

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

**MOTION RECORD
(Re: Approval of D&O Claims Procedure and Stay Extension)
(Returnable October 29, 2012)**

October 23, 2012

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**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

I N D E X

**MOTION RE APPROVAL OF D&O CLAIMS PROCEDURE AND STAY EXTENSION
(Returnable October 29, 2012)**

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TAB 1

**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

**NOTICE OF MOTION
(Re: Approval of D&O Claims Procedure and Stay Extension)**

Terrace Bay Pulp Inc. (the "**Applicant**") will make a motion to a Judge presiding over the Commercial List on Monday, the 29th day of October, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, 8th Floor, Toronto, Ontario.

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

THE MOTION IS FOR an Order in the form attached as **Tab 3** to the Applicant's Motion Record:

- (a) abridging the time for service of the Notice of Motion, the Motion Record and the Seventh Report of the Monitor, Ernst & Young Inc. (the "**Monitor**") dated October 23, 2012 (the "**Seventh Report**"), and declaring that the motion is properly returnable on October 29, 2012;
- (b) 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 April 30, 2013;

- (c) approving the Sixth Report of the Monitor dated July 12, 2012 (the “**Sixth Report**”), the Supplemental Sixth Report of the Monitor dated July 16, 2012 (the “**Supplemental Sixth Report**”), and the conduct and activities of the Monitor as described therein;
- (d) approving a procedure for the identification, resolution and barring of certain claims against the directors and officers of the Applicant (the “**Claims Procedure**”), and authorizing the Monitor to administer the Claims Procedure in accordance with its terms;
- (e) setting aside the dismissals of the Dismissed Construction Lien Actions (as defined in the affidavit of Wolfgang Gericke sworn October 23, 2012, (the “**Gericke Affidavit**”)) and directing and authorizing the registrar of the court office in Thunder Bay, Ontario, to take such steps, or to refrain from taking any such steps, so as to preserve the status of the Dismissed Construction Lien Actions and to cause such Dismissed Construction Lien Actions not to be dismissed, subject to the terms of the stay of proceedings in this proceeding;
- (f) such further and other relief as the Applicant may request and this Honourable Court shall deem just.

THE GROUNDS FOR THE MOTION ARE:

- (a) On January 25, 2012, the Applicant sought and obtained protection from its creditors under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to the Initial Order;
- (b) The Initial Order granted the Director’s Charge (as defined in paragraph 16 of the Initial Order);
- (c) As a precondition to any distribution to creditors of the proceeds derived from the Sales Process (as defined in paragraph 35 of the Initial Order), it is necessary to determine if there are any claims covered by the Director’s Charge, and the proposed Claims Procedure is reasonable in the circumstances;

- (d) The Applicant has been and continues to operate in good faith and with due diligence, with a view to completing the sale of the Remaining Real Property (as defined in the Gericke Affidavit), adhering to the Claims Procedure, and distributing the net sales proceeds to creditors, subject to further direction of the Court as may be required;
- (e) Sections 11 & 11.02 of the CCAA;
- (f) Section 100 of the *Courts of Justice Act*, R.S.O. 1990, C.C.43;
- (g) The reasons described in the Gericke Affidavit;
- (h) The Seventh Report;
- (i) Rules 2.03, 3.02, and 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (j) such further and other grounds as counsel may advise.

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

- (a) The Gericke Affidavit;
- (b) The Report of the Proposed Monitor dated January 24, 2012, the First Report of the Monitor dated January 27, 2012, , the Second Report of the Monitor dated February 15, 2012, the Third Report of the Monitor dated March 26, 2012, the Fourth Report of the Monitor dated April 25, 2012, the Fifth Report of the Monitor dated June 12, 2012, the Sixth Report, the Supplemental Sixth Report and the Seventh Report, filed;
- (c) the pleadings and proceedings herein; and
- (d) such further and other materials as counsel may advise and this Honourable Court may permit.

Date: October 23, 2012

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Lawyers for the Applicant

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

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

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF MOTION
(D&O CLAIMS PROCEDURE AND STAY
EXTENSION)**

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TAB 2

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

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

Applicant

AFFIDAVIT OF WOLFGANG GERICKE
(Sworn October 23, 2012)

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

Introduction

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

Overview of Relief Sought

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

“**Monitor**”) dated October 23, 2012 (the “**Seventh Report**”), and declaring that the motion is properly returnable on October 29, 2012;

- (b) 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 April 30, 2013;
 - (c) approving the Sixth Report of the Monitor dated July 12, 2012, the Supplemental Sixth Report of the Monitor dated July 16, 2012, and the conduct and activities of the Monitor as described therein;
 - (d) setting aside the dismissals of the Dismissed Construction Lien Actions (as defined herein) and directing and authorizing the registrar of the court office in Thunder Bay, Ontario, to take such steps, or to refrain from taking any such steps, so as to preserve the status of the Dismissed Construction Lien Actions and to cause such Dismissed Construction Lien Actions not to be dismissed, subject to the terms of the stay of proceedings in this proceeding;
 - (e) approving a procedure for the identification, resolution and barring of certain claims against the directors and officers of the Company (the “**Claims Procedure**”), and authorizing the Monitor to administer the Claims Procedure in accordance with its terms; and
 - (f) such further and other relief as the Company may request and this Honourable Court shall deem just.
3. On October 18, 2012, the Company gave notice to the Service List of the hearing scheduled on October 29th, 2012. Attached hereto as **Exhibit “A”** is a copy of the letter referred to above. Since the last extension of the stay of proceedings obtained on July 16, 2012, the Company and the Monitor have worked to

consummate the sale transaction contemplated by the Purchase Agreement (as defined herein), and to implement a sale process for the sale of the Remaining Real Property (as defined herein).

Background

4. On January 25, 2012, Terrace Bay sought and obtained protection from its creditors under the *Companies' Creditors Arrangement Act* (the "CCAA"), pursuant to the Initial Order. In accordance with the Initial Order, Ernst & Young Inc. was appointed Monitor of the Company.
5. The purpose of this affidavit is (i) to update the Court on the closing of the sale transaction with respect to the business assets, (ii) to update the Court on the marketing process commenced for the Remaining Real Property (as defined herein), (iii) to provide detail on the proposed Claims Procedure as outlined in the draft D&O Claims Procedure Order (the "**Draft Order**") at Tab 3 of the motion record, (iv) support the Company's request for, among other things, the setting aside of the dismissals of the Dismissed Construction Lien Actions (as defined herein), and (v) support the Company's request for an extension of the stay of proceedings, provided for at paragraph 10 of the Initial Order (the "**Stay Period**") to April 30, 2013, in order to permit the Company to pursue the marketing and sale of the Remaining Real Property.

Update Regarding Sale of Mill Assets

6. Pursuant to the Initial Order, Terrace Bay was authorized to conduct, with the assistance of the Monitor and in consultation with the Province of Ontario, as represented by the Minister of Northern Development and Mines (formerly the Minister of Northern Development, Mines and Forestry), a sales process to solicit offers for a sale of all or substantially all of the assets and properties of the Company used in connection with the pulp manufacturing business (the “**Sales Process**”).
7. The Company identified the offer of AV Terrace Bay Inc., an affiliate of the Aditya Birla Group, as the superior offer in the Sales Process. On July 5, 2012, the Company entered into an asset purchase agreement with AV Terrace Bay Inc. (the “**Purchaser**”) for an effective purchase price in excess of \$27 million (the “**Purchase Agreement**”).
8. On July 16, 2012, the Company brought a motion before the Honourable Mr. Justice Morawetz for, among other things, approval of the sale transaction contemplated by the Purchase Agreement. On July 19, 2012, Justice Morawetz released his decision approving the transaction, and on July 23, 2012, the transaction contemplated by the Purchase Agreement was consummated.

Sale of Remaining Real Property

9. The Initial Order authorized the Company, with the assistance of the Monitor, to market for sale certain ancillary assets not used in connection with the Company’s business.

10. At the request of Terrace Bay, the Monitor has undertaken, in consultation with Terrace Bay, various activities with respect to implementing a sale process for the sale of:
- (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 5km 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 "**Remaining Real Property**").
11. Specifically, the Monitor has prepared an information memorandum, a video and other marketing materials to solicit interest in the Remaining Real Property (the "**Remaining Real Property Marketing Materials**"). A copy of the information memorandum is attached hereto as **Exhibit "B"**. The Remaining Real Property Marketing Materials refer to the property comprising the Remaining Real Property in ten distinct parcels.

12. The Remaining Real Property Marketing Materials contemplate that the Company, with the assistance of the Monitor, will review and consider offers for the Remaining Real Property in the form of (i) an en bloc sale of the entire property; (ii) the sale of one or more parcels; or (iii) a partnership with the Company in developing certain parcels. Offers are due to be submitted by a date to be determined by the Company and the Monitor.
13. Once offers have been obtained and one or more prospective purchasers identified, both in accordance with the Remaining Real Property Marketing Materials, the Company will schedule a motion seeking appropriate relief, including approval of any sale(s).

Directors and Officers Claims Process

14. Pursuant to the Initial Order, the Court granted a charge on all assets and property of Terrace Bay in favour of the directors and officers of Terrace Bay, to secure the indemnity granted by the Company in paragraph 16 of the Initial Order in favour of the officers and directors in respect to all obligations and liabilities that such officers and directors may incur as officers and/or directors of the Company after the commencement of the within proceeding, except to the extent that the obligation or liability was incurred as a result of a director or officer's gross negligence or wilful misconduct (the "**Director's Charge**").
15. The Director's Charge is second in priority to the Administration Charge granted in paragraph 28 of the Initial Order in favour of the Monitor, counsel to the Monitor and counsel to Terrace Bay, as security for their professional fees and

disbursements incurred both before and after the date of the Initial Order in the maximum amount of \$750,000.

16. Prior to making any distribution to creditors of net proceeds of sale, it is necessary to determine the quantum of claims, if any, covered by the Director's Charge. In order to determine if there are any claims, Terrace Bay must conduct a directors and officers claims process as described below.
17. Any capitalized terms not defined herein shall have the meanings ascribed to them in the Draft Order.

Claims Procedure

18. The proposed Claims Procedure applies to claims against one or more of the directors and/or officers of Terrace Bay in respect of any obligations and liabilities incurred by the director and/or officer in his or her capacity as director or officer of Terrace Bay after the date of the Initial Order (the "D&O Claims").
19. Pursuant to the Draft Order, D&O Claims include claims in respect of any environmental conditions that arose or environmental damage that occurred after the date of the Initial Order, and exclude claims, among other things, in respect of any environmental conditions that arose or environmental damage that occurred prior to the date of the Initial Order.
20. Claims that arise as a result of a director and/or officer's gross negligence or willful misconduct are excluded from the definition of "D&O Claim" and the Claims Procedure.

21. It is proposed that notice to creditors of the Claims Procedure will occur by (i) publication of a notice to creditors, in the national edition of the Globe and Mail and the Chronicle-Journal, (ii) posting of the notice to creditors, Instruction Letter and Proof of D&O Claim on the Monitor's website, and (iii) sending a copy of the D&O Claims Procedure Order (without schedules), the Instruction Letter and the Proof of D&O Claim to each Notice Party (as such terms are defined in the Draft Order).
22. Pursuant to the Purchase Agreement and an assignment delivered on closing, the Purchaser assumed all liabilities and obligations under the collective agreements (the "**Collective Agreements**") between Terrace Bay and the International Brotherhood of Electrical Workers, Local 1861, and the United Steelworkers Association, Local 665 (the "**Unions**"), covering the unionized employees of Terrace Bay. Accordingly, while it is not necessary to provide notice of the Claims Procedure to the individual unionized employees, Terrace Bay will be providing notice to the Unions of this motion.
23. Pursuant to the Purchase Agreement, the Purchaser was required to offer employment to all employees whose employment was not covered by the Collective Agreements (collectively, the "**Non-Unionized Employees**"). Of the total number of Non-Unionized Employees, I understand based on a certificate delivered by the Purchaser to the Company that approximately eleven (11) did not become employees of the Purchaser upon closing of the sale transaction (the "**Non-Transferred Employees**").

24. Pursuant to the Purchase Agreement, the Purchaser assumed all obligations in respect of those Non-Unionized Employees who became employees of the Purchaser (the “**Non-Unionized Transferred Employees**”), and I understand that each Non-Unionized Transferred Employee delivered a release of Terrace Bay in connection with its acceptance of employment with the Purchaser.
25. Specifically, the Purchaser assumed liability for salaries, wages, bonuses, commissions, vacations, vacation pay and other compensation relating to employment with respect to the Non-Unionized Transferred Employees, arising and accruing after the date of closing, as well as all accrued vacations and vacation pay owing to Non-Unionized Transferred Employees arising and accruing prior to the date of closing.
26. The Company was current on all employee liabilities, including vacation pay, at the time of closing under the Purchase Agreement.
27. The Purchaser also assumed the obligations for the legal entitlements of the Non-Unionized Transferred Employees upon termination of employment without cause, including severance pay under applicable employment standards legislation and reasonable notice or pay in lieu of such notice under common law.
28. As no obligations were outstanding to the employees as at the closing date, and the Purchaser has assumed all liabilities to unionized employees under the Collective Agreements and all liabilities with respect to the Non-Unionized Transferred Employees, it is not necessary to provide notice of the Claims

Procedure to the unionized employees or the Non-Unionized Transferred Employees. They are not included in the Draft Order as a Notice Party.

29. Terrace Bay proposes to provide notice of the Claims Procedure to all of the Non-Transferred Employees.
30. The proposed Claims Procedure provides that all claimants wishing to assert a D&O Claim shall deliver to the Monitor a completed and signed Proof of D&O Claim, together with all relevant supporting documentation in respect of such D&O Claim, so that the Proof of D&O Claim is received by the Monitor on or before December 10, 2012 (the “**Claims Bar Date**”).
31. All D&O Claims which are not received by the Monitor on or before the Claims Bar Date will be forever barred and extinguished.
32. The rules for completing the Proof of D&O Claim are set out in the Instruction Letter, provided at Schedule “C” of the Draft Order.
33. Pursuant to the proposed Claims Procedure, the Monitor will review each Proof of D&O Claim received on or before the Claims Bar Date, and, in accordance the Draft Order, may accept, revise or disallow each D&O Claim.
34. The Draft Order provides a mechanism for claimants to dispute the Monitor’s determination of the validity, classification and amount of any D&O Claim, by delivering a Notice of Dispute by ordinary mail, courier, personal delivery or by email or facsimile so that such Notice of Dispute is received by the Monitor by no

later than 5:00 p.m. (Toronto time) on the day which is fourteen days (14) after the date of the Notice of Revision or Disallowance.

35. Upon receipt of a Notice of Dispute, the Monitor may investigate the D&O Claim, attempt to resolve the claim, or send the Dispute Package to one or more individuals appointed by the Monitor or the Court to act as Claims Officer.
36. In the event that the Monitor sends the Dispute Package to the Claims Officer for final determination, the Monitor must provide the Claims Officer with instructions regarding the issues to be determined by the Claims Officer in relation to the D&O Claim.
37. Upon receipt of a Dispute Package from the Monitor, the Claims Officer shall determine the validity, classification and/or amount of disputed D&O Claims in accordance with the Claims Procedure.
38. The proposed Claims Procedure has been developed with the assistance of the Monitor, and I am advised that the Monitor supports the Claims Procedure.
39. As at the date of this affidavit, Terrace Bay is not aware of the existence of any claims that are the subject of the Director's Charge.

Proceedings Against Terrace Bay

40. On May 16, 2012, the Workplace Safety and Insurance Board (the "WSIB"), requested that Terrace Bay provide written submissions addressing its potential negligence in connection with an incident which occurred on or about October 31,

2011 as described in paragraph 6 of the affidavit of Wolfgang Gericke sworn January 24, 2012 (the “**Incident**”), in which injuries were sustained by employees of Venshore Mechanical Inc. (“**Venshore**”, or the “**Accident Employer**”), a corporation performing services to Terrace Bay, and in which Incident an employee of Terrace Bay was fatally injured.

