

Court File No. CV-09-8241-00CL

**FRASER PAPERS INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER
TIMBER LTD., FRASER PAPERS LIMITED,
FRASER N.H. LLC**

**MONITOR'S 10th REPORT TO THE COURT
April 1, 2010**

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 WITH
RESPECT TO FRASER PAPERS INC., FPS CANADA INC., FRASER PAPER HOLDINGS
INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER N.H. LLC

Applicants

TENTH REPORT TO THE COURT
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS MONITOR
OF THE APPLICANTS

INTRODUCTION

1. The Applicants have brought a motion returnable on April 6, 2010 for an Order approving the Specialty Paper Business Transaction, approving the implementation of the related term sheets in respect of settlements with various employee groups, granting a Vesting Order of the assets being sold in connection with this transaction, authorizing and increase to the DIP borrowings and extending the existing stay of proceedings to July 9, 2010 (all such terms being hereinafter defined).
2. The purpose of this, the Monitor's Tenth Report (the "**Tenth Report**"), is to provide the Court with information pertaining to:
 - a) The Specialty Paper Business Transaction;
 - b) The Residual Assets;
 - c) The Status of the Claims Process;

- d) The current status of the Applicants' operations;
 - e) The Applicants' actual receipts and disbursements for the six-week period from February 1 to March 14, 2010, including a variance analysis of actual cash flows as compared to forecast cash flows;
 - f) The Applicants' cash flow forecast for the seventeen week period from March 15 to July 9, 2010 and information in respect of the proposed increase in the DIP facility;
 - g) Matters relating to the Applicants' residual secured debt and potential distributions; and
 - h) The Monitor's recommendations.
3. A historical overview of the Applicants' proceedings and a summary of the previous Orders granted by this Honourable Court are set out at Appendix "A" hereto.
4. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. Dollars. Capitalized terms used herein not otherwise defined are as defined in the Initial Order, the Monitor's nine prior reports, the affidavit of J. Peter Gordon sworn March 30, 2010 (the "**March Gordon Affidavit**"), the APA (as hereinafter defined) and as defined in the Claims Process Order. This report should be read in conjunction with the March Gordon Affidavit, as certain information contained therein has not been reproduced in this report to avoid duplication.
5. The Monitor has based this report, in part, on information it has obtained from the Applicants but has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this report.
6. Some of the information referred to in this report consists of forecast and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this report was prepared by the Applicants

based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

A. THE SPECIALTY PAPER BUSINESS TRANSACTION

7. By Order dated December 10, 2009, the Court approved an agreement, a draft of which was attached to the December 3, 2009 affidavit of Mr. Peter Gordon, and executed on December 22, 2009 (as amended, the "**APA**") for the purposes of conducting the stalking horse bidding process. The APA contemplates the sale of the Applicants' Specialty Paper Business ("**SPB**") to a new subsidiary ("**Newco**") of Brookfield Asset Management Inc. ("**BAM**") (the "**Newco Transaction**"). In her Endorsement dated December 10, 2009, Justice Pepall provided that in any subsequent approval of a transaction and request for a vesting order, the Applicants will have to satisfy the Court of the *RBC vs. Soundair* (1991) 7 C.B.R. (3rd) 1 (Ont. C.A.) principles and, although not strictly applicable, give consideration to the principals set forth in Section 36 of the CCAA, as amended.
8. The name for Newco has now been established as "Twin Rivers Paper Company Inc." ("**Twin Rivers Inc.**"). The Monitor understands that Twin Rivers Inc. is the Canadian parent company that will purchase the Canadian SPB assets, as well as the shares of Twin Rivers Paper Company LLC ("**Twin Rivers LLC**"), the US company that will purchase the US SPB assets (collectively these two companies being referred to as "**Twin Rivers**" in this report). In this report, the Newco Transaction will now be defined as the "**Twin Rivers Transaction**".
9. As set out in the Monitor's 6th and 9th reports, the APA had a significant number of conditions precedent that were required to be satisfied or waived prior to closing.
10. As detailed in the March Gordon Affidavit, during the period from the December 10, 2009 Court hearing to the February 24, 2010 Court hearing, the Applicants worked on satisfying the principal conditions precedent for completion of the Twin Rivers Transaction, including reaching agreements to address the deficit and liability issues relating to the hourly and salaried pension plans registered in the Province of New

Brunswick (the “**NB Plans**”), obtaining modifications to the existing collective bargaining agreements (“**CBA**”) for the unionized employees in New Brunswick (“**NB**”); negotiating new CBAs with the unionized employees at the Madawaska paper mill in the United States (the “**US**”) to replace those that had expired in October 2009, obtaining memoranda of agreement with each of the US unions to ensure no liability would flow to Twin Rivers pursuant to the Twin Rivers Transaction, and addressing the CDN\$23 million of letters of credit issued in favour of NB Power.

11. The negotiations with the CEP to resolve conditions precedent relating to the CEP and NB Plan for hourly employees and retirees were finalized immediately prior to the Court hearing on February 24, 2010 and after the parties worked overnight to reach a settlement. This agreement was documented in the “NB Hourly Term Sheet”¹, which was approved by the Court on February 24, 2010 and subsequently amended by consent at a Court hearing on March 22, 2010.
12. Prior to the Court hearing on February 24, 2010, agreement was also reached with those employees and retirees who are represented by Davies, Ward, Phillips & Vineberg (“**Davies**”) and are members of the NB Plans. This agreement was subsequently documented in the “NB Salaried Term Sheet”² for NB salaried employees, which was executed on March 16, 2010.
13. Despite extensive negotiations, to date, the Quebec salaried employees and retirees have not entered into an equivalent agreement with the Applicants, as part of the proposed Twin Rivers Transaction.
14. Since the February 24, 2010 Court hearing, the Applicants have been working with their stakeholders to satisfy or waive all the remaining conditions precedent in the APA and document all the necessary agreements.

¹ As defined in the March Gordon Affidavit, which also binds the members of the Quebec Hourly Pension Plan

² As defined in the March Gordon Affidavit

15. As attested to by Mr. Gordon, the Government of New Brunswick (“**GNB**”) has:
- a) amended the New Brunswick Pension Benefits Act to, among other things, enable a windup of the NB Plans over an 8 year period and these amendments received Royal Assent on March 26, 2010. The Monitor has been advised that Morneau Sobeco has been appointed as the Administrator of each of the NB Plans in place of the Applicants; and
 - b) agreed to provide a guarantee of up to Cdn\$28 million to Twin Rivers Inc. in respect of the aforementioned letters of credit required by NB Power.

Summary of Revisions to the APA

16. Since the December 10, 2009 Court hearing, the proposed Twin Rivers Transaction has advanced and a number of revisions have been made to the APA filed with the Court on December 3, 2009. These revisions include the following:
- a) Minor wording changes were made to the APA for the execution copy signed by BAM and the Applicants on December 22, 2009;
 - b) the “First Amendment to the Asset Purchase Agreement” (dated February 26, 2010); and
 - c) a draft “Second Amendment to the Asset Purchase Agreement” (which the Monitor understands is to be executed on the closing of the Twin Rivers Transaction).
17. Set out below is a summary of the principal areas where material changes have been made to the APA, as part of the proposed amendments:
- a) The gross purchase price of \$185 million has been increased to approximately \$189 million (subject to any Purchase Price Adjustment, as discussed in more detail in paragraph 25 below), as a result of the Future Cash Payments offset by a reduction in the amount of the Promissory Note, both as described below;

- b) The amount of the Promissory Note³ has been reduced from \$42.4 million to \$40 million (subject to any Purchase Price Adjustment, as discussed in more detail in paragraph 25 below), as a result of the Future Cash Payments;
- c) The term of the Promissory Note has been changed to 8 years (from 10 years) for claims by the NB hourly and salaried pension plans only. The term of the Promissory Note for all other creditors (including the Quebec salaried pension plan and the trade creditors) remains at 10 years in accordance with the APA;
- d) As a result of negotiations between the Applicants, Twin Rivers and the CEP, Twin Rivers will pay Cdn\$6.125 million (the “**Future Cash Payments**”) to an outside trust to be created to hold the consideration received from the Twin Rivers Transaction in respect of the NB hourly pension plan. These payments are to be made in equal instalments over a seven year period, every six months commencing on October 1, 2011;
- e) The Preferred Shares⁴ will be issued in full satisfaction of the Cdn\$38 million secured claim owing to GNB. The APA contemplates 3.5 million Preferred Shares being issued with a par value of US\$10. The exact actual amount of Preferred Shares that will be issued to GNB will be determined at the time of closing and will depend on the actual total amount owing to GNB and the exchange rate on the date of closing. Based on current exchange rates, it is anticipated that this may result in more than 3.5 million Preferred Shares being issued to GNB; and

³ To be issued by Twin Rivers Paper Company Inc., the Canadian parent company (the “Promissory Note”)

⁴ To be issued by Twin Rivers Paper Company Inc., the Canadian parent company (the “Preferred Shares”)

- f) Pursuant to the APA, the Applicants are to reimburse BAM for its third party fees, costs and expenses incurred in respect of the Twin Rivers Transaction. As the outside closing date of the Twin Rivers Transaction was extended from February 26, 2010 to April 9, 2010 and, as additional fees would be incurred as a result, the maximum amount of such expenses to be reimbursed was increased from \$1 million to \$1.5 million by Order dated February 24, 2010.
18. The Applicants will receive 49% of the Common Shares of Twin Rivers Inc., with a face value ascribed by the Applicants of \$25 million (the “**Common Equity**”).

