters is required.

Sincerely,



Kristina Desimini

Attachments



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON, M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Kristina Desimini
Dir: 416-863-2255
kristina.desimini@blakes.com

April 18, 2013

VIA E-MAIL OR OVERNIGHT COURIER

Reference: 71942/4

TO: THE ATTACHED SERVICE LIST

Dear Service List:

Re: Terrace Bay Pulp Inc. - Stay Extension and Scheduling of Various Motions

Attached please find the Notice of Motion including draft order of Terrace Bay Pulp Inc. ("Terrace Bay") in connection with its motion returnable **Tuesday April 23, 2013 at 10:00 a.m.** for, among other things, an order approving an extension of the stay of proceedings, provided for at paragraph 10 of the Order of the Honourable Mr. Justice Morawetz dated January 25, 2012 (as amended and restated, the "Initial Order") to October 31, 2013 (the "**April 23 Motion**"), which is served upon you in accordance with the *Rules of Civil Procedure*. Terrace Bay's complete Motion Record and the Eighth Report of the Monitor will be served separately.

As set out in the Notice of Motion, in addition to the stay extension, at the April 23 Motion, Terrace Bay will be requesting that the Ontario Superior Court of Justice (Commercial List) (the "Court") schedule three separate motions in which it will seek the following relief:

- A. among other things, fully and finally discharging the Directors' Charge provided for at paragraph 17 of the Initial Order, declaring that the security held by the Trustee has priority over all other claims and security, liens and encumbrances of any kinds against the Sale Proceeds and the Additional Cash on Hand, including, without limitation, the Mill Property Lien Claims (as these terms are defined in the affidavit of Wolfgang Gericke to be served with Terrace Bay's Motion Record (the "Gericke Affidavit")) (collectively, the "**Subordinate Claims**"), and permitting an interim distribution of the Sale Proceeds and Additional Cash on Hand, in amounts to be determined by the Court, to be paid to the Trustee without regard to and in priority to the Subordinate Claims ("**Motion A**");
- B. pursuant to section 47(1) of the *Construction Lien Act* (Ontario), among other things, authorizing and directing the Land Registry Office to discharge the Non-Mill Liens (as defined in the Gericke Affidavit) and vacating any and all registrations and claims for lien related to the Non-Mill Liens ("**Motion B**"); and
- C. 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 Terrace Bay, commenced by Information sworn on January 10, 2012 in the Ontario Provincial Offences Court (Thunder

MONTREAL OTTAWA TORONTO CALGARY VANCOUVER

NEW YORK CHICAGO

LONDON

BAHRAIN

AL-KHORAS*

BEIJING

SHANGHAI*

blakes.com

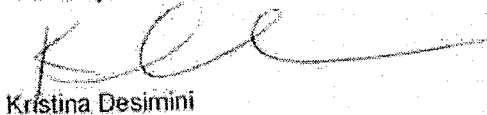


Page 2

Bay) (the "First OHSA Proceeding"), and the proceeding known as *R. v. Terrace Bay Pulp Inc., Venshore Mechanical Ltd., Joseph Mykiety, Arthur Szczepaniak & Alain Zborowski*, brought by the Ministry of Labour, Legal Services Branch against Terrace Bay, commenced by Information sworn October 15, 2012 in the Ontario 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). Please note that at the April 23 Motion, Terrace Bay intends to seek an interim stay of proceedings of the OHSA Proceedings pending the disposition of the motion permanently staying the OHSA Proceedings ("Motion C").

In the event you or your client's interests are affected by Motions A, B and/or C, please advise the undersigned no later than **5:00 p.m. on April 22, 2013**, indicating: (i) if you intend to appear on the April 23 Motion; (ii) your position including if you intend to oppose any of the relief sought on Motions A, B and/or C and the nature of any opposition; and (iii) advising of your availability during the weeks of May 13-17, 2013 and June 10-14, 2013 which the Commercial List Office has advised that Justice Morawetz has court time available for the scheduling of Motions A, B and C.

Sincerely,



Kristina Desimini

/s/
 Enclosures

MONTREAL OTTAWA TORONTO CALGARY VANCOUVER

NEW YORK CHICAGO LONDON SAHRAW AL KHODAR* BEIJING SHANGHAI*

blakes.com



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Kristina Desimini
Dir: 416-863-2255
kristina.desimini@blakes.com

April 24, 2013

VIA E-MAIL OR OVERNIGHT COURIER

Reference: 71942/4

TO: THE ATTACHED SERVICE LIST

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

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

Please note the following:

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



Page 2

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

Sincerely,



Kristina Desimini

kd/cbx
Enclosures



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
189 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

May 2, 2013

VIA E-MAIL/OVERNIGHT COURIER

Kristina Desimini
Dir: 416-863-2255
kristina.desimini@blakes.com

Reference: 71942/4

TO THE SERVICE LIST

Re: Terrace Bay Pulp Inc. ("Terrace Bay") – Clarification Re: Registrations against Non-Mill Lands

On March 19, 2013, Terrace Bay sent a letter to all parties with registrations under the *Construction Lien Act* (Ontario) (the "CLA") against the real property that was owned by Terrace Bay Pulp Inc. at the time of its filing for protection under the *Companies' Creditors Arrangement Act* (Canada) on January 25, 2012 (the "March 19 Letter"). A copy of the March 19 Letter is attached hereto as Schedule "A". As a result of requests from certain parties, we are sending this letter to clarify issues with respect to the identified Terrace Bay real property on which lien claims are registered.