41. The WSIB requested submissions from Terrace Bay for the purpose of determining whether the costs of an insurance claim against Venshore should be transferred to Terrace Bay.
42. By letter dated September 12, 2012, counsel to Terrace Bay advised the WSIB that pursuant to the Initial Order, all proceedings against Terrace Bay are stayed and suspended pending further order of the Court, and that no proceeding or enforcement process in any court or tribunal shall be commenced or continued in respect of Terrace Bay, affecting its business or property, except with the written consent of Terrace Bay and the Monitor or with leave of the Court (the “**September 12 Letter**”). A copy of the September 12th Letter is attached herein as **Exhibit “C”**.
43. In the September 12 Letter, counsel to Terrace Bay also advised the WSIB that providing the requested submissions would deplete the limited resources of Terrace Bay and direct funds away from the creditors of Terrace Bay.
44. By letter dated October 23, 2012, counsel for Terrace Bay advised the WSIB that Terrace Bay would bring the WSIB proceeding to the attention of the Court on its motion on October 29th, 2012, and that any objections on the part of the WSIB

should be raised at that time. Attached hereto as **Exhibit "D"** is a copy of the letter referred to above.

45. On October 10, 2012, Terrace Bay received a summons pursuant to the *Provincial Offences Act* (Ontario) from the Ontario Court of Justice, indicating that Terrace Bay has been charged with three offences under the *Occupational Health and Safety Act* (Ontario) (the "**OHSA**") in connection with the Incident (the "**Summons**").
46. Pursuant to the Summons, Terrace Bay is summoned before the Ontario Court of Justice on November 23, 2012.
47. By letter dated October 23, 2012, counsel for Terrace Bay advised Crown Counsel, Ministry of Labour, Legal Services Branch ("**Crown Counsel**") of the existence of the CCAA proceeding, and Terrace Bay's position that the OHSA proceeding against Terrace Bay is stayed and suspended, and therefore the OHSA proceeding could not be continued against Terrace Bay except with the written consent of Terrace Bay and the Monitor or with leave of the Court. Attached hereto as **Exhibit "E"** is a copy of the letter referred to above.
48. In the above referenced letter, counsel to Terrace Bay advised Crown Counsel that Terrace Bay would bring the OHSA proceeding to the attention of the Court on this motion, and that any objections on the part of Crown Counsel should be raised at that time.

49. Terrace Bay's motion for, among other things, approval of the Claims Procedure and extension of the stay of proceedings, will be provided to Crown Counsel as well as the WSIB.

Dismissal of Construction Lien Claims

50. As set out in paragraph 49 of the affidavit of Wolfgang Gericke dated January 24, 2012, a number of parties commenced construction lien actions against Terrace Bay under the *Construction Lien Act* (Ontario) (the "CLA") prior to the date of the Initial Order. The Initial Order permitted, among other things, the registration of a claim for lien under the CLA against Terrace Bay in order to preserve statutory time limitations, provided that all such actions are subject to the stay of proceedings.
51. Certain of the construction lien actions have been dismissed (or the parties have received notice that such construction lien actions will be dismissed) as abandoned by the registrar of the court office in Thunder Bay, Ontario, due to inaction by the plaintiffs thereunder as a result of the stay of proceedings (the "**Dismissed Construction Lien Actions**"). A list of the Dismissed Construction Lien Actions is attached hereto as **Exhibit "F"**.
52. In order to give effect to the Initial Order and not prejudice the plaintiffs under the Dismissed Construction Lien Actions, Terrace Bay seeks an order of this Court setting aside the dismissals of the Dismissed Construction Lien Actions and directing and authorizing the registrar of the court office in Thunder Bay, Ontario to take such steps, or to refrain from taking any such steps, so as to preserve the

status of the Dismissed Construction Lien Actions and to cause such Dismissed Construction Lien Actions not to be dismissed, subject to the terms of the stay of proceedings in this CCAA proceeding.

Revised Cash Flow

53. Attached as Appendix "B" to the Seventh Report is a copy of the Company's revised Cash Flow Projection (the "**Revised Cash Flow Projection**"). The Company has sufficient resources to complete the sale of the Remaining Real Property and carry out the Claims Procedure, and seeks an extension of the Stay Period to and including April 30, 2013.

Good Faith & Due Diligence

54. For the reasons described above, Terrace Bay is requesting an extension of the Stay Period to and including April 30, 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 Remaining Real Property, adhering to the Claims Procedure, and distributing the net sales proceeds, subject to further direction of the Court as may be required.
55. This affidavit is made in support of the Company's motion for an order, among other things, approving the Claims Procedure and extending the Stay Period, and for no other or improper purpose.

SWORN BEFORE ME at the City of
Thunder Bay, in the Province of Ontario
this 23rd day of October, 2012


A Commissioner etc.

B. PAUL JASIURA


WOLFGANG GERICKE

TAB A

This is Exhibit "A" referred to in the
Affidavit of Wolfgang Gericke sworn the
23rd day of October, 2012



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

October 18, 2012

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

VIA E-MAIL

Reference: 71942/4

Attached Service List

Re: Terrace Bay Pulp Inc. – Directors and Officers Claims Process and Stay Extension

To the Service List:

We wish to provide you with this notice that Terrace Bay Pulp Inc. (the "Applicant") will make a motion to a Judge presiding over the Commercial List on October 29, 2012 at 10:00 a.m. seeking, among other things, an extension of the stay of proceedings.

The Applicant's motion materials in support of this relief will be provided to the Service List shortly.

Sincerely,



Kristina Desimini

Attachment

SERVICE LIST

TO:	ERNST & YOUNG INC. 222 Bay Street Toronto-Dominion Centre P.O. Box 251 Toronto, ON M5K 1J7 Alex Morrison Tel: 416-941-7743 Fax: 416-943-3300 Email: alex.f.morrison@ca.ey.com Todd Ambachtsheer Tel: 416-943-2018 Fax: 416-943-3300 Email: todd.j.ambachtsheer@ca.ey.com Roger Leslie Tel: 416-941-1811 Fax: 416-943-3300 Email: roger.f.leslie@ca.ey.com Naomi Lieberman Tel: 416 943 5379 Fax: 416-943-3300 Email: Naomi.R.Lieberman@ca.ey.com Robert Ferguson Email: robert.ferguson@ca.ey.com The Monitor	AND TO:	McMILLAN LLP Barristers & Solicitors Brookfield Place, Box 747 4400-181 Bay Street Toronto, ON M5J 2T7 Sheryl E. Seigel Tel: 416-307-4063 Fax: 416-865-7048 Email: sheryl.seigel@mcmillan.ca Lawyers for the Monitor, Ernst & Young Inc.
AND TO:	HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE (Income Tax, PST) P.O. Box 620 33 King Street West, 6 th Floor Oshawa, ON L1H 8E9 Kevin J. O'Hara Email: kevin.ohara@ontario.ca	AND TO:	MCKITRICKS Barristers & Solicitors 17A S. Cumberland Street Thunder Bay, ON P7B 2T3 Allan G. McKittrick, Q.C. Tel: 807-345-1251 Fax: 807-345-0043 Email: mckits@tbaytel.net Lawyers to Township of Terrace Bay

AND TO:	GOODMANS LLP Bay Adelaide Centre 333 Bay Street, Suite 3400 Toronto, ON M5H 2S7 Fred Myers Tel: 416-597-5923 Fax: 416-979-1234 Email: fmyers@goodmans.ca Lawyers for the Corporation of the Township of Terrace Bay	AND TO:	NATURAL RESOURCES CANADA 615 Booth Street Ottawa, ON K1A 0E9 Sarah Jayne Blair Tel: 613-943-6908 Email: sarahjayne.blair@nrcan-mcan.gc.ca
AND TO:	PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF NORTHERN DEVELOPMENT AND MINES (FORMERLY THE MINISTER OF NORTHERN DEVELOPMENT, MINES AND FORESTRY) Ministry of Northern Development and Mines Rm. M2-24, 900 Bay Street Toronto, ON M7A 1C3 Donald Bennett Email: donald.bennett@ontario.ca Kimberly Broome Email: kimberley.broome@ontario.ca Andrew Macdonald Email: andrew.macdonald@ontario.ca Cal McDonald Email: cal.mcdonald@ontario.ca	AND TO:	PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF NATURAL RESOURCES Forestry Division Ministry of Natural Resources 70 Foster Drive, Suite 610 Sault Ste. Marie, ON P6A 6V5 Bill Thornton Email: bill.thornton@ontario.ca Kathleen McFadden Email: kathleen.mcfadden@ontario.ca
AND TO:	PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTRY OF THE ATTORNEY GENERAL McMurtry-Scott Building 720 Bay Street, 11th Floor Toronto, ON M7A 2S9 Ronald Carr Email: ronald.carr@ontario.ca Shona Compton Email: shona.compton@ontario.ca Ananthan Sinnadurai Email: ananthan.sinnadurai@ontario.ca	AND TO:	PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF THE ENVIRONMENT Ministry of the Environment Legal Services 10th Floor, 135 St. Clair Avenue West Toronto, ON M4V 1E4 Mario Faieta Email: Mario.faieta@ontario.ca Scott Sheriff Email: Scott.sheriff@ontario.ca Trina Rawn Email: Trina.rawn@ontario.ca Craig Simons Email: Craig.simons@ontario.ca

AND TO:	BUSET & PARTNERS LLP 1121 Barton Street Thunder Bay, ON P7B 5N3 T. Michael Strickland Tel: 807-623-2500 Fax: 807-622-7808 Email: mstrickland@buset-partners.com Independent counsel to the Director	AND TO:	OLTHUIS, KLEER, TOWNSHEND 229 College Street Toronto, ON M5T 1R4 Kate Kempton Tel: 416-981-9374 Fax: 416-981-9350 Email: kkempton@oktlaw.com Judith Rae Tel: 416-981-9349 Email: jrae@oktlaw.com Lawyers for Matawa First Nations
AND TO:	UNITED STEELWORKERS, LOCAL 665 Paul Gerlach Email: uswlocal665@bellnet.ca	AND TO:	INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL 1861 P.O. Box 565 Terrace Bay, ON P0T 2W0 James Irwin Tel: 807-825-9354 Email: irwinjames@hotmail.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:	PALIARE ROLAND ROSENBERG ROTHSTEIN LLP 250 University Ave., Suite 501 Toronto, ON M5H 3E5 Ken Rosenberg Massimo Starnino Michelle Jackson Tel: 416-646-4300 Fax: 416-646-4301 Email: ken.rosenberg@paliareroland.com max.starnino@paliareroland.com michelle.jackson@paliareroland.com Lawyers for the United Steelworkers
AND TO:	COMPUTERSHARE TRUST COMPANY OF CANADA 100 University Avenue 8th Floor, South Tower Toronto, ON M5J 2Y1 Sean Pigott Tel: 416-263-9341 Fax: 416-263-9777 Email: sean.pigott@computershare.com	AND TO:	WEILER, MALONEY, NELSON Suite 201 1001 William Street Thunder Bay, ON P7B 6M1 Paul Jasiura Tel: 807-625-8881 Fax: 807-623-4947 Email: pjasiura@wmnlaw.com Lawyers for Thunderpine Leasing Inc.

AND TO	CATERPILLAR FINANCIAL SERVICES LIMITED 5575 North Service Road, Suite 600 Burlington, ON L7C 6M1 Kellie Wellenreiter Tel: 1-289-313-1238 Email: kellie.wellenreiter@cat.com	AND TO	CATERPILLAR FINANCIAL SERVICES LIMITED 700 Dorval Drive, Suite 705 Oakville, ON L6K 3V3 Kellie Wellenreiter Tel: 1-289-313-1238 Email: kellie.wellenreiter@cat.com
AND TO	XEROX CANADA LTD. 5650 Yonge Street Toronto, ON M2N 4G7	AND TO	LIFTCAPITAL CORPORATION 300 The East Mall, Suite 401 Toronto, ON M9B 6B7
AND TO	XEROX CANADA LTD. 33 Bloor Street East, 3 rd Floor Toronto, ON M4W 3H1 Attn: Lucy Myers/Robert Bandiera	AND TO	EQUIPMENT WORLD INC. 988 Alloy Drive Thunder Bay, ON P7B 6A5
AND TO:	JACQUELINE WALL Tel: 416-325-8435 Email: jacqueline.wall@ontario.ca		BORDEN LADNER GERVAIS LLP Scotia Plaza, 40 King West, 44 th Floor Toronto, ON M5H 3Y4 Alec Zimmerman Tel: 416-367-6003 Fax: 416-367-6749 Email: azimmerman@blg.com James Szumski Tel: 416-367-6310 Fax: 416-367-6749 Email: jszumski@blg.com Lawyers for Birchwood Trading, Inc.

CONSTRUCTION LIEN CLAIMANTS			
AND TO:	NORTH WEST INSTALLATIONS INC. c/o Peter Hollinger 1204A Roland Street Thunder Bay, ON P7B 5MA Tel: 807-344-1340 Fax: 807-344-1313 Email: hollinger@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 :7B 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

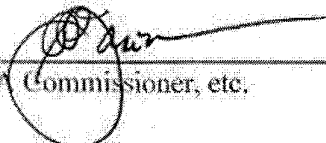
AND TO:	NORTH AMERICAN KILN SERVICE INC. c/o MacIvor Harris Roddy LLP 101 – 1151 Barton Street Thunder Bay, ON P7B 5N3 T. Michael Harris Tel: 807-623-1100 Fax: 807-623-1122 Email: mike@macivorlaw.com	AND TO:	SKYWAY CANADA LIMITED c/o Eccleston LLP 66 Wellington Street West, Suite 3820 P.O. Box 230 Toronto, 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:	VENSHORE MECHANICAL LTD. c/o Cheadles LLP 2000 – 715 Hewitson Street Thunder Bay, ON P7B 6B5 Kenneth Tyler Ritson Tel: 807-622-6821 Fax: 807-623-3892 Email: ritson@cheadles.com	AND TO:	VENASKY-POURU ELECTRIC LIMITED c/o Cheadles LLP 2000 – 715 Hewitson Street Thunder Bay, ON P7B 6B5 Kenneth Tyler Ritson Tel: 807-622-6821 Fax: 807-623-3892 Email: ritson@cheadles.com
AND TO:	ALSTOM POWER & TRANSPORT CANADA INC. c/o Gowlings 1 First Canadian Place 100 King Street West, Suite 1600 Toronto, ON M5X 1G5 Patrick Shea Tel: 416-369-7399 Fax: 416-862-7661 Email: patrick.shea@gowlings.com	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

AND TO:	A.H. LUNDBERG SYSTEMS LIMITED c/o Cheadles LLP 2000 - 715 Hewitson Street Thunder Bay, ON P7B 6B5 Kenneth Tyler Ritson Tel: 807-622-6821 Fax: 807-623-3892 Email: ritson@cheadles.com	AND TO:	PRAXAIR DISTRIBUTION INC. c/o RMS Bankruptcy Recovery Services 307 International Circle, Suite 270 Hunt Valley, Maryland 21030 Wendy Finnegan Tel: 410-773-4088 Fax: 484-242-4216 Email: wedndy.finnegan@rmsna.com
ADDITIONAL SERVICE LIST			
AND TO:	DEPARTMENT OF JUSTICE CANADA P.O. Box 36, Exchange Tower 130 King Street West, Suite 3400 Toronto, ON M5X 1K6 Diane Winters, General Counsel Tel: (416) 973-3172 Fax: (416) 973-0810 Email: diane.winters@justice.gc.ca	AND TO:	FINANCIAL SERVICES COMMISSION OF ONTARIO 5160 Yonge Street P.O. Box 85 Toronto, ON M2N 6L9 Mark Bailey Email: Mark.Bailey@fsco.gov.on.ca Deborah McPhail Email: Deborah.McPhail@fsco.gov.on.ca Stephen Scharbach Email: Stephen.Scharbach@fsco.gov.on.ca
AND TO:	WORKPLACE SAFETY AND INSURANCE BOARD, HEAD OFFICE (ONTARIO) 200 Front Street West Toronto, ON M5V 3J1 Fax: (416) 344-4684 Email: wsibcomm@wsib.on.ca	AND TO:	MINISTRY OF REVENUE Revenue Collections Branch Insolvency Unit 33 King Street West, P.O. Box 627 Oshawa, ON L1H 8H5 Larry Parent - Insolvency Officer Tel: 1-866-668-8297 ext: 18562 Fax: (905) 436-4524 Email: larry.parent@fin.gov.on.ca
AND TO:	MINISTRY OF LABOUR Legal Services Branch 400 University Avenue, 11 th Floor Toronto, ON M7A 1T7 Mike Nicol, Crown Counsel Tel: (416) 326-7970 Fax: (416) 326-7985 Email: m.nicol@ontario.ca	AND TO:	FRICOT LAW A Professional Corporation 130 May Street North Thunder Bay, ON P7C 3P2 Yves Fricot Tel: (807) 628-0700 Fax: (807) 628-0705 Email: yf@fricotlaw.com

AND TO	ONTARIO MINISTRY OF LABOUR Occupational Health and Safety Branch 505 University Avenue, 19 th Floor Toronto, ON M7A 1T7 Carol Sackville-Duyvelshoff, Associate Director Tel: (416) 326-9615 Fax: (416) 326-7242 Email: carol.sackville-duyvelshoff@ontario.ca	AND TO	COX & PALMER Brunswick Square, Suite 1500 1 Germain Street Saint John, NB E2L 4V1 Peter R. Forestell Tel: (506) 633-2715 Fax: (506) 632-8809 Email: pforestell@coxandpalmer.com
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TAB B

This is Exhibit "B" referred to in the
Affidavit of Wolfgang Gericke sworn the
23rd day of October, 2012



Commissioner, etc.