Payments on closing

19. On closing, the consideration to be received by the Applicants in respect of the Twin Rivers Transaction (the “**Twin Rivers Consideration**”) will be paid or held, subject to Court approval, as follows:
- a) \$10 million of the cash proceeds will be paid to CIT, in partial satisfaction of the amounts outstanding pursuant to its pre-filing secured debt and DIP Financing;
 - b) \$25 million of the cash proceeds will be paid to CIBC, in full satisfaction of amounts outstanding pursuant to its pre-filing debt, which amount is guaranteed by BAM which holds security over all of the Applicants’ assets;
 - c) the Preferred Shares are to be immediately issued to GNB;
 - d) \$30 million of the Promissory Note plus/minus any Purchase Price Adjustment is to be issued to FPI, to be held by it pending payment of all secured priority claims and allocation between the appropriate legal entities of the Applicants;

- e) the remaining \$10 million of the Promissory Note is to be issued to the Monitor, in its capacity as escrow agent, representing the holdback amount (the “**Holdback Amount**”). The Holdback Amount is to be held back to satisfy any post-closing rights that the Purchaser shall have in relation to the indemnification obligations of the Applicants under Article 13 of the APA. The Holdback Amount will be held until either: (i) Twin Rivers makes a claim against it, or (ii) the earlier of the date which is 12 months after the closing date of the Twin Rivers Transaction or the date on which the Applicants’ may complete a CCAA plan. On termination of the holdback period, any of the remaining Holdback Amount not payable to Twin Rivers will be released to FPI for allocation to the appropriate Applicants; and
 - f) The Common Equity will be issued by Twin Rivers Inc. to FPI, to be held by it, pending payment of all secured priority claims and allocation to the appropriate Applicants.
20. As discussed in more detail in Section G below, the quantum of the Twin Rivers Consideration and other consideration received from the sale of the Residual Assets (as defined in Section B below) available for distribution to unsecured creditors is subject to any prior-ranking creditors under applicable law and the security interests of any remaining secured creditors, including the DIP lenders.
21. Subject to the completion of the realization process discussed in Section H below, the Monitor understands that the Promissory Note and Common Equity that does get allocated to the unsecured creditors will be distributed to them via the following three vehicles:
- a) a newly created outside trust to solely hold the consideration distributed in respect of claims represented by the NB hourly pension plan;
 - b) a newly created second outside trust to hold the consideration distributed in respect of claims represented by the NB salaried pension plan; and
 - c) a third vehicle, the form of which has still to be determined, to hold the consideration distributed in respect of all other unsecured creditor claims.

22. Unsecured creditors will not be receiving their *pro-rata* share of the Promissory Note and Common Equity on an individual basis. The Monitor understands that a wide distribution of the Promissory Note and Common Equity to individual creditors may result in Twin Rivers becoming a public company. Accordingly, remaining a private company following closing ensures that Twin Rivers will not have to bear the significant costs for financial reporting and regulatory purposes that are generally incurred by public companies. The Monitor notes that the terms of the APA also prohibit Twin Rivers becoming a public company.
23. CIT and BAM hold, among other security, security agreements over certain personal property of the Applicants and BAM also holds mortgages over certain real property of the Applicants (the “**CIT/BAM Security**”). In addition, BAM has granted certain limited recourse guarantees in favour of CIT and CIBC, respectively, up to \$25 million each (the “**Brookfield Guarantees**”).
24. As part of the proposed distributions on closing of the Twin Rivers Transaction, the Monitor requested that its independent legal counsel, Goodmans LLP (“**Goodmans**”), and its agents in New Brunswick and Maine, review the validity and enforceability of the CIT/BAM Security and the Brookfield Guarantees. Subject to various assumptions and qualifications that are typical for opinions of this nature, Goodmans and its agents, as applicable, concluded that the CIT/BAM Security is valid and enforceable against the subject assets in the Twin Rivers Transaction in New Brunswick and Maine, and that the Brookfield Guarantees are valid and enforceable in Ontario.

Purchase Price Adjustment

25. Pursuant to the terms of the APA, if the Closing Date Net Working Capital (as defined in the APA) is greater than \$54 million, then the amount of the Promissory Note will be increased by an equivalent amount (and vice versa if the Closing Date Net Working Capital is less than \$54 million)(the “**Purchase Price Adjustment**”).
26. The actual Closing Date Net Working Capital is to be calculated using the actual balances as of the closing date (i.e. April 8, 2010). The Monitor understands that based on current

estimates, the Closing Date Net Working Capital balance at closing will be greater than \$54 million, resulting in an increase of the principal amount of the Promissory Note.

27. The Applicants have up to 60 days after the closing date of the Twin Rivers Transaction to prepare the actual Closing Date Balance Sheet (as also defined in the APA). Once the Closing Date Balance Sheet has been accepted by Twin Rivers, the Promissory Note will be adjusted for any differences between the estimated and actual Closing Date Net Working Capital balances. The Monitor will review the Closing Date Balance Sheet and provide its comments on the actual Closing Date Net Working Capital balance in a future report.

Releases required by the APA

28. The APA, as amended by the proposed “Second Amendment to the Asset Purchase Agreement” and set out in paragraphs 9 to 11 of the Requested Order, requires comprehensive releases to be given to the following parties in respect of all claims relating to all facts and circumstances in respect of the Applicants that exist as of the closing date of the Twin Rivers Transaction (the “**Releases**”):
- a) all of the Applicants’ and their respective directors, officers, representatives, agents, employees and delegates;
 - b) BAM, Twin Rivers Inc. and Twin Rivers LLC and all of their respective directors, officers, representatives, agents, employees and delegates; and
 - c) the province of New Brunswick, the Superintendent of Pensions for the Province of New Brunswick, the current and new administrators of the NB Plans and in each case their directors, officers, representatives, agents, employees and delegates.
29. The Monitor’s understands that, pursuant to the term sheets, the following unsecured creditor groups’ have contractually agreed with the Applicants to the proposed Releases:
- a) CEP and all members of the NB hourly pension plan; and

- b) All members of NB salaried pension plan.
- 30. The Releases in the Requested Order are the subject ongoing discussions between the Applicants and counsel to certain of the employee stakeholder groups.
- 31. The Claims Order in this proceeding called for all claims of any nature and kind, including specifically any claims against the Applicants' directors and officers, whether asserted or not, whether contingent, present, future, known or unknown, direct or indirect. As detailed in Section C of this report, there are 16 outstanding claims filed against the Applicants' directors and officers with a total value of approximately \$181,000. While the Applicants are requesting a release of the Applicants' directors and officers from the Court, the Applicants have advised the Monitor that such release will not affect these 16 claims against the Applicants' directors and officers that are being disputed in accordance with the Claims Process.
- 32. The Monitor is not aware of any claims that have been made or formally alleged against the BAM, its directors and officers and the various parties detailed above associated with the administration of the two NB pension plans.

Documents governing the Twin Rivers Consideration

- 33. Set out below are summaries of the key terms of each of the documents that govern the Twin Rivers Consideration to be received. These summaries are: (i) based on drafts of the respective documents that were available to the Monitor at the time this report was prepared; and (ii) these documents are still subject to review and discussion with the Applicants' stakeholders.

Preferred Shares

- 34. As noted above, pursuant to the Twin Rivers Transaction, GNB is to convert its secured loan into Preferred Shares. Set out below is a summary of some of the key terms of the Preferred Shares.
- 35. The Preferred Shares have repayment and dividend payment priority over any other type of shares that may be issued by Twin Rivers Inc.