As described in the March 19 Letter, certain parties continue to maintain registrations under the CLA against certain real property owned by Terrace Bay which is unrelated to the pulp mill business, as described by PIN in Schedule "B" of the March 19 Letter (the "Non-Mill Property").

Prior to the sale of the assets of Terrace Bay used in connection with its pulp mill business, as more particularly set out in the asset purchase agreement dated July 5, 2012 and approved by the Ontario Superior Court of Justice (Commercial List) on July 19, 2012 (the "Sale"), certain parties had liens registered on PINs 62457-1118 LT, 62457-1206 LT and 62501-0003 (LT) (collectively, the "Original PINs").

After the Sale, the Original PINs were sub-divided as set out in the attached Schedule "B". As a result, those parties with liens registered on the Original PINs prior to the Sale have registrations against certain PINs currently registered against the Non-Mill Property.

As you are aware, on May 15, 2013, Terrace Bay is bringing a motion seeking the distribution of proceeds of the Sale in priority to, among others, the lien claimants with registrations against the pulp mill located at 21 Mill Road in the Township of Terrace Bay which was formerly owned by Terrace Bay, and the Non-Mill Property (which includes all those lien claimants that, prior to the Sale, had liens registered on the Original PINs).

If you have any questions, please contact the undersigned.

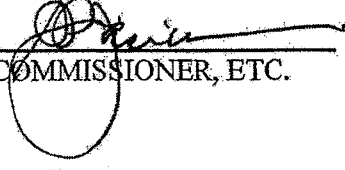
Sincerely,



Kristina Desimini

Attachments

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


A COMMISSIONER, ETC.

E. PAUL JASIURA

NORTHWEST REGION
INFORMATION
DÉNONCIATION

ONTARIO COURT OF JUSTICE
COUR DE JUSTICE DE L'ONTARIO
PROVINCE OF ONTARIO
PROVINCE DE L'ONTARIO

Under Section 23 of the Provincial Offences Act
En vertu de l'article 23 de la Loi sur les infractions provinciales



Form / Formula 105
Courts of Justice Act
Loi sur les tribunaux judiciaires
R.R.O. / L.R.O. 1990
O.Reg. / Règl. de l'Ont. O. 200

This is the information of
Dénonciation déposée par

ROBERT GARRITY

of Ministry of Labour
de

Inspector

(occupation / profession)

I have reasonable and probable grounds to believe and do believe that / J'ai des motifs raisonnables de croire et je crois effectivement que
Terrace Bay Pulp Inc. 1120 Premier Way, Thunder Bay, Ontario, P7B 0A3

(name / nom)

on or about / le ou vers le 31st day of / jour de October, yr. / an 2011,

at the Township of Terrace Bay, in the Northwest Region, in the Province of Ontario

(location / lieu)

did commit the offence of
a commis l'infraction de

① failing as an employer, to ensure that the measures and procedures prescribed by section 78 of Ontario Regulation 851/90, R.S.O. 1990, as amended, were carried out in the workplace located at 21 Mill Road, Terrace Bay Township, Ontario contrary to section 25(1)(c) of the Occupational Health and Safety Act, R.S.O. 1990, c. O.1., as amended. ✓

Particulars: The defendant failed to ensure that a tank or container to which repairs or alterations were to be made was drained and cleaned or otherwise rendered free from any explosive, flammable or harmful substance.

② 2. AND FURTHER THAT, Terrace Bay Pulp Inc., 1120 Premier Way, Thunder Bay, Ontario, P7B 0A3, on or about the 31st day of October, 2011, in the Township of Terrace Bay, in the Northwest Region, in the Province of Ontario, did commit the offence of failing as an employer, to provide information, instruction and supervision to a worker to protect the health and safety of the worker at a workplace located at 21 Mill Road, Terrace Bay Township, Ontario contrary to section 25(2)(a) of the Occupational Health and Safety Act, R.S.O. 1990, c. O.1., as amended.

Particulars: The defendant failed to provide adequate information, instruction and supervision to a worker on how to safely drain, clean or otherwise render Blow Tank #1 free from any hazardous substances, and/or

The defendant failed to provide information, instruction and supervision to a worker on how and when to safely perform welding-related work on Blow Tank #1.