B. PAUL JASIURA

CONFIDENTIAL INFORMATION MEMORANDUM

Rare Offering: Lake Superior Lands

Rare Offering:
Lake Superior Lands

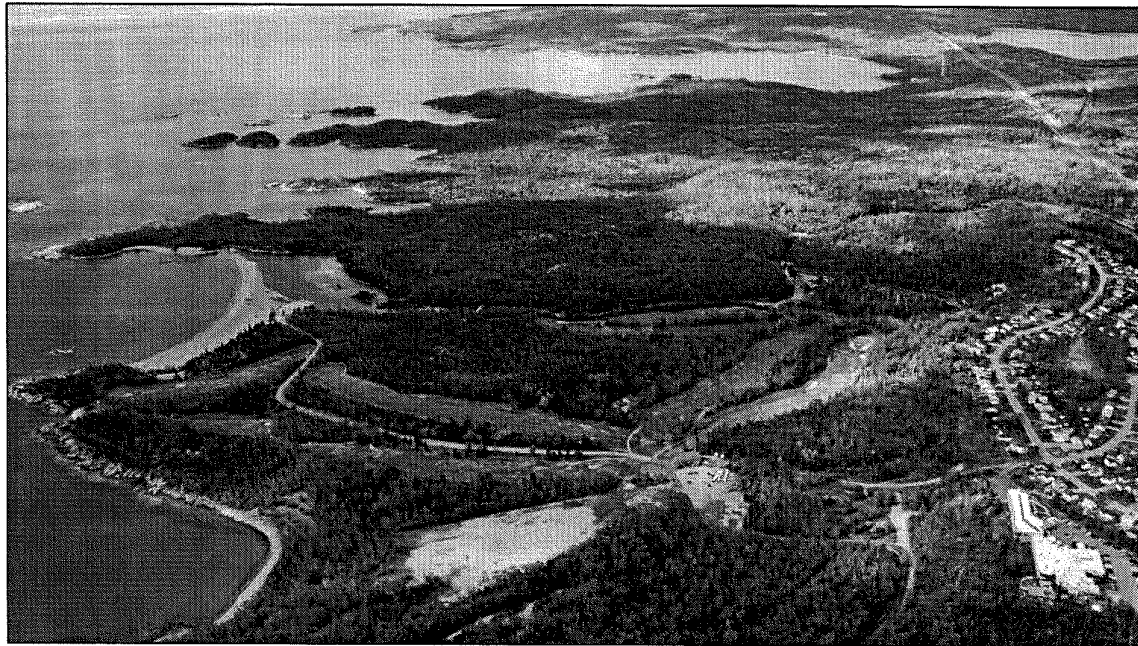
PHOTOS

34

DANNY'S COVE



VIEW OF GOLF COURSE



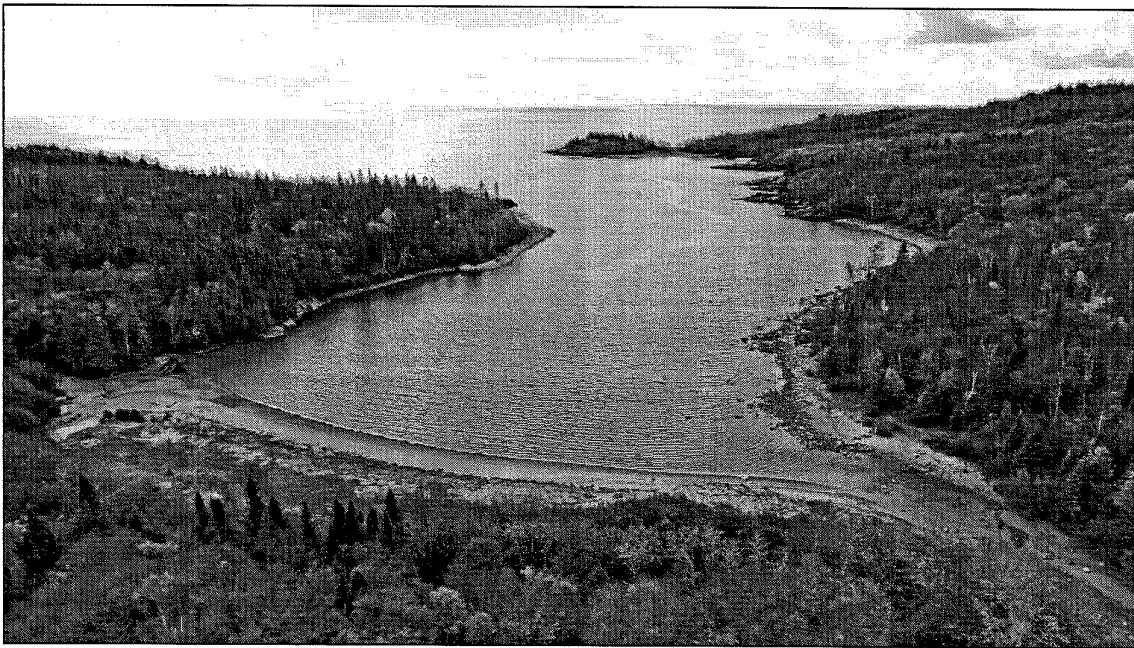
Rare Offering:
Lake Superior Lands

35

VIEW LOOKING SOUTH FROM AGUASABON LAKE



KELLY'S HARBOUR



INTRODUCTION

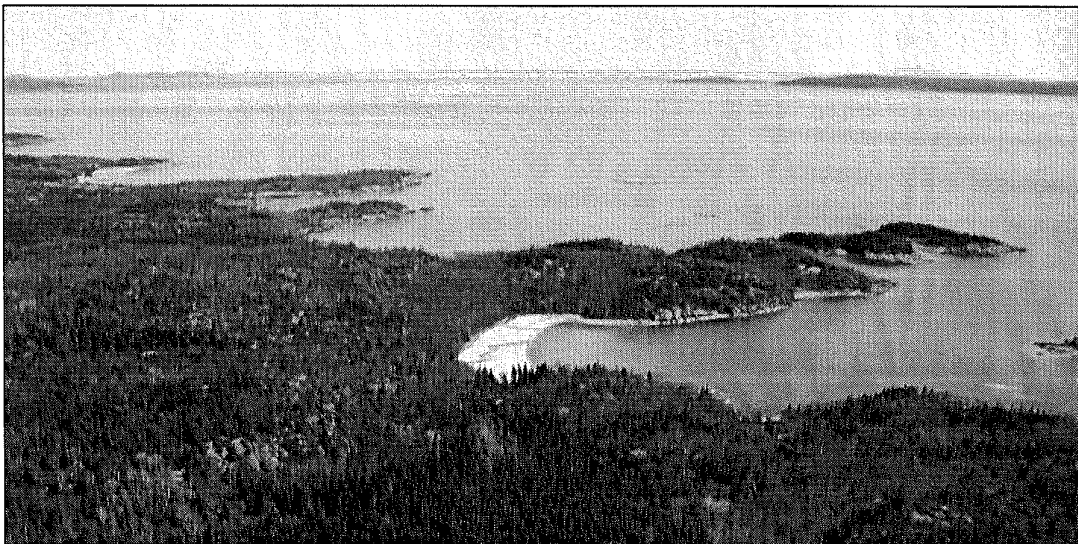
Ernst & Young Inc. ("EYI"), in its capacity as the Court appointed Monitor of Terrace Bay Pulp Inc. on behalf of Terrace Bay Pulp Inc. ("TBP") is pleased to present a rare offering of one of the largest parcels of land around and on Lake Superior to ever become available. This unique collection of properties offers a once in a lifetime opportunity to acquire up to 4,500 acres, made up of ten parcels, of pristine land in Northern Ontario, with extensive shoreline on Lake Superior, the world's largest fresh water lake. The land also includes extensive frontage on nearby Hays Lake and the beautiful Aguasabon River. The land is hereinafter referred to as the "Property" or "Parcels" or each of the ten parcels, "Parcel".

With its rugged natural beauty, proximity to Thunder Bay and the rejuvenated community of Terrace Bay and nearby Schreiber, the Property offers a variety of uses ranging from commercial to recreational. The Parcels include over twenty-six kilometers of waterfront on the Lake Superior shoreline that is now part of the Lake Superior National Marine Conservation Area, the largest freshwater protected area in the World. Parks Canada chose this portion of Lake Superior because it showcases Lake Superior's unique features to be explored, protected and conserved. The area contains unique geological features, many shipwrecks and numerous species of fish, waterfowl, plants with breathtaking seascapes and landscapes.

Separate (or as part of an en-bloc offer) Parcels also include:

- Significant shoreline along some of the region's most spectacular bays and coves, with potential for subdivision as recreational/residential lots
- The picturesque Aguasabon Golf Course and adjacent lands with striking scenery along the Aguasabon River
- Substantial frontage on the Trans Canada Highway
- Sizeable frontage on Hays Lake, Aguasabon River and Big Duck Creek

VIEW OF TERRACE BAY LOOKING SOUTH WEST



PROPERTY AND AREA HIGHLIGHTS

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Over 26 kilometres of breathtaking shoreline on Lake Superior, Hays
Lake and the Aguasabon River

...

Rugged and scenic landscape

...

Approximately 4,500 acres

...

Several sizable offshore islands

...

Sandy beaches and coves

...

Scenic nine hole, Aguasabon Golf Course

...

Two hour drive to Thunder Bay International Airport

...

\$250M being invested by new owners of local pulp mill

...

\$3M spent revitalizing downtown

...

Unparalleled opportunities for adventure and eco tourism

...

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DISCLAIMER

BACKGROUND

On January 25, 2012, TBP filed for relief under the Companies' Creditors Arrangement Act ("CCAA"). Pursuant to an order of the Ontario Superior Court of Justice (the "**Court**") dated January 25, 2012, as amended and restated ("**Initial Order**"), TBP was granted certain relief under the CCAA and Ernst & Young Inc. (the "**Monitor**") was appointed Monitor of TBP.

The Initial Order provided that TBP may market for sale, with the assistance of the Monitor, certain assets of TBP, including the Property.

CONFIDENTIAL INFORMATION MEMORANDUM

This Confidential Information Memorandum ("**CIM**") has been prepared by the Monitor on behalf of TBP and is being delivered to prospective purchasers that have duly executed a confidentiality agreement ("**CA**") in order to assist them in deciding whether or not they wish to pursue the acquisition of the Property or one or more of the Parcels. This CIM does not purport to be all inclusive or to contain all the information that a prospective purchaser may require in deciding whether or not to pursue the acquisition of the Property or one or more of the Parcels. This CIM is being provided to prospective purchasers for information and discussion purposes only.

Delivery of this CIM does not constitute an offer to sell or a solicitation of an offer to purchase securities under the securities laws of any jurisdiction, including the United States Securities Act of 1933, as amended, or any U.S. state securities laws, or a solicitation to enter into any other transaction. While the information herein is believed to be accurate, the Monitor expressly disclaims all liability for representations or warranties, expressed or implied, contained in, or for omissions from this CIM or any other written or oral communication transmitted or made available to any party. Interested parties will be permitted to conduct their own due diligence prior to providing binding commitments and must rely solely on their own investigations.

CONFIDENTIALITY

The information contained in this CIM is submitted to parties on a confidential basis for use solely in connection with their consideration of the acquisition opportunity described herein and is subject to the CA between the Monitor and the recipient. By its acceptance hereof, and in accordance with the executed CA, the recipient agrees that neither it nor any of its employees or advisors shall use the information for any purpose other than the evaluation of the opportunity, nor shall it divulge the information or distribute this CIM to any other party, in whole or in part, at any time without the prior written consent of the Monitor. Upon request, the recipient will promptly return all material received to Monitor (including this CIM) without retaining any copy thereof. In furnishing this CIM, neither the Monitor or TBP assumes any obligation to provide the recipient with any additional information.

Rare Offering:
Lake Superior Lands

FUTURE ORIENTED FINANCIAL INFORMATION

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This CIM may include certain financial estimates and projections with respect to the future performance of the Property. Such estimates and projections reflect various assumptions concerning its anticipated results and actions, which assumptions may or may not prove to be correct. The actual results achieved during the projection period will vary from the projected results and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

OFFERING PROCESS

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OFFERING PROCESS AND GUIDELINES

Recipients of this CIM should direct any questions or requests for additional information to the undersigned and should not contact any other parties other than as directed by the Monitor. Tours of the Property will be arranged upon request. A video of the Property will be available to qualified interested parties. Additional information will be made available to those parties that have duly executed a CA.

At a date to be determined by the Monitor and TBP, prospective purchasers will be invited to submit offers to purchase one or more of the Parcels from TBP, subject to the approval of the Court. At that time, prospective purchasers wishing to submit an offer will be provided with a draft form of agreement of purchase and sale ("APS").

TBP, with the assistance of the Monitor, will review and consider the following types of offers for the Property:

- En-bloc sale of entire Property
- Sale of one or more Parcels
- Partnership with TBP in developing certain Parcels

The form of APS will contain the following minimum terms and conditions:

- The sale of the Property will be on an "as is, where is" basis with only minimal representations and warranties as would normally be the case in a sale made pursuant to court proceedings;
- All offers will be open for a minimum of 30 days to allow TBP and the Monitor to review and assess offers and obtain approval of the Court, and
- All offers to purchase one or more Parcels will be subject to the approval of the Court.

All cash offers that result in maximization of proceeds, on a net basis, to the creditors of TBP will be strongly preferred. Accordingly, offers will be evaluated primarily on the consideration offered for the Parcels.

Following a review of offers received, TBP, with the assistance of the Monitor, may elect to:

- Negotiate with one party that submits an offer for all Parcels;
- Negotiate with more than one party in respect of various Parcels, and
- Short list certain parties that have submitted an offer and request them to resubmit a second offer for consideration.

TBP and the Monitor reserve the right at any time and without providing notice or reason, to (i) amend or terminate the process; (ii) decline to permit any interested party to participate in the process; (iii) terminate discussions with any and all interested parties; (iv) reject any and all offers; (v) negotiate with any party with respect to a transaction involving one or more Parcels; or (vi) amend the make-up of Parcels and/or entertain offers for parts of Parcels.