36. The dividends on the Preferred Shares are cumulative and are to be paid at the fixed rate of 4.7% per annum payable quarterly on the 1st day of March, June, September and December. The dividends can be paid in cash or by way of issuance of additional Preferred Shares.
37. The Preferred Shares are repayable in April 2020 and maybe redeemed at par prior to that date at Twin Rivers' option.
38. If BAM, in one or more transactions, sells common shares of Twin Rivers Inc., then GNB will be entitled to redeem a certain amount of the Preferred Shares at par. The amount to be redeemed is a function of the quantity of common shares sold by BAM and is also subject to Twin Rivers having sufficient liquidity to redeem the shares.
39. GNB has the ability to participate in any future debt or equity offerings made by Twin Rivers Inc. where BAM participates in such offerings.
40. The holders of the Preferred Shares are not entitled to attend or vote at meetings of the common shareholders, although while it owns at least 350,000 Preferred Shares, it is permitted to have an observer attend meetings of the Board of Directors of Twin Rivers Inc.
41. There are restrictions on certain activities Twin Rivers can undertake while GNB continues to own at least 30% of the Preferred Shares, including repaying loans or interest to shareholders of Twin Rivers, making loans or investing in third parties (other than in the normal course of business) or providing guarantees to third parties (again other than in the normal course of business).
42. While GNB owns more than 30% of the Preferred Shares, Twin Rivers will provide GNB with certain reports, including quarterly and annual financial statements, annual budgets, budget to actual comparisons and updates on the status and prospects for the business.
43. Shareholders of the Preferred Shares will not be able to transfer these shares without the prior approval of the Twin Rivers Inc.'s directors.

44. The Monitor understands that the terms governing the Preferred Shares are acceptable to GNB.

The Promissory Note

45. As detailed above, part of the consideration received by the Applicants from the Twin Rivers Transaction is the Promissory Note to be issued by Twin Rivers Inc. Some of the key terms and conditions of the Promissory Note are summarized below.
46. The Promissory Note is unsecured and, as such, will rank *pari passu* with all other unsecured debt of Twin Rivers Inc. The Promissory Note is subordinate to all secured indebtedness of Twin Rivers Inc.
47. There is no scheduled amortization of the Promissory Note. However, Twin Rivers Inc. has the option of prepaying any portion of the Promissory Note. There is to be no premium or penalty for early prepayment.
48. Other than to a successor legal entity of the Applicants or trusts set up to hold the Twin Rivers Consideration (on behalf of the Applicants' creditors), the Promissory Note may not be transferred or assigned to any other party without the prior written consent of Twin Rivers Inc., in its sole and absolute discretion.
49. As an unsecured creditor, there are no financial covenants, or other operating or financial restrictions imposed on Twin Rivers by virtue of the Promissory Note. In addition, the noteholders are not entitled to any financial reporting by Twin Rivers Inc.

Common Shares Unanimous Shareholder Agreement

50. Part of the consideration received by the Applicants from the Twin Rivers Transaction is the Common Equity (i.e. 49% of the Common Shares of Twin Rivers Inc.). The terms and conditions which govern the Common Shares are set out in a Unanimous Shareholder Agreement (the "USA"). Some of the key terms and conditions of the USA are summarized below.

51. The number of directors of Twin Rivers Inc. able to be appointed by a shareholder, or group of shareholders acting together, is determined as follows:
- a) the group owns more than 50% of the common shares - 3 directors;
 - b) the group owns between 40% and 50% of the common shares - 2 directors;
 - c) the group owns between 20% and 40% of the common shares - 1 director;
 - d) the group owns less than 20% of the common shares - no directors.
52. Based on the foregoing paragraph, the Twin Rivers Inc. board of directors could have up to three directors appointed by BAM and, providing the claims of other creditors are aggregated, up to two directors appointed by the creditors of the Applicants.
53. Most decisions of the board of directors of Twin Rivers Inc. are to be made by simple majority vote of the directors. Decisions in respect of changing the articles of incorporation with respect to the rights and privileges of the common shares, or redeeming/purchasing for cancellation or otherwise paying off any of the outstanding equity securities of Twin Rivers must be made by a super majority (i.e. at least one director who is not appointed by BAM must vote in favour of the decision).
54. All shareholders will, subject to each shareholder signing a confidentiality agreement, be entitled to receive copies of Twin Rivers Inc.'s annual audited financial statements, unaudited quarterly financial statements and any information a shareholder may reasonably request in respect of preparing or filing their tax returns.
55. There is a general prohibition on the transfer, sale or pledging of the Common Shares, unless specifically permitted under the USA. However:
- a) BAM may transfer all or any portion of its holding to any person provided this person agrees to be bound by the terms of the USA and certain other conditions; and

- b) Fraser Paper/the Applicants can transfer all or any portion its holding to one or more trusts formed for the benefit of their employees or creditors.
- 56. BAM may also mortgage, hypothecate, pledge or grant any other form of security interest in the Common Shares owned by it to an arm's length lender, providing they agree to be bound by the terms of the USA. The lender would have all the rights and entitlements as BAM in the event of enforcement.
- 57. BAM has the right to enter into an "en bloc sale" wherein, once an offer to purchase all of the Common Shares of Twin Rivers Inc. in a "*bona fide* transaction" has been received and approved by Twin Rivers Inc. board of directors, BAM has the right to require all shareholders to tender their shares. The same purchase price per share will be used for all shares tendered. The Monitor notes there is no requirement that the offer be received from a party acting at arm's length to Twin Rivers or the shareholders, nor is there any requirement for Twin Rivers to establish a formal sales process to canvass the market after an "En Bloc Sale Notice" has been issued by BAM.
- 58. BAM may give notice to Twin Rivers Inc. to initiate an initial public offering ("**IPO**") of common shares or the purpose of allowing Brookfield to sell shares by way of a secondary offering. Twin Rivers Inc. and all shareholders must then take all actions, as may be reasonably required, to achieve the IPO. In addition, there are no tag-along or *pro-rata* participation rights for the Common Equity in an IPO and secondary offering.
- 59. In the event of an insolvency of a shareholder or the shareholder fails to perform or breaches any of its material obligations under the USA, or any representation or warranty made by a shareholder is not true or correct, then the remaining shareholders have the right to purchase the shares of the defaulting shareholder at fair value.
- 60. All board of director meetings are to be held in Toronto, unless otherwise specified. No fees will be payable to the directors as compensation for acting as directors, and the directors will not receive any expense reimbursement for attending board of directors meetings.

61. As outlined above, the Preferred Shares have certain liquidity, dilution and approval protections that are not being offered to the Common Shares, including those held by BAM.
62. The Twin Rivers Transaction will provide the creditors with an ability to participate in any increase in value of the Common Shares, while not being required to invest additional money or time. As BAM is the majority shareholder, the terms and conditions of the USA are heavily weighted in its favour and provide limited governance, liquidity and minority protection to the Common Equity. In particular, under the USA, as currently drafted:
 - a) BAM, as majority shareholder, will have the ability to nominate the majority of the directors, with no express requirements to bring material matters to the board for consideration;
 - b) the subset of decisions requiring super-majority approval (ie, approval from a director other than those appointed by BAM) is very limited;
 - c) BAM reserves its approval rights over the limited subset of decisions requiring super-majority approval, for as long as BAM retains the right to appoint a director to the board (regardless of its percentage ownership of the common shares);
 - d) director meetings are to be held in Toronto and directors are not entitled to compensation or to have their expenses reimbursed, thus potentially prejudicing those directors not located in Toronto;
 - e) BAM is entitled to “sell down” its common shares (whether in a private sale or an IPO) with no requirement to afford the holders of the other Common Shares the ability to exit on the same terms (thus potentially exposing the holders to a new operating partner, with no say over the identity of said partner); and

- f) in an “en bloc” sale, BAM is not required to canvass the market for offers and can require the Applicants/their creditors to sell their Common Shares at any price BAM is prepared to accept, regardless of whether it exceeds the value initially ascribed to the Common Shares in the Twin Rivers Transaction.

Ancillary documents to the APA

- 63. As part of the Twin Rivers Transaction, the following four types of agreements are to be entered into between the Applicants and Twin Rivers:

(i) Transitional Services Agreements

- 64. As an integrated operation, the Applicants have derived economies of scale and cost efficiencies from centralizing various sales, operational, financial and IT functions. As a result, a number of the Applicants’ mills do not have sufficient infrastructure to operate on a stand alone basis, as set out below:
 - a) the Gorham mill relies exclusively on the Madawaska mill to manage its sales and order processing; provide product support; to provide financial and administrative services such as payroll, benefit administration, accounting, financial reporting, accounts receivable management and collection; and general information technology support;
 - b) the Plaster Rock and Juniper lumber mills use an operational and financial reporting system that is operated by Fraser Timber Limited, the owner of the Ashland and Masardis lumber mills in Maine. The shared systems include order entry, production planning, inventory tracking, invoicing, accounts receivable, accounting, financial reporting and information technology services; and
 - c) the Applicants’ head office relies on the Edmundston mill for assorted financial and administrative services, such as payroll processing, benefit administration, accounts payable processing, general ledger accounting and general information technology support.