(Please see Page 2, 3, 4, & 5 of the Information for further of

See counts
on back of
this page

contrary to Occupational Health and Safety Act

contrairement à(au)

11 FEB 13

MYKIETYN

DESIG FILED-JOSEPH

LONG FORM - TWO OR MORE CHARGES

FORMULE COMPLÈTE - DEUX ACCUSATIONS OU PLUS

a) x 2; 25(2)(h) x
2)(c) x 3

Information- Page Two

3. AND FURTHER THAT, Terrace Bay Pulp Inc., 1120 Premier Way, Thunder Bay, Ontario, P7B 0A3, on or about the 31st day of October, 2011, in the Township of Terrace Bay, in the Northwest Region, in the Province of Ontario, did commit the offence of failing as an employer, to ensure all reasonable precautions were taken at a workplace located at 21 Mill Road, Terrace Bay Township, Ontario contrary to section 25(2)(h) of the Occupational Health and Safety Act, R.S.O. 1990, c. O.1., as amended.

deleted
~~Particulars: The defendant failed to take the reasonable precaution of ensuring adequate procedures or written policies, with respect to isolating Blow Tank #1, ridding the tank of a hazardous substance or testing this tank for such a substance, existed and were followed by a worker before welding-related work was performed on the tank, and/or~~

~~The defendant failed to take the reasonable precaution of ensuring the inside of Blow Tank #1 was adequately tested for a hazardous substance before welding-related work on this tank was commenced, and/or~~

The defendant failed to take the reasonable precaution of planning and adequately coordinating various Blow Tank #1 work activities, including the cleaning of the inside of this tank to render it free from hazardous substances and the gas testing of this tank, before welding-related work was performed on the tank.

4. AND FURTHER THAT, Venshore Mechanical Ltd., 1019 Northern Avenue, Thunder Bay, Ontario, P7C 5L6, on or about the 31st day of October, 2011, in the Township of Terrace Bay, in the Northwest Region, in the Province of Ontario, did commit the offence of failing as an employer, to ensure that the measures and procedures prescribed by section 78 of Ontario Regulation 851/90, R.S.O. 1990, as amended, were carried out in the workplace located at 21 Mill Road, Terrace Bay Township, Ontario contrary to section 25(1)(c) of the Occupational Health and Safety Act, R.S.O. 1990, c. O.1., as amended.

Particulars: The defendant failed to ensure that a tank or container to which repairs or alterations were to be made was drained and cleaned or otherwise rendered free from any explosive, flammable or harmful substance.

5. AND FURTHER THAT, Venshore Mechanical Ltd., 1019 Northern Avenue, Thunder Bay, Ontario, P7C 5L6, on or about the 31st day of October, 2011, in the Township of Terrace Bay, in the Northwest Region, in the Province of Ontario, did commit the offence of failing as an employer, to provide information, instruction and supervision to a worker to protect the health and safety of the worker at a workplace located at 21 Mill Road, Terrace Bay Township, Ontario contrary to section 25(2)(a) of the Occupational Health and Safety Act, R.S.O. 1990, c. O.1., as amended.

Particulars: The defendant failed to provide information, instruction and supervision to a worker on how and when to safely perform welding-related work on a tank.

Sworn before me at the
 Assermenté devant moi au

THUNDER BAY

this 15 day of OCT. , yr. 12
 le jour de an

Judge or Justice of the Peace in and for the Province of Ontario
 Juge ou juge de paix dans et pour la province d'Ontario

Informant
 Dénonciateur

Sec. 24 / art. 24

☐ Summons for , yr. ☐ Confirmed on , yr.
 Sommation pour an Confirmée le an

Date Date	Defendant Défendeur	Pleads / Plaide Not Guilty to Counts / Coupable sous les chefs	Pleads / Plaide Guilty to Counts / Non coupable sous les chefs	Found Guilty on Counts Déclaré coupable sous les chefs	Not Guilty on Counts Déclaré non coupable sous les chefs
4 Apr. 2014			#1, #3 (asam)	#1, #3	

Date

☐ In Absentia / Défaut de comparution

1 counts / chefs d'accusation
 Fined \$ 200,000 & \$ Costs. Time to pay 2 yrs.
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
 Période de probation de
 Sentenced to Imprisonment for
 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

counts / chefs d'accusation
 Fined \$ & \$ Costs. Time to pay
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
 Période de probation de
 Sentenced to Imprisonment for
 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

3 counts / chefs d'accusation
 Fined \$ 15,000 & \$ Costs. Time to pay 2 yrs.
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
 Période de probation de
 Sentenced to Imprisonment for
 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

counts / chefs d'accusation
 Fined \$ & \$ Costs. Time to pay
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
 Période de probation de
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 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

counts / chefs d'accusation
 Fined \$ & \$ Costs. Time to pay
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
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 Sentenced to Imprisonment for
 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

counts / chefs d'accusation
 Fined \$ & \$ Costs. Time to pay
 Amende de \$ et \$ de frais. Délai de paiement
 Date of Birth
 Date de naissance D / J M Y / A
 Probation
 Période de probation de
 Sentenced to Imprisonment for
 Peine d'emprisonnement de
☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

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☐ withdrawn accusation(s) retirée(s) ☐ sentence suspended condamnation avec sursis

Judge or Justice of the Peace in and for the Province of Ontario
 Juge ou juge de paix dans et pour la province de l'Ontario

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at Toronto

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

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