OFFER SUBMISSION PROCESS

At a date to be determined by TBP and the Monitor, prospective purchasers that have expressed an interest in the Property will be invited to submit an APS. At that time, prospective purchasers will be notified, in writing, of the offer submission process ("**Process Letter**"). As a minimum, the Process Letter will provide that, along with the APA submitted, the following must also accompany all offers:

1. An initial minimum deposit of the greater of: \$25,000 or 5% of the proposed purchase price for all Parcels proposed to be purchased;
2. The name of the ultimate beneficial owners of the prospective purchaser, including their respective percentage interests;
3. Evidence of the prospective purchaser's financial ability to complete the transaction, including the method of financing the purchase;
4. In the case of an offer for more than one Parcel, the allocation of prices on a Parcel by Parcel basis;
5. In the case of an offer for multiple Parcels, whether the purchase of one or more Parcels is conditional on acquiring one or more other Parcels;
6. Due diligence requirements, if any;
7. Terms and conditions of closing, and
8. Schedule of timing and events to complete the closing.

By submitting an APS, the prospective purchaser acknowledges that any sale will be subject to the approval of the Court and that the APS and the details set out in items 1 through 8 above, as well as the APS submitted, may be included in a report to the Court and TBP and the Monitor may provide such information to certain creditors for comment in advance of court approval. The opening of all offers submitted will be in private and no prospective purchasers shall be present during the opening of submissions.

Prospective purchasers will be strongly encouraged to discuss with the Monitor and designated legal counsel any proposed changes to the APS prior to the submission deadline and will be required to submit along with their final offer a blacklined version (from the standard form of the APS).

**Rare Offering:
Lake Superior Lands**

Recipients who do not wish to pursue this matter are requested to return this CIM to the undersigned at their earliest convenience.

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Under certain terms and conditions, TBP is prepared to pay a commission, on closing, to registered real estate brokers that bring forward bona fide prospective purchasers that are successful in purchasing one or more Parcels. Brokers that believe they have an interested party are strongly encouraged to contact the Monitor in advance regarding the registration process of prospective purchasers and the terms upon which commission may be paid.

All information requests and inquiries are to be directed to representatives of the Monitor and at no time are parties to directly contact any representatives of TBP. Further information regarding this opportunity may be obtained by contacting one of the following representatives of the Monitor:

Ernst & Young Inc.
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7

Raymond E Drost
Senior Vice President
Direct: 416 943 4455
Email: ray.e.drost@ca.ey.com

Tony S Morgan
Vice President
Direct: 416 943 3834
Email: tony.s.morgan@ca.ey.com

PROPERTY

History of Property

The property is located in the Township of Terrace Bay in Thunder Bay District in Northern Ontario. It is located on the north shore of Lake Superior, east of Thunder Bay, along Highway 17.

Terrace Bay originated as a company town in the 1940's when a pulp and paper mill was established there by Longlac Pulp and Paper Company, later renamed Kimberly-Clark Forest Products.

The Property was originally acquired by Kimberly-Clark around the same time as the acquisition of the lands required for the establishment of the pulp and paper mill ("**Pulp Mill**"). While a small number of lots along Lake Superior have been subdivided and sold over time primarily on Terrace Bay (also known as Hydro Bay), with the exception of the development of the Aguasabon Golf Course, the Property remains largely undeveloped/unserved.

In July, 2012, the sales process for the Pulp Mill was completed, resulting in the sale to Aditya Birla Group ("**Birla**"). Birla is a global conglomerate with operations in over 133 countries and revenue in excess of \$25 Billion.

Birla's plan for the Pulp Mill was to start up operation as a regular pulp mill which began on October 9, 2012. Over the next couple of years, the Pulp Mill will be converted to a dissolving pulp mill operation through a \$250 Million capital investment.

The sale of the Pulp Mill results in the principal remaining asset of TBP being certain lands that were surplus to the Pulp Mill operations, being the Property described herein.

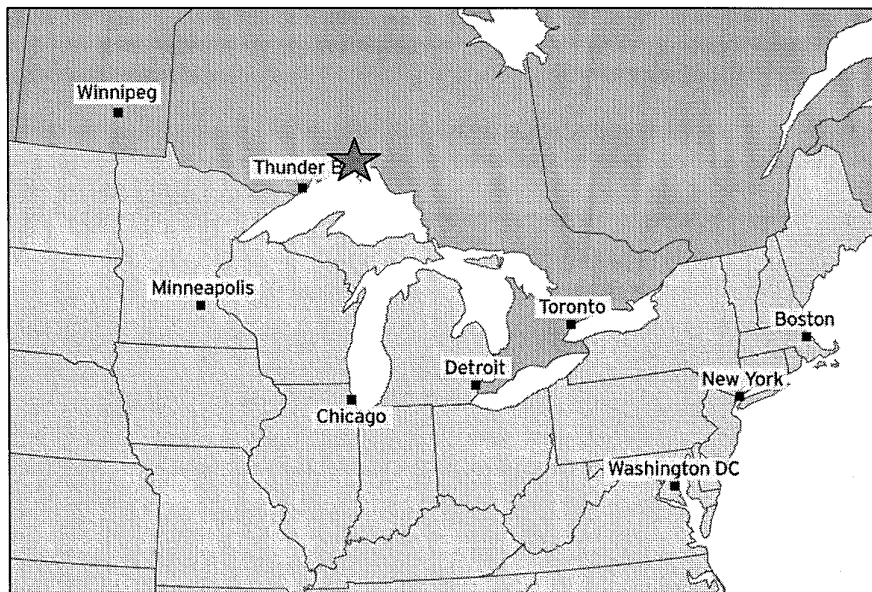
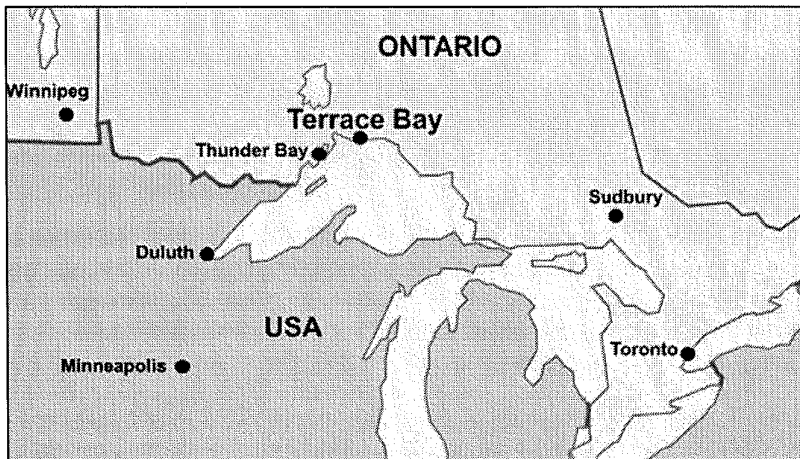


Rare Offering:
Lake Superior Lands

Location

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The Properties are located near the Township of Terrace Bay, Ontario.



Description of Land Parcels

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

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

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

Possible uses of the lands include the following:

Residential Lots	Residential lots could be developed along several of the sandy bays and coves located on the properties. There is also the option to subdivide lands adjacent to the golf course. We expect there would be demand for both seasonal and year round residential uses.
Resort	The waterfront location could provide an excellent location for a wilderness / lake front resort which has year round activities at its doorstep. Terrace Bay and its environs are a true four season playground and there are numerous locations in which a resort would be well suited.
Wilderness Estate	Acreage of this size is seldom made available for sale. This would be a rare opportunity to acquire a significant land parcel for a family retreat / compound in one of Canada's most scenic areas.
Residential Subdivision	With the reopening of the mill and growing population of retirees, age of current housing stock, there is a shortage of quality housing options in the Terrace Bay area. Thus the opportunity exists for a new subdivision, principally to the east of the existing Terrace Bay residential subdivision.
Commercial Lands	Several parcels are adjacent to the TransCanada Highway and enjoy high visibility locations close the commercial centre of town.

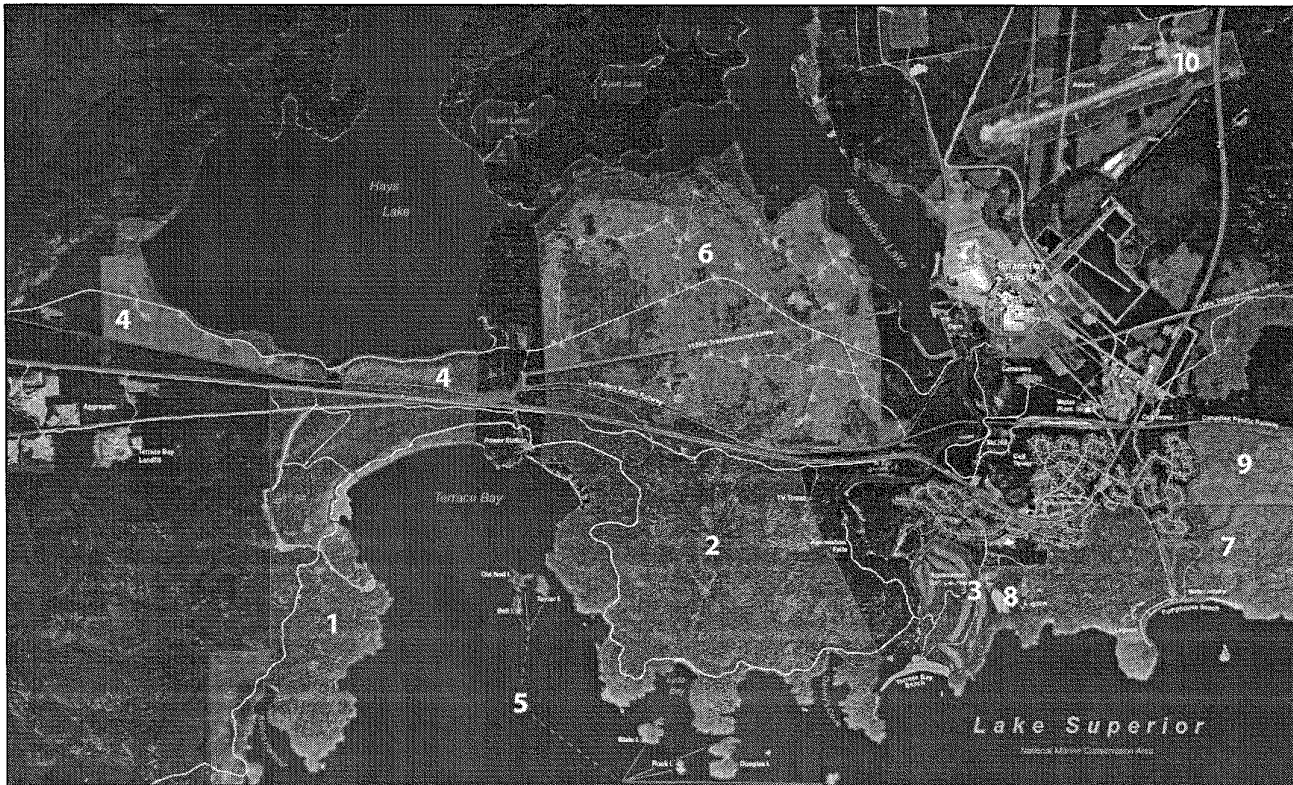
Rare Offering:
Lake Superior Lands

Summary of Parcels:

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Parcel #	Name	Approximate Size (acres)	Zoning	Waterfront (Km / miles)
1	Hydro Bay West	805	Rural	6.7 / 4.2
2	Hydro Bay East	1,203	Rural	8.4 / 5.2
3, 7, 8, 9	Various	886	Open Space / Rural	5.5 / 3.4
4	Hays Lake West	232	Rural	Note 1
5	Islands	36	Rural	6.1 / 3.7
6	Hays Lake East	1,304	Rural	4.5 / 2.8
10	Airport Lands	199	Rural	None
Total		4,665		

Note 1: Parcel 4 has .7km of waterfront on Hays Lake and 2.8km adjacent to the Hays Lake.



Description of Parcels:

Parcel #	Description
1	Consists of approximately 800 acres of land with prime waterfront acreage on Terrace Bay's sandy beach and the west side of Terrace Bay including the secluded Kelly's Harbour. There is an access road which makes the beach front lands accessible. There have been several conceptual plans over the years to put in cottage lots on the beach which has significant frontage on Lake Superior.
2	Hydro Bay East Parcel consists of approximately 1,200 acres with substantial lake frontage and several prominent bays and coves. In the past conceptual plans have envisioned a 45 slip marina, resort accommodations and cottage lots on this parcel.
3	This parcel consists of the Howard Watson designed nine hole golf course which features striking scenery and borders the winding Aguasabon River and the Terrace Bay beach. The course was built in 1955, is semi-private and plays over 3,000 yards.
4	Parcel four consists of approximately 230 acres of land located between the shores of Hays Lake and the TransCanada Highway, most of which borders the south end of Hays Lake.
5	Parcel five consists of several islands in Lake Superior five of which are larger than two acres. The largest island, Douglas Island, is approximately 13 acres. The islands are popular with sailors and are inhabited by a diverse population of marine life.
6	This parcel is the largest of the parcels available at approximately 1,300 acres and contains significant frontage on Big Duck Creek and Aguasabon River. The property is bisected by the Canadian Pacific Railway on the section adjacent to the TransCanada Highway.
7	This parcel consists of lands East of the Aquasabon Golf Course and with significant frontage on Lake Superior, this site has the potential for cottage lots on one of Terrace Bay's top beaches, Pumphouse Beach.
8	Parcel eight consists of the land surrounding the golf course and contains two parts. The first part is partially surrounded by the golf course and has the potential for approximately 30 lots (1/2 acre each in size). The second part consists of the land between the golf course and Lake Superior and consists of room for about 20 lots (1/2 acre each in size) many of which would have frontage on Lake Superior.
9	Parcel nine consists of approximately 150 acres of land south of the Canadian Pacific Railway and East of the Township. This land is considered to be the likely site of the Township's next subdivision.
10	This parcel of land consists of the former Terrace Bay Airport which has been closed since 2005. The runway is currently leased to and used by the Township for their annual Terrace Bay Dragfest in the summer, a popular drag racing event for automotive enthusiasts.

Salient Details

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LEGAL DESCRIPTION	To be provided
AREA SIZE	Approximately 4,500 acres
LAKE FRONTAGE ON SUPERIOR	Approximately 26 kilometers
FRONTAGE ON HAYS LAKE	Approximately .7 kilometers with 2.8km adjacent to lake
FRONTAGE ON AGUASABON LAKE	Approximately 4 kilometers
PHYSICAL ENVIRONMENT	Encompasses a range of diverse habitats, landscapes and ecological features. Wetland pockets, shallow groundwater fed streams and boulder fields in addition to high bedrock ridges and sandy beaches along the coast.
TOPOGRAPHY	Varying
REGISTERED OWNER	Terrace Bay Pulp Inc.
CURRENT ZONING	Rural and Open Space
OFFICIAL COMMUNITY PLAN	Currently being amended*
IMPROVEMENTS	None of any significance
LEASES	Airport leased to Township for purposes of the annual DragFest that takes place. Dragfest is the community's annual drag racing weekend which attracts over 10,000 visitors to the region. Terrace Bay Council voted in 2005 to close the airport's runway. Currently the Ministry of Natural Resources, hydro and emergency helicopters have access to the facility year round.
EASEMENTS	Various
OTHER	Property is located in the Lake Superior National Marine Conservation Area, the largest freshwater marine protected area in the world.

*Township has indicated it is prepared to work with the current/new owners to determine the appropriate zoning that is beneficial to all parties.

Zoning

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At present, with the exception of the Aguasabon Golf Course, the Property is zoned "Rural" allowing for limited development and uses. The Township is in the process of completing a review of the current Official Plan ("OP") that was put in place in January, 2005.