65. As detailed earlier in this report, the Twin Rivers Transaction includes the Madawaska, Edmundston, Plaster Rock and Juniper mills being sold. To address the potential loss of services and support to the remaining operations of the Applicants resulting from the Twin Rivers Transaction, Transition Service Agreements (“TSA”) have been negotiated as follows:

- a) Twin Rivers will provide Fraser N.H. LLC (the Gorham Mill owner) with sales, product support and financial services as outlined above for a period of six months, which period is extendable, or until the Gorham Mill is sold;
- b) Twin Rivers will provide FPI with financial and other administrative services as outlined above for a period of six months, which period is extendable; and
- c) Fraser Timber Limited will provide Twin Rivers with the operational and financial services as outlined above for a period of six months, or until Fraser Timber Limited is sold.

66. The Monitor has reviewed these three TSAs and the Applicants’ rationale for entering into same and notes that:

- a) There is a genuine need for the services to be provided, as the beneficiaries cannot easily or cost effectively replicate the services being provided under the TSAs in the near term;
- b) The agreements appear to contain commercially reasonable terms; and
- c) The fees to be paid by the beneficiary to the service provider are determined on a cost plus five percent basis, which markup appears reasonable in the circumstances.

(ii) Gorham Non-Compete Agreement

67. The Gorham Mill (owned by Fraser N.H. LLC) principally manufactures two products: fine papers and towel/tissue. The Monitor understands that a number of the fine paper grades currently being manufactured by the Gorham Mill were actually developed by

FPL (the entity that owns the Madawaska Mill) and are capable of being manufactured at the Madawaska Mill, but production has been outsourced to the Gorham Mill due to capacity limitations at the Madawaska Mill.

68. As the Gorham Mill is not part of the assets being acquired by Twin Rivers, and the fine papers business is the principal asset being acquired in the Twin Rivers Transaction, Twin Rivers requires that the Applicants sign a non-compete agreement that precludes the Gorham Mill (and any successor owners, as detailed below) from manufacturing these grades of fine papers for a period of 5 years from the closing of the Twin Rivers Transaction (subject to the Gorham Custom Manufacturing Agreement detailed below).
69. The Gorham Non-Compete Agreement precludes the Applicants from selling the business and assets of the Gorham Mill to a third party, unless such third party assumes all of the applicable obligations of the Gorham Non-Compete Agreement.

(iii) Gorham Custom Manufacturing Agreement

70. The Madawaska Mill capacity limitations are forecast to continue after the closing of the Twin Rivers Transaction, and as a result, Twin Rivers is prepared to enter into a Custom Manufacturing Agreement, whereby Twin Rivers would continue to outsource production of all grades of fine papers covered by the Gorham Non Compete Agreement to the Gorham Mill for a period of at least 5 years, unless Twin Rivers decides to manufacture those grades of fine papers at the Madawaska Mill. Due to market uncertainties, there are no guaranteed volumes/pricing included in the Gorham Custom Manufacturing Agreement. Instead, Twin Rivers will give the Gorham Mill the right of first refusal on all third party fine paper purchase orders it issues for the aforementioned grades of fine papers - the Gorham Mill would then have the option of accepting or declining these purchase orders.
71. As part of the proposed Twin Rivers Transaction, Twin Rivers is prepared to enter into the Gorham TSA, as noted above, wherein Twin Rivers would continue to provide sales support, IT services and administrative and accounting services to the Gorham Mill. The Gorham TSA terminates if there is a change in control at the Gorham Mill, but the

Monitor understands that Twin Rivers is open to discussing an extension of the Gorham TSA with any potential purchasers of Gorham.

72. There is benefit to the Applicants, and particularly the Fraser N.H. LLC creditors, from signing the Gorham Non Compete Agreement and the Gorham Custom Manufacturing Agreement, as: (i) the Gorham TSA permits the Gorham Mill to continue operating in the short term, which is important if a going concern sale is to be achieved; (ii) may provide the new owners with revenue that they might not otherwise obtain; and (iii) potentially avoids the need for a purchaser of the Gorham Mill to create a completely new administrative infrastructure, thereby potentially increasing the purchase price that may be paid for the Gorham Mill.

(iv) FTL Sales Agency Agreement

73. FTL is the legal entity that owns the two Maine Lumber Mills (as defined below), which are not being sold to Twin Rivers. For efficiency purposes, the Applicants have utilized one sales-person to sell lumber for both the Maine Lumber Mills as well as the two Canadian lumber mills that are being sold to Twin Rivers. This sales person is an employee that will be transferred to Twin Rivers. In order to ensure the Maine Lumber Mills are able to continue operating after the Twin Rivers Transaction closes, Twin Rivers has agreed that this sales person will continue to sell all the lumber produced by the Maine Lumber Mills.
74. This contract has an initial term of six months and will terminate once the Maine Lumber Mills are sold to a third party, unless a mutually acceptable agreement can be reached between the purchaser of the Maine Lumber Mills and Twin Rivers.
75. This contract benefits the Applicants, as it avoids the immediate need to hire a replacement sales person, and the cost to the Applicants of this arrangement is limited to a sharing of the costs and expenses of the existing sales-person.

Compliance with Section 36 of the CCAA

76. The Applicants commenced the CCAA proceedings on June 18, 2009, three months prior to September 18, 2009, the effective date of the recent changes to the CCAA and, as such, are not subject to the new requirements of the CCAA. The Monitor has considered the specified factors set out in Section 36(3) of the CCAA.

S.36.3(a) – “whether the process leading to the proposed sale or disposition was reasonable in the circumstances”

77. As detailed in the Monitor’s Eighth Report, the Monitor considers that the sales process conducted during December 2009 and January 2010, which was overseen by the Monitor, was reasonable and the market was adequately canvassed.

S.36.3(b) – “whether the monitor approved the process leading to the proposed sale or disposition”

78. As detailed in the Monitor’s Sixth Report, the sales process was developed by the Applicants in conjunction with the Monitor and, while subject to a tight timeline, was reasonable in the circumstances and was therefore supported by the Monitor.

S.36.3(c) - “whether the monitor filed with the court a report stating that in their opinion, the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy”

79. As detailed in the Monitor’s Ninth report⁵, the Monitor prepared a liquidation analysis for the SPB to estimate the range of potential Net Liquidation Proceeds that would be generated from a liquidation of the SPB assets (i.e. piecemeal sale of the assets to third parties). The Monitor also prepared its own estimate of the range of the Adjusted NPV of the consideration to be received if the Twin Rivers Transaction is approved. In the Monitor’s Ninth Report, it noted that, based on these calculations and using the mid-

⁵ Commencing at paragraph 16

points of both ranges, the Adjusted NPV (which will now be higher than previously estimated in the Monitor's Ninth Report, because of the positive Purchase Price Adjustment discussed above) is greater than the Net Liquidation Proceeds. In addition, in the Monitor's Ninth report⁶, the Monitor noted four significant other benefits that would be obtained by the employees and retirees (the Applicants' largest creditor group) from the Twin Rivers Transaction as compared to a liquidation. As a result, the Monitor is of the view that the sale of the SPB assets pursuant to the Twin Rivers Transaction is more beneficial to the creditors than a sale or disposition of same in a liquidation.

S.36.3(d) – *“the extent to which the creditors were consulted”*

80. The Monitor understands that the Applicants' principal secured creditors (namely CIT, BAM and GNB) have been heavily involved with and support this transaction.
81. As detailed in Section C of this report below, the claims of employees and retirees currently represent approximately 87% of the total admitted claims of unsecured creditors. The Applicants have had extensive negotiations with representatives of all of the unionized and salaried employees and retirees and, with the exception of the Quebec salaried employees (which represent between 6% and 8% of the total unsecured claims by value), they all support this transaction.

S.36.3(e) – *“the effects of the proposed sale or disposition on the creditors and other interested parties”*

82. Pursuant to the Twin Rivers Transaction, the Applicants secured creditors are either being repaid or have consented to the treatment being proposed in the APA.
83. In respect of the unsecured creditors, in a liquidation, based on the Monitor's liquidation analysis, it is highly unlikely that the unsecured creditors would receive any significant recovery on their claims. Pursuant to the Twin Rivers Transaction and the consideration being offered, the creditors retain the prospect of making some recovery on their claims.

⁶ Commencing at paragraph 21

However, the quantum of any such recovery by the creditors is entirely dependent on the future performance of Twin Rivers, which cannot currently be determined. In addition to this benefit, as set out in the Monitor's Ninth Report, there are four significant other benefits obtained by the employees and retirees (which comprise the largest creditor group) which can be summarized as:

- a. the vast majority of the current employees of the SPB remain employed by Twin Rivers which is not only beneficial to these employees, but the communities that they live in; and
- b. the wind-up of the NB Pension Plans will be deferred for a period of up to eight years, which will give these plans the opportunity to recover some of the value lost in the recession.

S.36.3(f) – *“whether the consideration to be received for the assets is reasonable and fair, taking into account their market value”*

84. Based on the Monitor's calculations, as set out in the Monitor's Ninth Report, the range of Adjusted NPVs exceeds the range of Net Liquidation Proceeds that would be realized in a liquidation. As such, the Monitor considers that the Twin Rivers Consideration is fair and reasonable in the circumstances.

85. S.36.4 of the CCAA states that if the proposed sale or disposition is to a person who is related to the company, the Court may, after considering the factors referred to in S.36(3), grant the authorization only if the following two factors are satisfied:

S.36.4(a) – *“good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company”*

86. As detailed in the Monitor's Eighth Report, a stalking horse bid process was run by the Monitor and 133 third parties were contacted; however, notwithstanding due diligence performed by 19 parties, no offers were received from any third parties. As a result, the Monitor considers that good faith efforts were made to try and sell the assets to a third party.

S.36.4(b) – “*the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition*”

87. As there are no other offers for the SPB, and as set out in paragraph 79 above, the consideration to be received is likely superior to the recoveries that the creditors would receive in a liquidation, the most probable alternative in the event the Twin Rivers Transaction does not proceed.

Consequences of the form of order being sought not being obtained

88. The Applicants’ have advised the Monitor that, in the event the form of order being sought is not obtained to the satisfaction of the Purchasers, and in the absence of any alternative solution, a liquidation of the SPB is the most probable alternative, due to the ongoing funding requirements from continuing operations and the inability to conclude a going concern sale.

B. RESIDUAL ASSETS

89. The Twin Rivers Transaction excludes the following operations and each operation’s related assets (the “**Residual Assets**”):
- a. The pulp mill in Thurso Quebec (the “**Thurso Mill**”);
 - b. The paper mill in Gorham, New Hampshire (the “**Gorham Mill**”);
 - c. The two lumber mills in Ashland and Masardis, Maine (the “**Maine Lumber Mills**”); and
 - d. Other assets that are not associated with, in whole or in part, with the SPB.
90. Set out below is a summary of the current status of each of these asset groups:

Thurso Mill

91. Further to the LOI and draft asset purchase agreement received by the Applicants in respect of the Thurso Mill (the “**Thurso APA**”), as noted in the Monitor’s Ninth Report, the Applicants and Fortress Speciality Cellulose Inc. (“**Fortress**”) signed the Thurso APA on March 18, 2010 to sell all the assets located at the Thurso Mill (the “**Thurso Sale**”).
92. Pursuant to the Thurso APA, Fortress is to pay Cdn\$3 million and assume certain liabilities. The Applicants are responsible for paying certain liabilities, principally outstanding realty taxes and outstanding employee vacation pay, which will result in the net cash proceeds to be received by the Applicants being approximately \$0.9 million.
93. The low quantum of net proceeds reflects the Thurso Mill’s old age, small size and relatively high cost position for production of a globally traded commodity. While the net proceeds from the Thurso Sale approximate to the estimated net liquidation proceeds from the piecemeal liquidation of the Thurso Mill assets, the Thurso Sale may preserve many jobs in the region and will deal with the environmental liabilities associated with the mill site and another piece of land, owned by the Applicants which requires ongoing treatment and remediation. The Thurso sale will also permit the mill’s water treatment plant to continue to treat the waste-water from the town of Thurso on a cost effective basis.
94. The Monitor understands that Fortress is currently working on clearing the remaining conditions precedent and the parties are aiming for a closing of the transaction by April 30, 2010. The Monitor understands that the Applicants and its advisors will prepare for a motion to approve the Thurso Sale once the Twin Rivers Transaction has closed.

Gorham Mill

95. As set out in the Monitor’s Ninth Report, marketing of the Gorham Mill commenced on January 18, 2010. In total, the “teaser” letter was sent to 50 parties and 20 signed Confidentiality Agreements were received.

96. As per the process outlined in the Monitor's Ninth Report, letters of intent ("**LOIs**") to acquire the Gorham Mill were due on March 16, 2010. Multiple Gorham LOIs were received by the due date and the Applicants, in conjunction with Monitor, have reviewed these LOIs and have decided to invite multiple parties into Phase Two due diligence (the "**Interested Parties**"). The number of Interested Parties is not being disclosed at this time in order to maintain the confidentiality of the process.
97. The Applicants, together with the Monitor, contacted all parties that submitted satisfactory LOIs and advised them of whether they were invited to Phase Two. Interested Parties were advised of a proposed timeline (the "**Proposed Timeline**") that includes submission of a binding Asset Purchase Agreement (the "**Gorham APA**") by April 16, 2010 at 5:00pm EST and a closing of the transaction, subject to court approval, by no later than May 31, 2010.
98. To facilitate the Proposed Timeline, the Applicants will provide a draft asset purchase agreement to all Interested Parties during the week of April 5, 2010. The Applicants also continue to provide additional financial and other information to Interested Parties as required. Further, the Applicants have arranged for meetings between the Interested Parties, Twin Rivers and certain other third parties regarding contractual arrangements that will be required for closing.

Maine Lumber Mills

99. As noted in the Monitor's Ninth Report, the Maine Lumber Mills are not currently being marketed, due to the severe time pressures on the Applicants' management personnel dealing with the Twin Rivers Transaction, the Thurso Sale and other matters.
100. The Monitor understands that due to the delays in the closing of the Twin Rivers Transaction, the marketing process for the Maine Lumber Mills will not be commenced until mid April. The sales process for the Maine Lumber Mills has not yet been determined and, as a result, a closing of the sale of the Maine Lumber Mills is unlikely to occur prior to July 2010.

Other Residual Assets

101. The Applicants have advised the Monitor that the principal Other Residual Assets are:

- a. a receivable related to some equipment that was sold by the Applicants in 2006. The remaining amount owing is \$2.4 million plus an additional contingent earnout amount, which is based on the financial performance of the purchaser. The next payment in respect of this receivable is expected this summer, with the balance of the \$2.4 million due in 2011 and the earnout amount, if any, due in subsequent years. The collectability of these amounts has not yet been determined; and
- b. 10,000 redeemable preferred units in Katahdin Paper Company LLC, with a book value of \$13 million as at December 31, 2009. The realizable value of this investment has not yet been determined, although it is not expected to be significant.

C. STATUS OF THE CLAIMS PROCESS

102. Set out in the table below is a summary of the proofs of claim received as well as the status of the Monitor's review of same, as of the close of business on March 25, 2010.

FRASER PAPERS INC. FPS CANADA INC. FRASER PAPERS HOLDINGS INC. FRASER TIMER LIMITED., FRASER PAPERS LIMITED, FRASER N.H. LLC (collectively the "Applicants")										
Proof of Claims Summary as at March 25, 2010										
(\$000's)	Received (#)	Total Claims Received (\$)	Portion of Claim Disallowed (\$)	Portion of Claim Allowed (b)(f) (#) (\$)		Claims Pending (#) (\$)		Dispute Notices Received (#) (\$)		Notes
Secured										
Lenders	7	76,090	50,000	1	26,090	-	-	-	-	(a)
Liens / Others	42	7,325	762	14	6,563	-	-	12	356	(b)
Employee Claims	17	64,827	64,827	-	-	-	-	9	136	
Pension Claims	1	3,083	3,083	-	-			1	3,083	
Sub - Total	67	151,325	118,672	15	32,653	-	-	22	3,575	
Unsecured										
Lenders	1	25,000	-	1	25,000	-	-	-	-	
Trade	955	64,193	32,094	947	32,099	-	-	26	60,918	(c)
Employee Claims	124	391,087	230,969	24	9,380	4	150,737	44	2,927	
Pension Claims	14	625,228	405,976	5	219,252	-	-	3	159,490	
Sub - Total	1,094	1,105,508	669,039	977	285,731	4	150,737	73	223,335	
Total	1,161	1,256,833	787,711	992	318,384	4	150,737	95	226,910	(d) (e) (f) & (g)
Claims/Dispute Notices still under Review						4	150,737	67	226,168	(c)
D&O Claims	26	637	637	-	-	-	-	16	181	
Late Claims	69	4,440	4,168	3	272	-	-	16	281	(f)
Notes:										
(a) Allowed Secured Lender claims excludes the Brookfield Asset Management secured guarantee of \$50M provided to CIT and CIBC.										
(b) Represents construction, warehouse and tax liens										
(c) The value of Notices of Disputes received relating to the trade creditors is higher than the amounts disallowed, as Ethyl Corporation filed a claim with the amount as "to be advised". Therefore, no claim amount was included in the Notice of Dispute, which was disallowed in full. However, when they filed a Notice of Dispute, they valued their claim at \$32m.										
(d) Notices of Revision or Disallowances were issued to a total of approximately 410 creditors, for claims disallowed in full or in part or claims filed against the wrong entity.										
(e) The total allowed claims of 992 do not include 13 contingent claims, to be valued if accepted for voting and distribution purposes. However, 8 contingent employee claims have been included in this total, valued at \$220M (the majority of which are pension claims of \$219.2M) has been included in the above totals.										
(f) The allowed late claims are included in the total allowed claims of 992 claims.										
(g) Any liabilities assumed by a purchaser of the SPB, or discharged as a result of such a transaction, will have to be removed from the Allowed Claims amounts.										