The Township strongly encourages new development and investment in Terrace Bay. Accordingly, it was indicated to us that it is willing to work with the current or new owner of the Property or one or more Parcels to establish the appropriate zoning, so long as it meets the objectives of the Township. Given that the OP has not been finalized, the Township advised that to rezone the Property in a quick and efficient manner, an opportunity may exist to seek a zoning order from the Minister of Municipal Affairs and Housing prior to completion of the new OP.



LOCAL AREA

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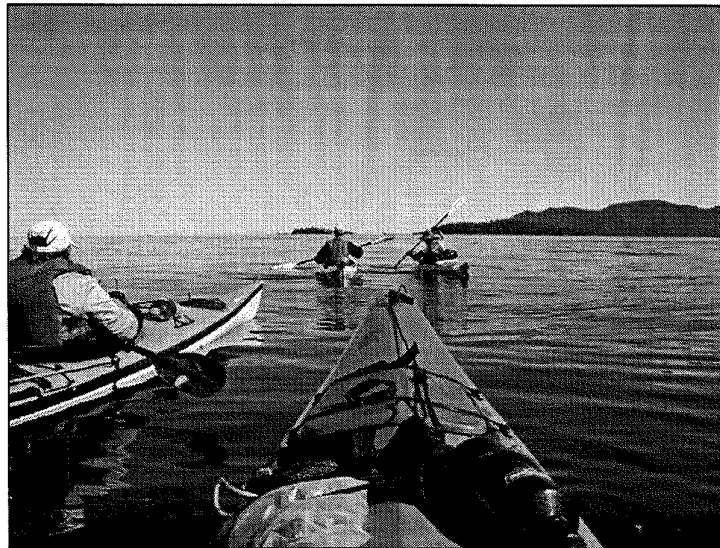
Terrace Bay and Surrounding Areas

The Township of Terrace Bay ("Town" or "Township") is the Eastern gateway to the newly developed Lake Superior National Marine Conservation Area. Tranquil sheltered bays and endless rugged coastlines create incomparable and unforgettable opportunities for outdoor adventure in the surrounding area. The Township of Terrace Bay has a wide variety of attractions and events for both locals and vacationers. Whether it is sightseeing at Aguasabon Falls, Terrace Bay Beach or Slate Islands, playing a round of golf, participating in the Dragfest, or lounging on one of its many beaches, you will find many exciting and affordable things to do in Terrace Bay.

Revered and respected by the Canadian First Nations and immortalized in Canadian folklore, Lake Superior has been a key North American transportation route for several centuries. Today the rugged shorelines and wilderness beckon global adventures to its four season playground. The unspoiled North shore of Lake Superior offers an unparalleled recreational wilderness adventure.

Area activities include:

- Boating
- World class fishing
- Hiking
- Camping
- Skiing
- Hunting
- ATV'ing
- Snowmobiling
- Canoeing



The Township has a population of 1,800 people, with 5,000 more within a 45 minute drive (including the Town of Schreiber) and approximately 140,000 within a two hour drive.

The municipal airport has been closed since 2005 to the public; however the runway is still in good condition and contains a helipad and fueling station.

**Rare Offering:
Lake Superior Lands**

Slate Islands

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The Property is located near the Slate Islands one of Northern Ontario's natural treasures. The Slate Islands archipelago is formed of two main islands, five minor islands and numerous islets located in northern Lake Superior, 10 km south of the Town of Terrace Bay. The islands were created by a meteorite impact which formed a crater about 32 km wide. In 1985, the Ontario government established the Slate Islands as a natural environment provincial park. The islands are notable for having Ontario's largest herd of woodland caribou.

Casque Isles Trail

The Casque Isles Trail is a 53 kilometre rugged, but spectacular section of Voyageur Trail. The Casque Isles Trail offers hikers the opportunity to share in Lake Superior's majestic and rugged beauty. Beginning in Rossport, passing by Schreiber Beach and ending in Terrace Bay, the total length of the signed and groomed trail is 53 km.

The trail follows the shoreline of Lake Superior, hopping from bay to bay, and is divided into five units, each with its own unique wilderness experience and access point from Highway 17. These units vary in hiking time and difficulty so that both the advanced and amateur hikers can enjoy the scenery.

Awards

The Town of Terrace Bay was recognized in 2012 by the Lake Superior Magazine as the "Best of the Lake" in the following categories:

Category	Winner
Best Views	Terrace Bay Lighthouse, the Tourist Info Centre Lookout and the Aguasabon Falls
Best Gift Shop	Hummingbird Haus
Best Beaches	Terrace Bay Beach
Best Places to Paddle	Slate Islands Provincial Park
Best Place to Hike	Casque Isles Trail
Best Views (Lodging)	Imperial Motel
Best Places to Eat	Drifters Restaurant

Further information on Terrace Bay can be found at:

www.terracebay.ca

Rare Offering:
Lake Superior Lands

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VIEW OF TERRACE BAY BEACH AND GOLF COURSE



AGUASABON FALLS



Rare Offering: Lake Superior Lands

Lake Superior National Marine Conservation Area of Canada

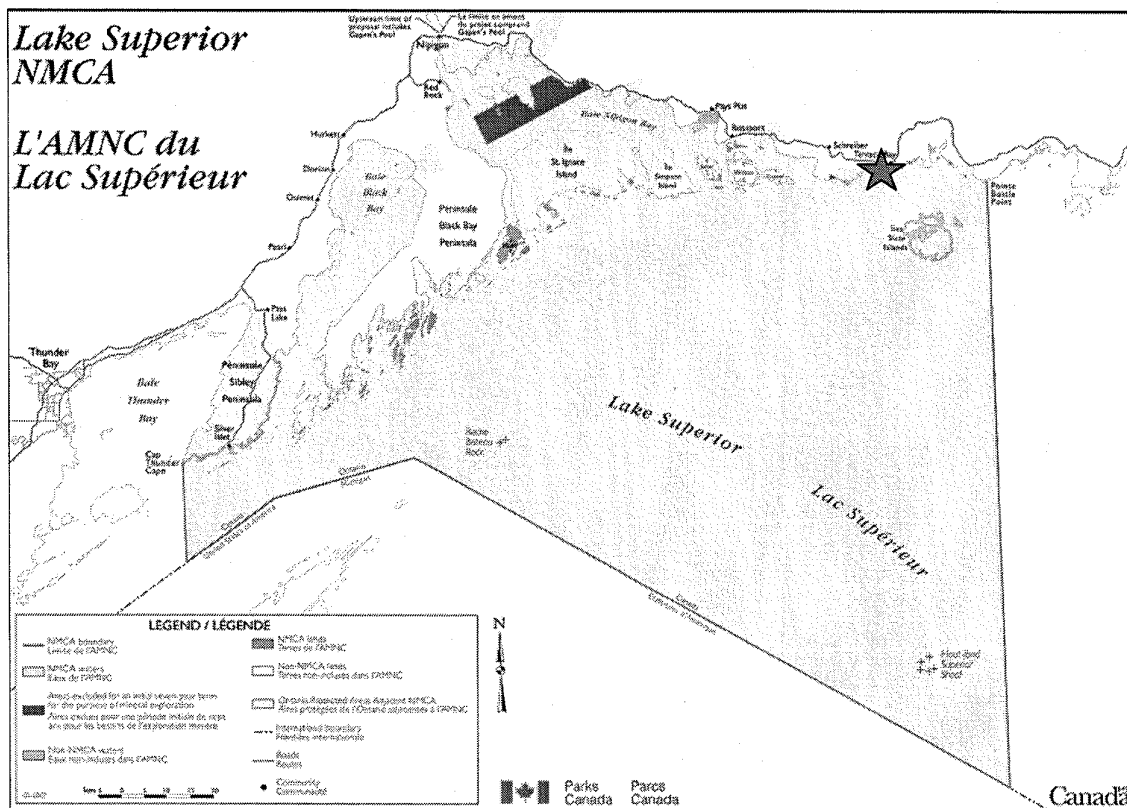
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The Lake Superior Marine Conservation Area is part of a nation-wide family of protected areas managed by Parks Canada.

National marine conservation areas are established to conserve and protect representative examples of Canada's oceans and Great Lakes. Each marine conservation area contributes to the understanding and appreciation of Canada's natural and cultural marine heritage. They also:

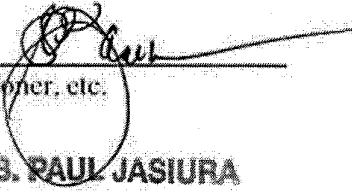
- Contribute to the social, cultural and economic well-being of people living in coastal communities.
- Provide opportunities for the ecologically sustainable use of aquatic resources for the long-term benefit of coastal communities.
- Involve other federal and provincial agencies, aboriginal governments, communities and others in establishing and maintaining the areas.

Hunting and fishing can continue in marine conservation areas. For Lake Superior, the Ministry of Natural Resources will continue to manage those activities. Also, Transport Canada will continue to manage marine transportation.



TAB C

This is **Exhibit "C"** referred to in the
Affidavit of Wolfgang Gericke sworn the
23rd day of October, 2012



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

September 12, 2012

Marc Flynn
Dir: 416-863-2685
marc.flynn@blakes.com

VIA E-MAIL (debbie_davis@wsib.on.ca)

Reference: 00071942/000006

Ms. Debbie Davis
Transfer of Cost Adjuster
Workplace Safety and Insurance Board
200 Front Street West
Toronto, ON M5V 3J1

Re: Transfer of Cost No. 11TY236

Dear Ms. Davis:

We are special insolvency counsel to Terrace Bay Pulp Inc. ("Terrace Bay"). Pursuant to the order of the Court dated July 17, 2012, Terrace Bay has sold and transferred the pulp mill and all or substantially all of the related business assets to a third party purchaser, 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.

By letter dated May 16, 2012, you have requested that Terrace Bay provide written submissions addressing its potential negligence in connection with the October 31, 2011 explosion of the #1 blow tank with respect to injuries sustained by employees of Venshore Mechanical Inc., the accident employer (the "Accident Employer"). We are not aware of any complaint or incident report which alleges negligence of Terrace Bay in connection with the accident. We also note that Venshore's letter requesting cost transfer relief itself does not actually allege negligence by any party.

We understand that the submissions are requested by the WSIB at the request of the Accident Employer for a determination pursuant to section 84 of the *Workplace Safety and Insurance Act*, whether the costs of the claim against the Accident Employer should be transferred to Terrace Bay. We understand that if the WSIB determines that a transfer of cost is appropriate, the costs of the WSIB's claim against the Accident Employer would be transferred to Terrace Bay.

We refer to the letter from Fricot Law, counsel to Terrace Bay, dated June 15, 2012, wherein, among other things, counsel advised you that, pursuant to the order of the Ontario Superior Court of Justice (the "Court") dated January 25, 2012 (as amended and restated, the "Initial Order"), all proceedings against Terrace Bay were stayed and suspended pending further order of the Court as a result of Terrace Bay's filing under the Companies' Creditors Arrangement Act. Paragraph 10 of the Initial Order provides that no proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of Terrace Bay, or affecting its business or property, except with the written consent of Terrace Bay and Ernst & Young Inc., in its capacity as the court-appointed Monitor of Terrace Bay, or with leave of the Court, and any and all such proceedings currently under way against or in respect of Terrace Bay or affecting its business or property is stayed and suspended pending further order of the Court, except as permitted by

12590714.1



section 11.1 of the PPSA. Moreover, counsel advised that responding to the issues raised in the WSIB's request will involve significant time, resources and will deplete the funds available to creditors of Terrace Bay.

It is Terrace Bay's position that the transfer of cost application, and the request for submissions from Terrace Bay, are stayed and suspended and, accordingly, Terrace Bay is not required to provide the submissions requested by your May 16 letter. The stay of proceedings expires on October 31, 2012, unless further extensions are obtained by Terrace Bay.

The transfer of cost issue is wholly financial or monetary in nature. The sole purpose of the request for submissions from Terrace Bay is to determine whether the WSIB is a creditor of Terrace Bay for all or part of the amount claimed from the Accident Employer. Even if it were determined that the WSIB is a creditor of Terrace Bay, the stay of proceedings would continue to prevent the WSIB from taking steps to enforce its rights as a creditor against Terrace Bay. This may also include taking any steps to actually transfer the costs in question. Moreover, any claim of the WSIB against Terrace Bay, as a result of a transfer of costs of the Accident Employer or otherwise, is an unsecured claim in the current proceedings and is subordinate to the claims of Terrace Bay's secured creditors. Terrace Bay does not anticipate that it will have sufficient funds to make a distribution to unsecured creditors in the current proceedings, including the WSIB in the event that it has a claim against Terrace Bay (which is not admitted).

As set out in Mr. Fricot's letter, Terrace Bay would incur a substantial financial obligation in providing the information requested by the WSIB. Any funds spent by Terrace Bay in preparing the submissions requested by the WSIB are funds directed away from other creditors participating in Terrace Bay's insolvency proceeding. Any financial obligation incurred in preparing submissions would only assist the WSIB in quantifying its claim against Terrace Bay, and provides no benefit to other creditors of Terrace Bay.

Your letter indicates that a determination on transfer of cost may be made based upon information on file with the WSIB. Any such determination without the benefit of submissions by Terrace Bay may be prejudicial to Terrace Bay and its other creditors. Given the stay of proceedings that is in place, we trust that the WSIB will take no further steps in response to the transfer of cost request by the Accident Employer without leave of the Court. Should you have any questions with respect to this aspect of the matter, I would be pleased to discuss the same with you.

Yours very truly,

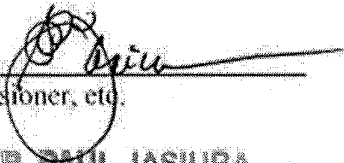
Marc Flynn

c: Pam Huff, Blake, Cassels & Graydon LLP
Yves Fricot, Fricot Law
Sheryl Seigel, McMillan LLP

12590714.1

TAB D

This is **Exhibit "D"** referred to in the
Affidavit of Wolfgang Gericke sworn the
23rd day of October, 2012.



A Commissioner, etc.

B. PAUL JASIURA



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
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Tel: 416-863-2400 Fax: 416-863-2653

October 23, 2012

Marc Flynn
Dir: 416-863-2685
marc.flynn@blakes.com

VIA E-MAIL

Reference: 00071942/000004

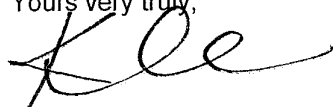
Ms. Debbie Davis
Workplace Safety and Insurance Board
Head Office (Ontario)
200 Front Street West
Toronto, ON M5V 3J1

RE: Transfer of Cost No. 11TY236

Dear Ms. Davis:

I refer to my letter dated September 12, 2012. All capitalized terms and phrases used herein and not otherwise defined have the meanings given to them in that letter. I am writing to advise that a copy of my September 12th letter will be provided to the Ontario Superior Court of Justice (Commercial List) as an Exhibit to the affidavit of Wolfgang Gericke to be sworn on or about October 23, 2012 in connection with the motion by Terrace Bay Pulp Inc. ("Terrace Bay") for, among other things, an extension of the stay of proceedings until April 30, 2013. The motion is returnable October 29, 2012. If the WSIB disagrees with the position taken by Terrace Bay in my September 12th letter, it should raise its position at the motion on October 29, 2012.

Yours very truly,



Marc Flynn

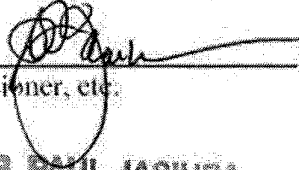
per Marc Flynn

FLY

12598657.1

TAB E

This is **Exhibit "E"** referred to in the
Affidavit of Wolfgang Gericke sworn the
23rd day of October, 2012



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

October 23, 2012

Marc Flynn
Dir: 416-863-2685
marc.flynn@blakes.com

VIA E-MAIL

Reference: 00071942/000004

Ms. Line Forestier, Crown Counsel
Ministry of Labour
Legal Services Branch
400 University Avenue
11th Floor
Toronto, ON M7A 1T7

RE: Summons of the Ontario Court of Justice Pursuant to Section 24 of the *Provincial Offences Act* (Ontario) dated October 10, 2012 (the "Summons")

Dear Ms. Forestier:

We are special insolvency counsel to Terrace Bay Pulp Inc. ("Terrace Bay"). Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated July 19, 2012, Terrace Bay has sold and transferred the pulp mill and all or substantially all of the related business assets to a third party purchaser, 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.