103. It is important to note that the allowed amounts in the table above exclude the following:

- a. CIT's pre-filing secured debt totalling approximately \$56 million (CIT was not required to file a proof of claim pursuant to the Initial Order and the Claims Process Order);
- b. claims in respect of the employees' other post employment benefits ("OPEBs") and supplemental employee retirement plans ("SERPs") have been filed, totalling \$150.7 million in the aggregate. The Applicants are contesting the ability of

employees/retirees to file a claim for OPEBs and are also contesting the calculation of the SERP claim. There are other 95 other claims currently shown as disallowed, which have been appealed and will likely be adjudicated by the claims officer/the Court and which may result in additional material claims that will be allowed. At the request of the Applicants, resolution of these disputed and pending claims has not been advanced pending the closing of the Twin Rivers Transaction;

- c. any balances in respect of DIP Financing provided by the DIP Lenders, which totalled approximately \$3.7 million in the aggregate as of March 26, 2010;
- d. claims in respect of four construction liens totalling approximately \$0.5 million which have been filed in connection with the Plaster Rock improvements but where proofs of claim have not been filed. As detailed in the March Gordon Affidavit, commencing at paragraph 80, the Applicants take the view that no amounts are owing by FPI in respect of these liens. The Monitor understands that as part of the Twin Rivers Transaction, these lien claims against the assets being sold are to be vested off title and any valid interest these lien claimants may have otherwise been entitled to assert against these assets will continue as against the Twin Rivers Consideration received by the Applicants;
- e. Restructuring Claims (as defined in the Claims Process Order) related to future events/restructuring that may be undertaken by the Applicants;
- f. a reduction of the amount of allowed claims for distribution purposes, for all liabilities that will be assumed by Twin Rivers; and
- g. changes to the allowed amount of pension claims (\$219.3 million, as noted above), which were accepted on a preliminary basis with a valuation date of June 18, 2009. Based on recent estimates prepared by the Applicants, the deficit of the four Canadian pension plans' at the plan wind-up dates is likely to have increased.

104. The high number of disallowed claims in the table above is primarily due to numerous claims being filed against the wrong Applicant entity and duplicative pension claims for the unfunded pension liabilities.
105. Based on the current claims admitted to date, employee and pension deficit claims collectively represent approximately 87% of the total allowed unsecured claims of the Applicants.
106. The Monitor understands that the Applicants intend to commence dealing with the disputed disallowed claims shortly.

D. OVERVIEW OF THE CURRENT STATUS OF THE APPLICANT'S OPERATIONS

107. The March Gordon Affidavit provides a detailed commentary on the performance of and issues facing the Applicants' operations. Since February 1, 2010, the Applicants have maintained operations in the normal course, with sales volumes largely as forecast, and customers, employees and suppliers continuing to support the Applicants. However, unforecast downtime was taken at the Gorham Mill, due to weak market prices and problems accessing pulp for its towel machines. While the lumber markets show some signs of recovery, the paper markets continue to face significant challenges.
108. The continued strengthening of the Canadian dollar remains a challenge for the Applicants, as the majority of the Applicants' revenue is in US dollars, while a significant portion of its costs are in Canadian dollars. As such, any appreciation in the Canadian dollar will adversely impact profitability and cash flow. The increase in lumber prices in recent months has offset some of the negative impact of a stronger Canadian dollar.
109. As forecast, the Juniper, New Brunswick and Ashland, Maine lumber mills and the Thurso, Quebec pulp mill did not operate during the period due to a combination of unprofitable cost structure and continued poor market conditions for their respective products.
110. Pulp prices are expected to rise following the recent earthquake in Chile. Chilean mills, which produce approximately 10% of the world's pulp production, are expected to be

offline for 3-4 months. This will have a negative impact on the Gorham Mill, which is not an integrated producer and purchases the majority of its pulp supply from third parties, as notwithstanding the increase in these input costs, the selling price has not increased by a corresponding amount.

111. On February 25, 2010, the Applicants received notice from the Montreal Maine & Atlantic Railway, Inc. (“MMA”), pursuant to a public filing provided to the State of Maine, that it was no longer economical to operate and maintain the railroad in northern Maine and that the MMA intended to abandon certain of its rail lines in northern Maine. MMA is the primary transportation provider for the Madawaska paper mill, and the Applicants lumber mills in Plaster Rock, NB and Masardis, Maine. The Applicants have been actively lobbying the government to prevent the loss of the railroad services and there is a hearing scheduled on April 8, 2010 to consider the matter. The Applicants are researching alternative transportation arrangements in the event the railroad line is abandoned.

E. ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE SIX WEEK PERIOD FROM FEBRUARY 1 TO MARCH 14, 2010

Comparison of Combined Forecast to Actual Cash Flow For the Period from February 1 to March 14, 2010			
(US \$000)	Actual	Forecast	Variance
			Fav/(Unfav)
Total Receipts	73,779	75,189	(1,410)
Disbursements:			
Raw Material Costs	44,420	47,768	3,348
Productions Overhead Costs	5,255	5,510	255
Selling, General & Admin Costs	6,275	6,728	454
Employee Costs	15,038	15,649	611
Pre-filing Debt Interest & Other Bank Charges	194	75	(120)
DIP Interest & Fees	128	167	39
Capital Expenditures - Plaster Rock	637	454	(183)
Capital Expenditures - Other	675	787	112
Other	1,073	1,002	(71)
Total Disbursements	73,695	78,141	4,446
Net Cash Flow before GNB DIP Financing	84	(2,952)	3,036
GNB DIP Financing Advances	244	-	244
Net Cash Flow after GNB DIP Financing	328	(2,952)	3,280
Opening Cash	2,685	2,716	(31)
Net BAM/CIT DIP Loan Advances/(Repayments)	(772)	1,675	(2,447)
Ending Total Cash	2,241	1,439	802

112. As shown in the table below, the Applicants' actual net cash flow for the six week period from February 1 to March 14, 2010 was a net inflow of \$0.3 million (after receipt of the GNB DIP Financing), which was \$3.3 million better than the forecast.
113. Detailed explanations for each of the above variances are provided in Appendix "B", but in summary, the principal reasons for the variances are:
- a) The \$1.4 million shortfall in receipts, as compared to the forecast, was primarily due to delays in the receipt of GST refunds and delays in reimbursement of care and maintenance costs at Thurso, which were partially offset by unforecast receipts; and
 - b) The \$4.5 million favourable variance in disbursements was primarily due to the delayed purchase of logs at the Masardis mill, a decrease in raw material disbursements at the Gorham mill (due to lower production levels) and a delay in the payments for wood chips at the Edmundston mill, which were partially offset by a build up of log inventory at Plaster Rock.
114. As of March 14, 2010, and excluding outstanding L/C's, the actual CIT DIP Financing usage was \$3.2 million, the actual BAM DIP Financing usage was \$4.5 million and the actual GNB DIP Financing usage was \$7.7 million.
115. The net remaining DIP Financing availability as at March 14, 2010, excluding the GNB DIP Financing, was \$18.4 million, comprised of \$2.9 million and \$15.5 million of availability from CIT and BAM, respectively.

F. APPLICANTS' CASH FLOW FORECAST FOR THE PERIOD FROM MARCH 15 TO JULY 9, 2010

116. The Applicants have requested an extension of the Stay of Proceedings from April 9 to July 9, 2010.
117. In support of this request, the Applicants have prepared a 17 week cash flow forecast (the "**17 Week CFF**") which covers the period from March 15, 2010 (the latest date actual results are available for) to July 9, 2010, which is attached hereto as Appendix "C".

118. The 17 Week CFF assumes that the Twin Rivers Transaction is approved by the Court and closes on April 8, 2010 and that the operations continue in the normal course for the Masardis lumber mill for the entire period and the Gorham Mill (through to July 2, 2010, the estimated date of closing of the Gorham Mill sale used in the 17 Week CFF). In the event the Twin Rivers Transaction is not approved by the Court, a revised cash flow forecast will have to be prepared that reflects the continued ownership of the SPB, any changes in the availability of DIP Financing as well as the decision of the Applicants with respect to the future direction of the restructuring.
119. The 17 Week CFF forecasts that the Applicants will incur a net cash flow outflow from operations of approximately \$3.4 million during the Period, comprised of total receipts of approximately \$92.8 million and total disbursements of approximately \$96.2 million, which is to be funded by cash on hand as of March 15, 2010 and the DIP Financing.
120. In addition, the 17 Week CFF assumes that the Twin Rivers Transaction closes by April 9, 2010 (as discussed in more detail above) and the \$35 million of cash proceeds from this sale are used to repay certain debt, as detailed below.
121. Significant matters reflected in the 17 Week CFF include:
 - a) the repayment of \$46 million in debt upon the closing of the Twin Rivers Transaction, comprised of:
 - i) The entire \$25 million pre-filing loan from CIBC;
 - ii) The entire \$17.6 million pre-filing revolving credit facility from CIT; and
 - iii) The entire CIT DIP Facility balance, forecast to be \$3.4 million at the date of closing.
 - b) the sale of the Thurso Mill is forecast to close in the week commencing April 26, 2010 and that net cash proceeds of \$0.9 million will be received;

- c) improved revenue and profitability, resulting from the improvement in lumber prices and high seasonal demand for the higher margin specialty paper products, partially offset by the stronger Canadian dollar ;
 - d) collection of \$5.2 million of sales tax refunds, which had been delayed due to processing issues at CRA;
 - e) the collection of approximately \$2.2 million from the Government of Quebec to reimburse all remaining care and maintenance costs related to the Thurso mill incurred in the period through to closing of the Thurso Mill sale;
 - f) a fixed exchange rate of US\$0.97/Cdn\$1;
 - g) net cash outflows of \$3.2 million at the Gorham paper mill, reflecting operating losses due to a decline in demand for commodity paper combined with an increase in pulp prices and energy costs. This expenditure is necessary in order to preserve the ability to sell the Gorham Mill as a going concern; and
 - h) \$5.2 million of CCAA related professional fees and costs, including \$0.9 million of BAM's third party expense reimbursements pursuant to the APA.
122. As noted in the March Gordon Affidavit and subject to approval by this Court, BAM has agreed to increase the maximum amount available under its DIP Financing agreement from \$20 to \$25 million.
123. Assuming the Twin Rivers Transaction closes as planned and operations continue as forecast, based on the foregoing and the increased BAM DIP Financing availability, the Applicants appear to have sufficient liquidity to fund the forecast net cash outflow during the period to July 9, 2010.

G. RESIDUAL SECURED DEBT

124. After the Twin Rivers Transaction closes, there will still be a number of secured creditors with amounts outstanding as follows:

- a) BAM DIP Financing, with a forecast balance on July 9, 2010 of \$16.9 million
- b) Any amounts owing to other secured creditors (e.g. valid lien claimants) who's liens/security interests are to be vested off the respective assets sold in the Twin Rivers Transaction and transferred to the Twin Rivers Consideration received;
- c) Any amounts owing pursuant to super-priority charges granted by the Initial Order (including the Administration Charge, the Directors Charge and the Intercompany Charge);
- d) Pre-filing letters of credit⁷ totalling approximately \$3 million, which are security deposits in respect of the Applicants' workers compensation liabilities in the states of Maine and New Hampshire. The Monitor understands that the actual amount that may be drawn against these letters of credit may not be known for several years, until all the claims of injured workers have been received and paid; and
- e) Pre-filing letter of credit⁸ totalling approximately \$2.7 million, which is a security deposit posted in respect of remediation costs for a landfill site in Wisconsin. The Monitor understands the remaining term of this letter of credit is approximately 35 years. Unless an alternative arrangement can be obtained in respect of this liability, the actual amount that may be drawn against this letter of credit may not be known for many years.

125. Based on the foregoing, the amount of the final obligations owing to these secured creditors cannot currently be determined with precision. As noted in prior Monitor's reports, these secured creditors will have priority to all proceeds received from the sale of the Applicants assets, including the Twin Rivers Consideration.

⁷ Issued by CIT

⁸ Issued by CIT

126. It is also not yet determinable what the net cash proceeds will be from the sale of the Residual Assets (principally the Gorham Mill, the Maine Lumber Mills and the Other Residual Assets, as detailed in Section B of this report) and whether these cash proceeds will be sufficient to repay the aforementioned remaining secured creditors, or whether the claims of these secured creditors will have to be satisfied through the Twin Rivers Consideration.
127. As a result, the quantum of any cash and non-cash proceeds available for distribution to unsecured creditors is not currently determinable.

H. CCAA PLAN / REALIZATION PROCESS

128. The Applicants intention is to finalize all disputed Claims and develop and file a plan of arrangement and compromise under the CCAA (the “**CCAA Plan**”) to deal with their remaining assets and to make creditor distributions.
129. The Monitor is continuing to work with the Applicants and their stakeholder in developing a CCAA Plan. In the event that a CCAA Plan is not possible, the realization of the Applicants’ remaining assets and creditor distributions may be made by Court order or through another form of insolvency proceeding.

MONITOR’S RECOMMENDATIONS

130. The Monitor is of the view that the Applicants continue to act in good faith to complete the sales of the various operations as going concerns, where possible.
131. The Monitor has participated in the negotiations of the APA and the related agreements contemplated in the Twin Rivers Transaction. They represent the culmination of lengthy and complex efforts undertaken and performed in accordance with previously approved Court processes. There are no other alternatives being advanced at this time. As noted above, the Twin Rivers Transaction provides value and benefits for the Applicants’ unsecured creditors that appear to exceed their likely realizations in a liquidation.

132. The nature of the transaction, the different legal rights between unionized and non-unionized employees, the applicable legislative frameworks in New Brunswick, Quebec, Ontario and the US, and the different pension legislation in these jurisdictions has led to some differences in the treatment of some employee groups among each other and from the general body of unsecured creditors, which appear justified in these very difficult circumstances.
133. The Monitor has commented above on elements of the proposed USA that are weighted heavily in favour of BAM, as majority shareholder of Twin Rivers Inc., and do not reflect what one would necessarily hope to see in a market transaction between a willing buyer and a willing seller. However, the Monitor is unaware of the existence of any other willing buyers for the SPB, despite a thorough sales process. Therefore, the choices available to the unsecured creditors do not include an option in which an investor is prepared to offer them enhanced protections in return for the benefits that BAM is offering to them.
134. In the circumstances, and subject to paragraph 30 of this report, on balance and recognizing that satisfying the expectations of every stakeholder is extremely difficult, the Monitor believes that it is prudent to recommend that the APA and the transactions contemplated thereby be approved.
135. In addition, based on the foregoing, and in view of the Applicants' forecast liquidity, the Monitor recommends the Court extend the Stay to July 9, 2010.
136. The Monitor is not aware of any material adverse changes to the Applicants' operations in Canada or the US not otherwise detailed in this or prior reports, since the commencement of the Stay.

The Monitor respectfully submits to the Court this, its 10th Report.

Dated at Toronto, Ontario this 1st day of April, 2010.

PricewaterhouseCoopers Inc.

in its capacity as Monitor of

Fraser Papers Inc. et al

A handwritten signature in black ink that reads "John McKenna". The signature is written in a cursive, flowing style with a large initial 'J' and 'M'.

John McKenna
Senior Vice President

APPENDIX A

FRASER PAPERS INC. ET AL.