By Summons received October 10, 2012, Terrace Bay has been summoned to appear before the Ontario Court of Justice on November 23, 2012 in connection with the charges brought by the Crown against Terrace Bay pursuant to the *Occupational Health and Safety Act* (Ontario) (the "OHSA") and certain of its former employees arising out of an industrial accident which occurred on October 31, 2011 (the "OHSA Proceeding").

Pursuant to the order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated January 25, 2012 (as amended and restated, the "Initial Order"), all proceedings against Terrace Bay were stayed and suspended pending further order of the Court as a result of Terrace Bay's filing under the *Companies' Creditors Arrangement Act* (the "CCAA"). Paragraph 10 of the Initial Order provides that no proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of Terrace Bay, or affecting its business or property, except with the written consent of Terrace Bay and Ernst & Young Inc., in its capacity as the court-appointed monitor of Terrace Bay, or with leave of the Court, and any and all such proceedings currently under way against or in respect of Terrace Bay or affecting its business or property are stayed and suspended pending further order of the Court, except as permitted by section 11.1 of the CCAA. Responding to the issues raised by the Summons will involve significant time, resources and will deplete the funds available to creditors of Terrace Bay. A copy of the Initial Order (without schedules) is enclosed with this letter.

12598645.1



It is Terrace Bay's position that the OHSA Proceeding and the Summons, are stayed and suspended and, accordingly, Terrace Bay is not required to appear in accordance with the Summons on November 23, 2012.

If a conviction is entered against Terrace Bay in the OHSA Proceeding, the associated remedy is wholly financial or monetary in nature. The purpose of the OHSA Proceeding is to determine whether certain penalties under the OHSA can be applied against Terrace Bay. If the statutory penalties were levied against Terrace Bay, the Crown would be a creditor of Terrace Bay for the quantum ordered by the Ontario Court of Justice in connection with the OHSA Proceeding. Even if the Crown was able to obtain a conviction such that the statutory penalties would apply, the stay of proceedings would continue to prevent the Crown from taking steps to enforce its rights as a creditor against Terrace Bay. Moreover, any claim of the Crown against Terrace Bay, as a result of the OHSA Proceeding 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. Terrace Bay may not have sufficient funds to make a distribution to unsecured creditors in the CCAA proceedings, including the Crown in the event that it has a claim against Terrace Bay (which is not admitted).

Terrace Bay would incur a substantial financial obligation in responding to the Summons and mounting a defense in the OHSA Proceeding. Any funds spent by Terrace Bay in responding to the OHSA Proceeding are funds directed away from creditors participating in the CCAA proceedings. Any financial obligation incurred in responding to the OHSA Proceeding would only assist the Crown in quantifying its claim against Terrace Bay, and provides no benefit to other creditors of Terrace Bay.

On October 29, 2012, Terrace Bay is seeking an extension of the stay of proceedings until April 30, 2013. A copy of this letter will be included as an exhibit to the affidavit of Wolfgang Gericke to be sworn on or about October 23, 2012, in support of the relief sought, including the extension of the stay of proceedings. If the Crown disputes the position taken by Terrace Bay in this letter, it should be prepared to speak to the matter at the motion on October 29th, 2012.

Given the stay of proceedings that is in place, we trust that the Crown will take no further steps in the OHSA Proceeding without leave of the Court. Should you have any questions with respect to the position taken in this letter, I would be pleased to discuss the same with you.

Yours very truly,

 per Marc Flynn

Marc Flynn

FLY
Enclosure

12598645.1

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



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

JUSTICE MORAWETZ

) WEDNESDAY, THE 25TH
)
) DAY OF JANUARY, 2012

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.

The Applicant

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by Terrace Bay Pulp Inc. (the "Applicant"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Wolfgang Gericke sworn January 24, 2012 and the Exhibits thereto (collectively, the "Gericke Affidavit"), the report of Ernst & Young Inc. ("E&Y") as proposed Monitor dated January 24, 2012, the affidavit of Nancy Thompson sworn February 1, 2012, the Initial Order of Mr. Justice Morawetz dated January 25, 2012 (the "Initial Order"), the Supplemental Initial Order of Mr. Justice Morawetz dated February 2, 2012, the Second Supplemental Initial Order of Mr. Justice Morawetz dated February 7, 2012, the affidavit of Wolfgang Gericke sworn February 15, 2012, and the Second Report of E&Y in its capacity as Monitor dated February 15, 2012 and on being advised that 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") does not oppose the relief sought in this Application, and on hearing the submissions of counsel for the Applicant, the Province and E&Y and on reading the consent of E&Y to act as the Monitor and on hearing the submissions of counsel for The Corporation of the Township of Terrace Bay (the "Township") and the Trustee (as defined in the Gericke Affidavit) in respect of the relief set out in paragraph 32 hereof, no one appearing for the Construction Lien Claimants (as defined in the Gericke Affidavit) in connection therewith, although duly served in accordance with the terms of the Initial Order,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "Business") and Property. The Applicant shall be authorized

and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

6. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) payment for goods or services actually supplied to the Applicant before and following the date of this Order in connection with the repairs to and/or replacement of equipment damaged in connection with the October 31 Accident (as defined in the Gericke Affidavit) provided that the Monitor approves of each payment for goods or services provided before the date of this Order; and
- (c) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services, harmonized sales or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

8. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations,
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. THIS COURT ORDERS that until and including April 27, 2012, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities, including, without limitation, warehousemen, storers or bailees or construction lien claimants (all of the foregoing being, collectively, "Persons" and each being a "Person") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent

the registration of a claim for lien under the *Construction Lien Act* (the "CLA"). In order to preserve the time limitations provided for by the provisions of the CLA, the Construction Lien Claimants are hereby permitted to commence actions (and where relevant, register a corresponding certificate of action) in respect of such liens in accordance with the CLA, provided that such actions will be subject to the stay imposed by this Order. Any such actions commenced under this sub-paragraph (iv) on or after February 16, 2012 must be served on the Applicant and the Monitor within 5 days of issuance by the applicable Court office.

NO INTERFERENCE WITH RIGHTS

12. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, and the Applicant shall be entitled to possession of its Property, wherever situate, without any interference of any kind from any Person, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

13. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

14. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

15. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

16. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings (including in respect of any environmental condition that arose or environmental damage that occurred after the date hereof, and excluding, for greater certainty, in respect of any environmental condition that arose or environmental damage that occurred prior to the date hereof), except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

17. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property in an

unlimited amount as security for the indemnity provided in paragraph 16 of this Order. The Directors' Charge shall have the priority set out in paragraphs 30 and 32 herein.

18. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 16 of this Order.

APPOINTMENT OF MONITOR

19. THIS COURT ORDERS that E&Y is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. THIS COURT ORDERS that (a) E&Y, in its sole discretion, may suspend performance of any of its remaining duties as the Monitor of the Applicant in the First CCAA Proceedings (as defined in the Gericke Affidavit) namely Court File No. CV-09-8062-00CL, and that E&Y and the Applicant are free to seek such further and other Order, advice and directions as may be considered necessary or desirable in relation to the First CCAA Proceedings, including the remaining duties of E&Y as Monitor in those proceedings; and (b) the liabilities and obligations of the Applicant to E&Y pursuant to paragraph 23 of the Order made by this Court on July 27, 2010 in the First CCAA Proceedings remain in full force and effect, shall be paid by the Applicant and are hereby secured by the Administration Charge (as defined below).

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the Applicant's cash flow statements;
- (d) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order, including being at liberty to retain and utilize the services of entities related to the Monitor as may be necessary to perform its duties hereunder; and
- (h) consult with and assist the Applicant as requested in its negotiations and discussions with suppliers, customers, creditors and other stakeholders;
- (i) consult with and assist the Applicant with the Sales Process (as defined below);
- (j) perform such other duties as are required by this Order or by this Court from time to time.

22. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.
24. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.
25. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.
26. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard

rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis, and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant (i) any accounts outstanding relating to the preparation for this Application and (ii) retainers in the amounts of \$100,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and paragraph 20 of this Order. The Administration Charge shall have the priority set out in paragraphs 30 and 32 hereof.

29. THIS COURT ORDERS that the Applicant is authorized to pay a retainer in the amount of \$20,000 to the independent counsel for the OHS Employees (as defined in the Gericke Affidavit.)

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

30. THIS COURT ORDERS that the priorities of the Directors' Charge, and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$750,000); and

Second – Directors' Charge (in an unlimited amount).

31. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, or the Administration Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

32. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, including but not limited to the Encumbrances in favour of the Province, the Township, the Trustee and the Construction Lien Claimants, and, for greater clarity, and with the agreement of Her Majesty the Queen in Right of Ontario ("HMQRO"), this Court further orders that, notwithstanding the existence and ranking of any charge against real property securing the costs of remedying any environmental condition or environmental damage referenced in section 11.8(8) of the CCAA (each and any, a "Section 11.8(8) Charge"), amounts secured by the Administration Charge shall be paid in priority to any claims of the HMQRO secured by a Section 11.8(8) Charge, including from the sale proceeds of any real property subject to a Section 11.8(8) Charge.

33. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

34. THIS COURT ORDERS that the Directors' Charge and the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy*

and *Insolvency Act* of Canada (the "BIA"), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

SALES PROCESS

35. THIS COURT ORDERS that the Applicant, with the assistance of the Monitor, is hereby authorized to conduct a process (the "Sales Process") for the solicitation of offers in accordance with the Sale Process Terms attached hereto as Schedule A (the "Sales Process Terms") for the sale of the Assets as defined therein, and is authorized to take such steps as are necessary or advisable in carrying out the Sales Process in accordance with the Sale Process Terms, with such modifications, amendments or extensions of time as the Applicant and the Monitor may deem appropriate in the circumstances.

36. THIS COURT ORDERS that the Applicant and the Monitor may obtain advice and directions from the Court with respect to the Sales Process.

37. THIS COURT ORDERS that the Applicant, with the assistance of the Monitor, is hereby authorized to market the Non-Business Assets (as defined in the Gericke Affidavit) in a manner determined by the Applicant, with the assistance of the Monitor, to be the most appropriate for each such Non-Business Asset.

BSI EMPLOYEES

38. THIS COURT ORDERS that the Applicant is authorized to enter into a services agreement substantially in the form of the Temporary Services Agreement attached as Exhibit "B" to the Gericke Affidavit in respect of the BSI Employees, and the Applicant is hereby authorized to make payments to the BSI Employees as contemplated in the Gericke Affidavit.

SERVICE AND NOTICE

39. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

40. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

41. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or

other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at www.ey.com/ca/terracebay.

GENERAL

42. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

43. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

44. 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 Applicant, 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 Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

45. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

46. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order, other than paragraphs 17, 28 and 32, on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

47. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

A handwritten signature in black ink, appearing to read "J. H. Williams", is written over a horizontal line.

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

FEB 16 2012

MB

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.

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL ORDER

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
Toronto, Ontario M5L 1A9

Pamela L.J. Huff LSUC#: 27344V
Tel: (416) 863-2958

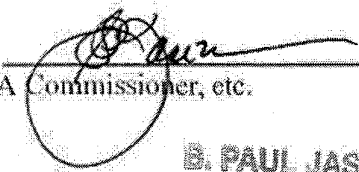
Jackie Moher LSUC#: 53166V
Tel: (416) 863-3174

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

Lawyers for the Applicant

TAB F

This is Exhibit "F" referred to in the
Affidavit of Wolfgang Gerieke sworn the
23rd day of October, 2012


A Commissioner, etc.

B. PAUL JASIURA

Dismissed Construction Lien Actions

Name of Claimant	Court File No.
KHM Engineering Inc.	CV-11-00000484-0000
Link Steel & Mechanical Inc.	CV-11-00000504-0000
Fabmar Metals Inc.	CV-11-00000503-0000
EKT 90 Inc.	CV-12-00000037-0000
North American Kiln Service Inc.	CV-11-00000502-0000
Keating Insulation Inc.	CV-12-00000083-0000
Alstrom Power & Transport Canada Inc.	CV-12-00000080-0000

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 GERCKE
(Sworn October 23, 2012)**

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

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

Marc Flynn LSUC#: 52831B
Tel: 416-863-2685

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

Lawyers for the Applicant

TAB 3

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY, THE 29 TH
	)	
JUSTICE MORAWETZ	)	DAY OF OCTOBER, 2012

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: Approval of D&O Claims Procedure and Stay Extension)

THIS MOTION, made by Terrace Bay Pulp Inc. (the “**Applicant**”), pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for an order (a) approving a procedure for the identification, resolution and barring of certain claims against its directors and officers, and authorizing and directing Ernst & Young Inc., in its capacity as court-appointed monitor of the Applicant (the “**Monitor**”), to administer the claims procedure in accordance with its terms, (b) approving an extension of the stay of proceedings, provided for at paragraph 10 of the Order of this Court dated January 25, 2012, as amended and restated (the “**Initial Order**”) from October 31, 2012 to April 30, 2013, (c) setting aside the dismissals of the Dismissed Construction Lien Actions (as that term is defined in the affidavit of Wolfgang Gericke sworn October 23, 2012) and directing and authorizing the registrar of the court office in Thunder Bay, Ontario, to take such steps, or to refrain from taking any such steps,

so as to preserve the status of the Dismissed Construction Lien Actions and to cause such Dismissed Construction Lien Actions not to be dismissed, subject to the terms of the stay of proceedings in this CCAA proceeding, and (d) approving the Sixth Report of the Monitor dated July 12, 2012 (the “**Sixth Report**”), the Supplemental Sixth Report of the Monitor dated July 16, 2012 (the “**Supplemental Sixth 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 Notice of Motion, the Affidavit of Wolfgang Gericke sworn October 23, 2012 (the “**Gericke Affidavit**”), and the Exhibits thereto, and the Seventh Report of the Monitor dated October 23, 2012 (the “**Seventh Report**”), and on hearing the submissions of counsel for the Applicant and counsel for the Monitor, no other parties appearing though properly served.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Seventh 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 Seventh Report on any parties other than the parties actually served with the Notice of Motion, Motion Record and the Seventh Report is hereby dispensed with and that service in the manner effected by the Applicant is validated in all respects.

DEFINITIONS

2. **THIS COURT ORDERS** that for the purposes of this Order, the following terms shall have the following meanings:

- (a) “**Administration Charge**” means the Administration Charge as defined in the Initial Order;
- (b) “**Business Day**” means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario;
- (c) “**CCAA Proceeding**” means this CCAA proceeding commenced by the Applicant pursuant to the Initial Order;

- (d) **"Claimant"** means a Person wishing to assert a D&O Claim;
- (e) **"Claims Bar Date"** means 5:00 p.m. (Toronto time) on December 10, 2012, or any later date ordered by the Court;
- (f) **"Claims Officer"** means any individual as may be appointed to act as a Claims Officer pursuant to paragraph 11 of this Order for the purposes of the Claims Procedure;
- (g) **"Claims Package"** means a package of information to be provided to Notice Parties by the Monitor, which package shall include a copy of this Order, without attachments, an Instruction Letter and a Proof of D&O Claim;
- (h) **"Claims Procedure"** means the procedure outlined in this Order for the determination of D&O Claims, including the schedules to this Order;
- (i) **"D&O Claims Procedure Order"** means this Order;
- (j) **"Court"** means the Ontario Superior Court of Justice (Commercial List);
- (k) **"D&O Claim"** means any existing or future right or claim of any Person against one or more of the Directors and/or Officers of the Applicant in respect of any obligations and liabilities which have arisen or may arise or was or may be incurred, in his or her capacity as Director or Officer, after the commencement of the CCAA Proceeding, and which have been indemnified by the Applicant pursuant to paragraph 16 of the Initial Order (including in respect of any environmental condition that arose or environmental damage that occurred after January 25, 2012, and excluding, for greater certainty, in respect of any environmental condition that arose or environmental damage that occurred prior to January 25, 2012), except to the extent that, with respect to any Officer and/or Director, such right or claim arose or arises or was or may be incurred as a result of such Director and/or Officer's gross negligence or wilful misconduct;
- (l) **"Dispute Package"** means, with respect to any D&O Claim, a copy of the related Proof of D&O Claim, Notice of Revision or Disallowance and Notice of Dispute;

- (m) **“Director”** means anyone who was or is (or is deemed to be or have been) director of the Applicant;
- (n) **“Filing Date”** means January 25, 2012;
- (o) **“Instruction Letter”** means a letter to Claimants regarding the Claims Procedure containing instructions regarding the completion and return of a Proof of D&O Claim, substantially in the form attached as **Schedule “C”** hereto;
- (p) **“Monitor’s Website”** means www.ey.com/ca/terracebay;
- (q) **“Notice Party”** means each Person:

- i. listed in the accounts payable register of the Applicant as being a creditor of such Applicant as at the Filing Date;
- ii. included in the definition of Non-Transferred Employees (as that term is defined in the Gericke Affidavit);
- iii. which is a governmental agency listed in **Schedule “A”** attached hereto;
- iv. included in the service list for this motion; and
- v. who has notified the Monitor in writing prior to the Claims Bar Date that such Person has or wishes to assert a D&O Claim;

in each case, as identified by the Applicant to the Monitor on a written schedule to be provided by the Applicant to the Monitor as provided for in paragraph 5 of this Order.

- (r) **“Notice of Dispute”** means a notice delivered to the Monitor by a Claimant disputing a Notice of Revision or Disallowance, which notice shall be substantially in the form attached hereto as **Schedule “F”** and shall set out the reasons for the dispute;
- (s) **“Notice of Revision or Disallowance”** means a notice informing a Claimant that the Monitor has revised or disallowed all or any part of such Claimant’s D&O Claim, which notice shall be substantially in the form attached hereto as **Schedule “E”** and shall set out the reasons for such revision and/or disallowance;

- (t) **"Notice to Creditors"** means the notice publicizing this Claims Procedure to be published in accordance with this Order, substantially in the form of the notice attached as **Schedule "B"**;
- (u) **"Officer"** means anyone who was or is (or is deemed to be or have been) an officer of the Applicant;
- (v) **"Person"** means any individual, general or limited partnership, firm, association, joint venture, trust, entity, corporation, limited or unlimited liability company, unincorporated organization, trade union, pension plan administrator, pension plan regulator, governmental authority or agency, employee or other association, or any other juridical entity howsoever designated or constituted;
- (w) **"Proof of D&O Claim"** means the form to be completed and filed by a Claimant setting forth its purported D&O Claim, substantially in the form attached as **Schedule "D"**;
- (x) **"Proven D&O Claim"** means the amount and classification of any Claimant's D&O Claim as finally determined in accordance with this Claims Procedure; and
- (y) **"Unasserted D&O Claim"** means a D&O Claim for which a Proof of D&O Claim was not delivered to the Monitor by the Claims Bar Date.

PUBLICATION AND NOTICE TO CREDITORS

3. **THIS COURT ORDERS** that the Notice to Creditors is hereby approved.
4. **THIS COURT ORDERS** that the Monitor shall take all reasonable steps to cause the Notice to Creditors to be published in each of the Globe and Mail (national edition) and the Chronicle-Journal by November 12, 2012, or as soon as practicable thereafter.
5. **THIS COURT ORDERS** that on or before 5:00 p.m. (Toronto time) on November 2, 2012, the Applicant shall provide to the Monitor, for use by the Monitor in communicating with Notice Parties pursuant to this Order, a written schedule of the Notice Parties in a form satisfactory to the Monitor, which schedule shall include the most current address information of

such Persons possessed by the Applicant and, where possible, the email address information for such Persons.

6. **THIS COURT ORDERS** that the Monitor shall send a copy of the Claims Package to any Person identified by the Applicant as a Notice Party by either ordinary mail to the last known address of such Person as shown by the books and records of the Applicant, or, where an email address for such Person has been provided to the Monitor or is included on the service list in this proceeding, by email transmission, and that the Monitor shall be entitled to rely on the schedules, records and other information provided to it by the Applicant regarding the address of the Notice Parties entitled to receive a Claims Package and the Monitor shall have or be under no personal liability for its reliance on such information or for its failure to send a Claims Package to any Person.

7. **THIS COURT ORDERS** that the Monitor shall cause the Notice to Creditors, Instruction Letter and Proof of D&O Claim to be posted on the Monitor's Website from on or around November 6, 2012 until the Claims Bar Date.

CLAIMS BAR PROCESS

8. **THIS COURT ORDERS** that a Claimant wishing to assert a D&O Claim shall deliver to the Monitor a completed and signed Proof of D&O Claim, together with all relevant supporting documentation in respect of such D&O Claim, so that the Proof of D&O Claim is received by the Monitor on or before the Claims Bar Date.

9. **THIS COURT ORDERS** that the D&O Claims of all Persons who do not deliver to the Monitor a Proof of D&O Claim so that the Proof of D&O Claim is received by the Monitor on or before the Claims Bar Date shall be forever extinguished and barred from and after the Claims Bar Date and all such Persons shall be deemed to have fully and finally released and discharged any and all of such D&O Claims.

10. **THIS COURT ORDERS** that the Directors and Officers shall be released and discharged from any and all Unasserted D&O Claims, including, without limitation, any and all demands, claims, actions, causes of actions, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, charges and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any

Claimant may have been entitled to assert as a D&O Claim and including, without limitation, any and all D&O Claims in respect of potential statutory liabilities, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction or dealing or other occurrence existing or taking place prior to the Claims Bar Date.

CLAIMS OFFICER

11. **THIS COURT ORDERS** that the Monitor be and is hereby authorized to either (a) appoint one or more individuals, or (b) apply to this Court for an order seeking the appointment of one or more individuals, in each instance, in its discretion, to act as a Claims Officer to determine the validity, classification and amount of disputed D&O Claims in accordance with the Claims Procedure and that any Claims Officer shall be entitled to the benefits of and rely upon the Administration Charge as security for his or her reasonable professional fees and disbursements in connection with such appointment as Claims Officer.

12. **THIS COURT ORDERS** that the Claims Officer shall be entitled to reasonable compensation for the performance of its responsibilities as set forth in this Order, and such other orders as may be made by this Court in relation to the Claims Procedure, on terms customarily charged by a claims officer in performing comparable functions, such terms as agreed to between the Monitor and the Claims Officer, or as ordered by this Court, which compensation may be calculated on the basis of an agreed upon hourly rate and/or daily or half daily fee basis and shall include the reasonable disbursements incurred by the Claims Officer. Subject to the approval of the Monitor, the fees and disbursements of the Claims Officer shall be paid by the Applicant forthwith upon receipt of each invoice tendered by the Claims Officer.

13. **THIS COURT ORDERS** that subject to any further order of this Court, the Claims Officer shall determine the manner, if any, in which evidence may be brought before the Claims Officer in determining the validity, classification and amount of any D&O Claim, as well as any other procedural matters that may arise in respect of the Claims Officer's determination of the validity, classification and amount of any D&O Claim.

CLAIMS RESOLUTION PROCESS

14. **THIS COURT ORDERS** that following delivery of one or more Proofs of D&O Claim to the Monitor on or prior to the Claims Bar Date, unless this Court orders otherwise, the following provisions shall apply to each Proof of D&O Claim and related D&O Claim:

- (a) The Monitor shall review each Proof of D&O Claim received by the Claims Bar Date and may accept, revise or disallow all or any part or parts of the D&O Claim. At any time, the Monitor may request additional information with respect to and conduct investigations regarding any D&O Claim;
- (b) The Monitor may attempt to consensually resolve the validity, classification and amount of any D&O Claim with the Claimant prior to accepting, revising or disallowing such D&O Claim;
- (c) If the Monitor determines to revise or disallow a D&O Claim the Monitor shall send a Notice of Revision or Disallowance to the Claimant. The failure by the Monitor to send the Claimant a Notice of Revision or Disallowance shall not result in any D&O Claim being accepted or being deemed to be accepted;
- (d) If a Claimant disputes the classification or amount of a D&O Claim as set forth in a Notice of Revision or Disallowance and such Claimant intends to contest the Notice of Revision or Disallowance, then such Claimant shall deliver a Notice of Dispute so that such Notice of Dispute is received by the Monitor by no later than 5:00 p.m. (Toronto time) on the day which is fourteen days (14) after the date of the Notice of Revision or Disallowance, or such later date as the Monitor may agree in writing or the Court may order. The Notice of Dispute shall contain the particulars of the dispute; and
- (e) Any Claimant who fails to deliver a Notice of Dispute to the Monitor by the deadline set forth in paragraph 14(d) shall be deemed to accept the validity, classification and amount of its D&O Claim as set out in the Notice of Revision or Disallowance and the D&O Claim as set out in the Notice of Revision or Disallowance shall constitute a Proven D&O Claim.

15. **THIS COURT ORDERS** that upon receipt of a Notice of Dispute, the Monitor may, in its discretion:

- (a) Investigate the D&O Claim and the reasons for the dispute, including, without limitation, by communication with the Claimant, the Applicant and the applicable Directors and Officers;
- (b) Attempt to consensually resolve the classification and amount of the D&O Claim with the Claimant;
- (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 issues relating to the D&O Claim. In relation to any such motion the Claimant shall be deemed to be the applicant and the Monitor shall be deemed to be the respondent.

16. **THIS COURT ORDERS** that upon receipt of a Dispute Package, the Claims Officer shall establish a process to determine the issues that the Monitor has requested be determined by the Claims Officer in relation to the validity, classification and/or amount of the D&O Claim, which may include the scheduling of one or more hearings, and the Claims Officer, as soon as practicable, shall notify the Monitor, Applicant, the Claimant and any affected Directors and/or Officers of his or her determination of such D&O Claim. The Claims Officer shall determine the parties, if any, in addition to the Applicant, Monitor and Claimant, who shall be entitled to participate in any hearing(s) scheduled by the Claims Officer.

17. **THIS COURT ORDERS** that within ten (10) days of receiving notification of the Claims Officer's determination of a Claimant's D&O Claim, any of the Monitor, the affected Directors and/or Officers, and/or the Claimant may appeal the Claims Officer's determination to this Court by serving upon the Monitor, and/or the Claimant and/or the affected Directors and/or Officers as applicable, and filing with this Court, a notice of motion returnable on a date to be fixed by this Court seeking to appeal the determination of the Claims Officer. If an appeal is not

filed within such period then the Claims Officer's determination shall be deemed to be final and binding and shall be a Proven D&O Claim.

NOTICES AND COMMUNICATIONS

18. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, a Proof of D&O Claim) to be given under this Order by a Claimant to the Monitor or the Applicant shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if given by ordinary mail, courier, personal delivery or by e-mail or facsimile transmission addressed to:

The Monitor

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

Attention: Naomi Lieberman
Facsimile: 416-943-3300
Email: naomi.r.lieberman@ca.ey.com

With a copy to:

McMillan LLP
Brookfield Place, Box 747
4400-181 Bay Street
Toronto, ON M5J 2T7

Attention: Sheryl E. Seigel
Facsimile: 416-865-7048
Email: sheryl.seigel@mcmillan.ca

The Applicant

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

Attention: Kristina Desimini
Facsimile: 416-863-2653
Email: kristina.desimini@blakes.com

19. **THIS COURT ORDERS** that the Monitor may send any document pursuant to this Order by electronic (email) transmission, ordinary mail, registered mail, courier or fax transmission. A Claimant shall be deemed to have received any document sent by the Monitor pursuant to this Order two (2) Business Days after the document is sent by any method of mail and one (1) Business Day after the document is sent by courier, email or fax transmission provided that any courier delivery or ordinary mail or any electronic or facsimile transmission is sent prior to 5:00 p.m. (Toronto time) on such Business Day. Documents shall not be sent by ordinary or registered mail during a postal strike or work stoppage of general application.

AID AND ASSISTANCE OF OTHER COURTS

20. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province or any court or any judicial, regulatory or administrative body of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

GENERAL PROVISIONS

21. **THIS COURT ORDERS** that the Claims Procedure shall govern the identification, resolution and barring of D&O Claims and shall be administered by the Monitor.

22. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take such actions and fulfill such roles as are contemplated by this Order.

23. **THIS COURT ORDERS** that the Monitor shall use reasonable discretion as to the adequacy of completion and execution of any document completed and executed pursuant to this Order and, where the Monitor is satisfied that any matter to be proven under this Order has been adequately proven, the Monitor may waive strict compliance with the requirements of this Order as to the completion and execution of documents.

24. **THIS COURT ORDERS** that the Monitor may apply to this Court for advice and directions in connection with the discharge or variation of its powers and duties under this Order or in relation to the Claims Procedure.

25. **THIS COURT ORDERS** that reference to the singular includes the plural, to the plural includes the singular, and to any gender includes the other gender.

26. **THIS COURT ORDERS** that the Claims Procedure shall in no way prejudice the rights and remedies of the Officers and Directors under any existing Directors and Officers insurance policy.

27. **THIS COURT ORDERS** that for the purposes of this Order, all D&O Claims which are denominated in a currency other than Canadian dollars shall be converted to and constitute obligations in Canadian dollars, such calculation to be done by the Monitor, using the Bank of Canada noon spot rate of exchange for exchanging the currency to Canadian dollars on the Filing Date.

28. **THIS COURT ORDERS** that the Monitor shall be permitted to provide copies of the Proofs of D&O Claim it has received, as well as other information concerning the nature and particulars of the D&O Claims asserted, to the Applicant and to any Director or Officer in respect of whom a D&O Claim was made, and their respective counsel.

29. **THIS COURT ORDERS** that the provisions of this Order concerning D&O Claims including, without limitation, the provisions concerning the Claims Bar Date and its effect, and the determinations of the Monitor, the Claims Officer and this Court in respect of any D&O Claims, shall survive the bankruptcy of the Applicant and shall be binding on any trustee in bankruptcy appointed in respect of the Applicant.

30. **THIS COURT ORDERS** that in the event that the day on which any notice or communication required to be delivered pursuant to the Claims Procedure is not a Business Day then such notice or communication shall be required to be delivered on the next Business Day.

CONSTRUCTION LIEN ACTIONS

31. **THIS COURT ORDERS** and directs that the dismissals of the Dismissed Construction Lien Actions are hereby set aside.

32. **THIS COURT HEREBY DIRECTS** and authorizes the registrar of the court office in Thunder Bay, Ontario, to take such steps, or to refrain from taking any such steps, so as to preserve the status of the Dismissed Construction Lien Actions and to cause such Dismissed Construction Lien Actions not to be dismissed, subject to the terms of the stay of proceedings in this CCAA proceeding.

APPROVAL OF MONITOR'S REPORTS AND STAY EXTENSION

33. **THIS COURT ORDERS** that the Sixth Report and the Supplemental Sixth Report, and the conduct and activities of the Monitor as described therein are hereby approved.

34. **THIS COURT ORDERS** that the Stay Period (as defined in the Initial Order) is hereby extended until and including April 30, 2013.

SCHEDULE "A"

GOVERNMENTAL AGENCIES

Her Majesty the Queen in Right of the Province of Ontario as represented by the Minister of Finance Revenue Collections Branch Insolvency Unit 33 King Street West P.O. Box 627 Oshawa, ON L1H 8H5 Larry Parent – Insolvency Officer Tel: 1-866-668-8297 ext: 18562 Fax: (905) 436-4524 Email: larry.parent@fin.gov.on.ca	Her Majesty the Queen in Right of the Province of Ontario as Represented by the Minister of Finance (Income Tax, PST) P.O. Box 620 33 King Street West, 6th Floor Oshawa, ON L1H 8E9 Kevin J. O'Hara Email: kevin.ohara@ontario.ca
Province of Ontario as Represented by the Minister of Natural Resources Forestry Division Ministry of Natural Resources 70 Foster Drive, Suite 610 Sault Ste. Marie, ON P6A 6V5 Bill Thornton Email: bill.thornton@ontario.ca Kathleen McFadden Email: kathleen.mcfadden@ontario.ca	Natural Resources Canada 615 Booth Street Ottawa, ON K1A 0E9 Sarah Jayne Blair Tel: 613-943-6908 Email: sarahjayne.blair@nrcan-rncan.gc.ca

Province of Ontario as Represented by the Minister of the Environment Legal Services 10th Floor, 135 St. Clair Avenue West Toronto, ON M4V 1E4 Mario Faieta Email: Mario.faieta@ontario.ca Scott Sheriff Email: Scott.sheriff@ontario.ca Trina Rawn Email: Trina.rawn@ontario.ca Craig Simons Email: Craig.simons@ontario.ca	Province of Ontario as Represented by the Ministry of the Attorney General Department of Justice Canada McMurtry-Scott Building 720 Bay Street, 11th Floor Toronto, ON M7A 2S9 Ronald Carr Email: ronald.carr@ontario.ca Shona Compton Email: shona.compton@ontario.ca Ananthan Sinnadurai Email: ananthan.sinnadurai@ontario.ca
Province of Ontario as Represented by the Minister of Northern Development and Mines (Formerly the Minister of Northern Development, Mines and Forestry) Rm. M2-24, 900 Bay Street Toronto, ON M7A 1C3 Donald Bennett Email: donald.bennett@ontario.ca Kimberly Broome Email: kimberley.broome@ontario.ca Andrew Macdonald Email: andrew.macdonald@ontario.ca Cal McDonald Email: cal.mcdonald@ontario.ca	Workplace Safety and Insurance Board Head Office (Ontario) 200 Front Street West Toronto, ON M5V 3J1 Debbie Davis Fax: (416) 344-4684 Email: debbie_davis@wsib.on.ca Email: wsibcomm@wsib.on.ca
Financial Services Commission of Ontario 5160 Yonge Street P.O. Box 85 Toronto, ON M2N 6L9 Mark Bailey Email: Mark.Bailey@fsco.gov.on.ca Deborah McPhail Email: Deborah.McPhail@fsco.gov.on.ca Stephen Scharbach Email: Stephen.Scharbach@fsco.gov.on.ca	Her Majesty the Queen in Right of the Minister of Labour, Legal Services Branch 400 University Avenue, 11th Floor Toronto, ON M7A 1T7 Mike Nicol, Crown Counsel Tel: (416) 326-7970 Fax: (416) 326-7985 Email: mike.nicol@ontario.ca Line Forestier Tel: 416-326-7987 Fax: 416-326-7985 Email: line.forestier@ontario.ca

Her Majesty the Queen in Right of the Minister of Labour, Employment and Standards Branch Provincial Claims Centre 70 Foster Drive, Suite 410 Roberta Bondar Place Sault Ste. Marie, ON P6A 6V4	Commissioner of Canada Revenue Agency William V. Baker 555 MacKenzie 7th Floor Ottawa Ontario K1A 0L5
Canada Customs & Revenue Agency Tax Centre 1050 Notre-Dame Avenue Sudbury ON P3A 5C1	Canada Revenue Agency London Tax Services Office Revenue Collections Division Regional Intake Centre for Insolvency 451 Talbot Street 3rd Floor London Ontario N6A 4R3
Ministry of Finance, Ontario Employer Health Tax Branch P.O. Box 640 33 King Street West Oshawa, ON L1H 8P5	

SCHEDULE "B"

**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

PUBLIC NOTICE

**NOTICE OF CLAIMS BAR DATE FOR CLAIMS AGAINST
CERTAIN PARTIES PURSUANT TO THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT ("CCAA")**

NOTICE IS HEREBY GIVEN that, pursuant to an Order of the Ontario Superior Court of Justice made on October 29, 2012 (the "**D&O Claims Procedure Order**"), a claims procedure was approved for the filing and determination of certain claims as defined in the D&O Claims Procedure Order (each, a "**D&O Claim**") of any Person against existing and/or former directors and officers of Terrace Bay Pulp Inc. (the "**Applicant**"). The D&O Claims Procedure Order should be referenced for all terms not defined in this notice and particulars of the Claims Procedure.

PLEASE TAKE NOTICE THAT THE CLAIMS PROCEDURE ONLY ADDRESSES CERTAIN CLAIMS. THE CLAIMS PROCEDURE DOES NOT ADDRESS OR REQUIRE THE FILING OF ANY CLAIMS AGAINST TERRACE BAY PULP INC. OR ANY CLAIM AGAINST A DIRECTOR OR OFFICER THAT IS NOT DEFINED AS A D&O CLAIM IN THE D&O CLAIMS PROCEDURE ORDER.

A D&O Claim includes existing or future rights and claims against one or more of Directors and Officers in their capacity as such referable to the period following January 25, 2012.

THE CLAIMS BAR DATE IS 5:00 P.M. (TORONTO TIME) ON DECEMBER 10, 2012. PROOFS OF D&O CLAIM RELATING TO D&O CLAIMS AGAINST DIRECTORS AND/OR OFFICERS MUST BE FILED WITH THE MONITOR ON OR BEFORE THE

CLAIMS BAR DATE, FAILING WHICH ALL SUCH D&O CLAIMS WILL BE BARRED AND FOREVER EXTINGUISHED, RELEASED AND DISCHARGED.

The Monitor will send a Claims Package to persons referenced in the D&O Claims Procedure Order as a Notice Party in accordance with the D&O Claims Procedure Order. Persons requiring information regarding the Claims Procedure or claim documentation may contact Ernst & Young Inc., the court-appointed Monitor of the Applicant, by facsimile to the attention of Naomi Lieberman, at: (416) 943-3300, or by contacting the Monitor by email at: terracebay@ca.ey.com or by phone at (855) 248-2569. A copy of the D&O Claims Procedure Order and forms for the Claims Procedure are available on the Monitor's website at: www.ey.com/ca/terracebay.

SCHEDULE "C"

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

**INSTRUCTION LETTER
FOR CLAIMS PROCEDURE FOR D&O CLAIMS**

**THIS LETTER PROVIDES INSTRUCTIONS TO CLAIMANTS REGARDING THE
FILING OF A PROOF OF D&O CLAIM PURSUANT TO THE D&O CLAIMS
PROCEDURE ORDER MADE BY THE ONTARIO SUPERIOR COURT OF JUSTICE
IN THE CCAA PROCEEDING INVOLVING TERRACE BAY PULP INC.**

TO: Persons who may have D&O Claims against the existing or former Officers and Directors of Terrace Bay Pulp Inc. (the "**Applicant**"). Please review the order of the Ontario Superior Court of Justice [Commercial List] (the "**Court**") dated October 29, 2012 (the "**D&O Claims Procedure Order**") in connection with this Instruction Letter for the definition of a D&O Claim.

A. CLAIMS PROCEDURE

Pursuant to the D&O Claims Procedure Order made October 29, 2012, the court-appointed Monitor of the Applicant has been authorized by the Court to conduct a procedure (the "**Claims Procedure**") for the determination of certain claims against existing and former Directors and Officers of the Applicant, which claims are as defined in the D&O Claims Procedure Order (the "**D&O Claims**").

This letter provides instructions for completing the Proof of D&O Claim. Please note that capitalized terms which are not defined in this Instruction Letter shall have the meaning ascribed to them in the D&O Claims Procedure Order.

NOTE: THE CLAIMS PROCEDURE DOES NOT ADDRESS OR REQUIRE THE FILING OF ANY CLAIMS AGAINST TERRACE BAY PULP INC. OR ANY CLAIM AGAINST A DIRECTOR OR OFFICER THAT IS NOT A D&O CLAIM AS DEFINED IN THE D&O CLAIMS PROCEDURE ORDER.

The D&O Claims Procedure Order deals with D&O Claims and should be reviewed in relation to the Claims Procedure and the D&O Claims to be filed pursuant to the Claims Procedure. Such D&O Claims shall be valued in Canadian dollars. All D&O Claims denominated in a currency other than Canadian dollars shall, for the purpose of the Claims Procedure, be converted to and constitute obligations in Canadian dollars using the Bank of Canada nominal spot rate on January 25, 2012. If D&O Claims are so converted, the conversion rate and the original currency denomination used should be provided as part of the Proof of D&O Claim.

A D&O Claim is defined in the D&O Claims Procedure Order (which should be referenced), and means any existing or future right or claim of any Person against one or more of the Directors and/or Officers of the Applicant in respect of any obligations and liabilities which have arisen or may arise or was or may be incurred, in his or her capacity as a Director and/or Officer, after the commencement of the CCAA Proceeding and which have been indemnified by the Applicant pursuant to paragraph 16 of the Initial Order (including in respect of any environmental condition that arose or environmental damage that occurred after January 25, 2012, and excluding, for greater certainty, in respect of any environmental condition that arose or environmental damage that occurred prior to January 25, 2012), except to the extent that, with respect to any Officer and/or Director, such right or claim arose or arises or was or may be incurred as a result of such Director and/or Officer's gross negligence or wilful misconduct.

A D&O Claim for which a Proof of D&O Claim is to be filed pursuant to the D&O Claims Procedure Order does NOT include other claims against persons who are or may have been Directors or Officers of the Applicant.

If you believe that you have a D&O Claim against one or more of the Directors and/or Officers of the Applicant you must file a Proof of D&O Claim with the Monitor by the Claims Bar Date set out below.

If you have any questions regarding the Claims Procedure, please contact the Monitor at the address provided below. All notices and enquiries with respect to the Claims Procedure should be addressed to:

By Mail:

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

Attention: Naomi Lieberman

By Courier or Personal Delivery:

Ernst & Young Inc., as Monitor of Terrace Bay Pulp Inc.
222 Bay Street, 24th Floor
Toronto, Ontario
M5K 1J7

Attention: Naomi Lieberman

By Facsimile Transmission:

Ernst & Young Inc., as Monitor of Terrace Bay Pulp Inc.
Attention: Naomi Lieberman

Fax No.: (416) 943-3300
Telephone: (855) 248-2569

By Email Transmission

Email: terracebay@ca.ey.com

B. FOR CLAIMANTS SUBMITTING A PROOF OF CLAIM

If you believe that you have a D&O Claim against one or more of the Directors and/or Officers of the Applicant you must file a Proof of D&O Claim with the Monitor. **All Proofs of D&O Claim must be received at the address or fax number set forth above by no later than 5:00 p.m. (Toronto time) on December 10, 2012 (the "Claims Bar Date"). Pursuant to the D&O Claims Procedure Order, failure to submit a D&O Claim by the Claims Bar Date will result in such D&O Claim being barred and extinguished, released and discharged.**

Additional Proof of D&O Claim forms are available from the Monitor upon request and can also be found on the Monitor's website at: www.ey.com/ca/terracebay

SCHEDULE "D"

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

PROOF OF D&O CLAIM

**THIS PROOF OF D&O CLAIM IS NOT TO BE USED FOR CLAIMS AGAINST
TERRACE BAY PULP INC. OR ANY CLAIM AGAINST A DIRECTOR OR OFFICER
THAT IS NOT A D&O CLAIM AS DEFINED IN THE ORDER DATED OCTOBER 29,
2012 (THE "D&O CLAIMS PROCEDURE ORDER") MADE IN THE ABOVE
PROCEEDING.**

A. PARTICULARS OF CLAIMANT:

1. Full Legal Name of Claimant: _____
2. Full Mailing Address of Claimant:

3. Telephone Number: _____
Facsimile Number: _____
Attention (Contact Person): _____
Email address: _____

B. PROOF OF D&O CLAIM

I, _____ [name of Claimant or
Representative of the Claimant], of _____

do hereby certify:

(a) that I [tick one]

☐ (In the case of an individual which is the Claimant) I am the Claimant in
respect of the claim set forth in (c) below; OR

☐ (In the case of a corporation which is the Claimant) I am

(state position or title)

of _____
(name of Claimant)

(b) that I have knowledge of all the circumstances connected with the D&O Claim
referred to below;

(c) that the Claimant asserts a D&O Claim against one or more of the Directors
and/or Officers of the Applicant.

in the amount of Cdn\$ _____ [insert \$ value of D&O Claim]

Name of Director(s) and/or Officer(s) in respect of whom a D&O Claim is being
filed: _____

**(If D&O Claims have been converted into Canadian dollars, the conversion rate used
should be the Bank of Canada noon spot rate of exchange on January 25, 2012. Particulars
of both the original currency denomination and the conversion rate used also should be
provided as part of this Proof of D&O Claim.)**

C. PARTICULARS OF D&O CLAIM:

The particulars of the Claimant's D&O Claim are attached.

**(Provide all particulars of the D&O Claim, including the name of each Director and/or
Officer against whom the Claimant is claiming and a description and relevant dates of the
transaction(s) or agreement(s) giving rise to the D&O Claim. All supporting
documentation must be attached.)**

D. FILING OF D&O CLAIM

This Proof of D&O Claim must be received by the Monitor **by no later than 5:00 p.m.**
(Toronto time) on December 10, 2012 by ordinary mail, courier, personal delivery or by e-mail
or facsimile transmission to the following address:

By Mail:

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

Attention: Naomi Lieberman

By Courier or Personal Delivery:

Ernst & Young Inc., as Monitor of Terrace Bay Pulp Inc.
222 Bay Street, 24th Floor
Toronto, Ontario
M5K 1J7

Attention: Naomi Lieberman

By Facsimile Transmission:

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

Attention: Naomi Lieberman
Fax No.: (416) 943-3300
Telephone: (855) 248-2569

By Email Transmission

Email: terracebay@ca.ey.com

Where not otherwise defined, capitalized terms in this Notice of Revision or Disallowance have the meanings set forth in the D&O Claims Procedure Order.

If you do not agree with this Notice of Revision or Disallowance and you intend to dispute it, you must, within fourteen (14) Business Days of the date of this Notice of Revision or Disallowance, deliver a Notice of Dispute to the Monitor by ordinary mail, courier or personal delivery or by facsimile or email transmission to the addresses or fax number indicated herein. The form of Notice of Dispute is attached to this Notice of Revision or Disallowance.

If you do not deliver a Notice of Dispute in accordance with this Notice of Revision or Disallowance and the D&O Claims Procedure Order, the validity, classification and amount of your D&O Claim shall be deemed to be as set out in this Notice of Revision or Disallowance.

Address for Service of Notice of Dispute:

By Mail:

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

Attention: Naomi Lieberman

By Courier or Personal Delivery:

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

Attention: Naomi Lieberman

By Facsimile Transmission:

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

Attention: Naomi Lieberman

Fax No.: (416) 943-3300

- or -

By Email Transmission:

Email: terracebay@ca.ey.com

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

Dated at Toronto, this _____ day of _____, 2012.

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

SCHEDULE "F"

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

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

NOTICE OF DISPUTE OF NOTICE OF REVISION OR DISALLOWANCE

A. PARTICULARS OF CLAIMANT:

- (1) Full Legal Name of Claimant: _____
- (2) Full Mailing Address of Claimant: _____

- (3) Telephone Number of Claimant: _____
- (4) Facsimile Number of Claimant: _____
- (5) Email Address of Claimant: _____
- (6) Attention (Contact Person): _____

B. REASONS FOR DISPUTE:

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

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

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

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

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.

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

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

**D&O CLAIMS PROCEDURE AND STAY
EXTENSION ORDER**

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

Pamela L.J. Huff LSUC#: 27344V
Tel: (416) 863-2958

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

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

Lawyers for the Applicant

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.

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

Applicant

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD

(Re: Approval of D&O Claims Procedure
and Stay Extension)
(Returnable October 29, 2012)

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

Pamela L.J. Huff LSUC#: 27344V
Tel: (416) 863-2958

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

Kristina Desimini LSUC#: 58872Q
Tel: (416) 863-3174
Fax: (416) 863-2653

Lawyers for the Applicant