HISTORICAL OVERVIEW OF THE APPLICANTS PROCEEDINGS AND SUMMARY OF PREVIOUS ORDERS GRANTED

1. On June 18, 2009, Fraser Papers Inc. (“FPI”), FPS Canada Inc. (“FPSC”), Fraser Papers Holdings Inc. (“Fraser Holdings”), Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC (collectively, the “Fraser Group” or the “Applicants”) made an application under the *Companies’ Creditors Arrangement Act* (the “CCAA”) and an initial order (the “Initial Order”) was granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “Court”) granting, *inter alia*, a stay of proceedings in respect of the Applicants until July 17, 2009 (the “Stay Period”) and appointing PricewaterhouseCoopers Inc. as monitor (the “Monitor”). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the “CCAA Proceedings”.
2. On June 19, 2009, the Applicants sought and obtained recognition and provisional relief in an ancillary proceeding pursuant to Chapter 15 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.
3. On June 26, 2009, the Applicants also sought and were granted an Order stating that the Applicants shall not make past service contributions or special payments to fund any going concern unfunded liability or solvency deficiency of the Pension Plans during the Stay Period. The Monitor filed its second report on June 25, 2009 to provide the Court with pertinent information with respect to the Applicants’ Pension Plans.
4. On July 15, 2009, the Applicants sought and were granted an Order of the Honourable Madame Justice Pepall, extending the Stay Period to October 16, 2009. In addition, amendments to the DIP financing term sheets between BAM and the Applicants and CIT Business Credit Canada Inc. (“CIT”) and the Applicants, and an amendment to the

existing credit facility with GNB, were also authorized. A Claims Process and amendments to the Initial Order, both as described in the Monitor's Third Report, were also approved on July 15, 2009.

5. On September 8, 2009, motions were brought by several different parties seeking to act as representatives for or for the appointment of representative counsel in respect of various groups of employees and retirees. Also on September 8, 2009, the Applicants sought and obtained an Order amending the Initial Order, including in respect of the advances secured by the CIT DIP charge, all as described in the Monitor's Fourth Report.
6. By Endorsement dated September 17, 2009 (the "Representative Party Endorsement"), the Honourable Justice Pepall appointed Davies Ward Phillips and Vineberg LLP ("**Davies**") as representative counsel for all employees and retirees not already represented by counsel, with Davies' fees being paid by the Applicants. At the same time, existing counsel for the Communication, Electrical and Paperworkers Union (the "**CEP**") and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "**USW**") were confirmed as representing all current and former members of their respective unions. The CEP's request that its fees be paid by the Applicants was denied. The USW's original request for funding was withdrawn prior to the return of the motion.
7. On October 1, 2009, the CEP served a Notice of Motion for Leave to Appeal the decision of the Honourable Justice Pepall denying funding, as reflected in the Representative Party Endorsement. Material by the CEP and the Applicants has been recently filed, but this motion in writing has not yet been determined by the Court of Appeal.
8. The extension of the stay of proceedings approved by the Court on July 15, 2009 was due to expire on October 16, 2009. On October 9, 2009, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay Period by eight days to October 23, 2009 to permit the Applicants full motion and stay extension request, scheduled to be heard on October 22, 2009.

9. On October 22, 2009, the Applicants sought and were granted an Order of the Honourable Madame Justice Pepall, extending the Stay Period to December 4, 2009. In addition, the Honourable Justice Pepall authorized a number of modifications to the Claims Order to clarify dates and timing in respect of Notices of Disallowance and Dispute Notices as well as an Amendment to the Davies' Representative Order to include representation of former (retired) members of the International Brotherhood of Electrical Workers ("**IBEW**") and current and former members of the Office and Professional Employees International Union ("**OPEIU**").
10. On December 2, 2009, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay Period by one week to December 11, 2009 to permit the bringing of this motion for an extension of the Stay Period to February 26, 2010, and to file the Stalking Horse Bid and obtain approval for the Bid Process. On the same date Justice Pepall issued an Order requiring one of the Applicants trade debtors to remit payment of a substantial outstanding amount, and denying such debtor's request for equitable set-off.
11. On December 10, 2009, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay of Proceedings to February 26, 2010. The Court also issued an Order i) authorizing the Applicants to enter into and execute an asset purchase agreement (the "Sale Agreement") with Brookfield Asset Management Inc. for the sale of the Specialty Paper Business; and ii) approving the Bid Terms and authorizing and directing the Applicants and the Monitor to implement the Bid Terms, to effect the process for soliciting any other offers for the sale of the Specialty Papers Business.
12. As of January 26, 2010 (which was the extended deadline for third parties to submit letters of intent with respect to the purchase of Fraser Papers specialty papers business), no third party letters of intent had been received. As a result and in accordance with the Bid Process approved by the Court on December 10, 2009, Fraser Papers terminated the Bid Process. Fraser Papers began working to clear the conditions precedent in respect of the offer submitted by BAM with a view to closing the transaction as quickly as possible.

13. On February 24, 2010, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay of Proceedings to April 9, 2010. The Court also issued an Order approving (i) the Global Agreement Term Sheet (an agreement in principle to satisfy the main conditions precedent of the APA) entered into by the Applicants, Communications, Energy and Paperworkers Union of Canada and The Province of New Brunswick, and (ii) an amendment of the APA to extend the termination date to March 31, 2010.
14. On March 22, 2010, the Applicants sought and were granted an Order of the Honourable Justice Pepall amending the Court Order dated February 24, 2010 and the Term Sheet for Global Agreement that was annexed as Schedule A to the Court Order dated February 24, 2010.
15. On March 30, 2010 the Committee of Salaried Employees and Retirees ("CSER") on behalf of the Applicants' unrepresented Canadian and U.S. employees and former employees sought and were granted an Order of the Honourable Justice Pepall approving the guidelines for the CSER and authorizing that CSER be governed by the guidelines in addition to the Order of the Honourable Justice Pepall made on September 16, 2009 and amended by Order of the Court on October 22, 2009; approving and ratifying a Term Sheet executed by the CSER; declaring that the Term Sheet is legally binding on and effective against the Term Sheet Represented Parties; and authorizing and directing the CSER to take such additional steps and execute or direct its Counsel to execute such additional documents as necessary or desirable for the completion of the Term Sheet.

Appendix B

Variances between Cash Flow Forecast and Actual Cash Flows

For the Period February 1 to March 14, 2010

A comparison of the forecast cash flow (as presented in the Supplement to the Monitor's Ninth Report) to the actual receipts and disbursements for the period from February 1, to March 14, 2010 (the **"Period"**) is shown below:

Comparison of Combined Forecast to Actual Cash Flow For the Period from February 1 to March 14, 2010			
(US \$000)	Actual	Forecast	Variance
			Fav/(Unfav)
Total Receipts	73,779	75,189	(1,410)
Disbursements:			
Raw Material Costs	44,420	47,768	3,348
Productions Overhead Costs	5,255	5,510	255
Selling, General & Admin Costs	6,275	6,728	454
Employee Costs	15,038	15,649	611
Pre-filing Debt Interest & Other Bank Charges	194	75	(120)
DIP Interest & Fees	128	167	39
Capital Expenditures - Plaster Rock	637	454	(183)
Capital Expenditures - Other	675	787	112
Other	1,073	1,002	(71)
Total Disbursements	73,695	78,141	4,446
Net Cash Flow before GNB DIP Financing	84	(2,952)	3,036
GNB DIP Financing Advances	244	-	244
Net Cash Flow after GNB DIP Financing	328	(2,952)	3,280
Opening Cash	2,685	2,716	(31)
Net BAM/CIT DIP Loan Advances/(Repayments)	(772)	1,675	(2,447)
Ending Total Cash	2,241	1,439	802

Set out below are explanations for the significant variances shown in the table above:

RECEIPTS

The \$1.4 million unfavourable variance with respect to cash receipts is principally due to the following:

- i. An unfavourable variance of approximately \$0.5 million in the collection of trade accounts receivable as a result of:
 - a. Lumber receipts being \$0.3 million lower than forecast due to a cut back of production at the Masardis lumber mill, as a result of technical issues with the drying kilns; and

- b. Paper receipts being approximately \$0.2 million lower than forecast, due to lower production at Gorham as a result of unforecast market downtime being taken due to poor market pricing for certain of its products.
- ii. An unfavourable variance of approximately \$2.6 million in the collection of other accounts receivable due to:
 - a. The delayed receipt of \$2.0 million in GST input tax credits at East Papers, Plaster Rock and Thurso, which have since been received; and
 - b. The delayed receipt of approximately \$0.6 million from the Government of Quebec to reimburse care and maintenance costs incurred at the Thurso Mill..
- iii. These unfavourable variances were partially offset by:
 - a. the collection of approximately \$1.2 million in management fees from Katahdin Paper Company (a BAM portfolio company which the Applicants manage), which were received earlier than forecast;
 - b. the receipt of approximately \$0.3 million from the settlement of a lawsuit at the Gorham Mill, which was not included in the cash flow forecast; and
 - c. the receipt of approximately \$0.2 million from the United States Federal Government to refund medical benefits paid on behalf of employees that were laid off at the Gorham Mill.

DISBURSEMENTS

Raw Material Costs

A net favourable variance of approximately \$3.3 million in Raw Material Costs as a result of:

- i. A favourable temporary variance of approximately \$2.8 million due to:
 - a. \$2.0 million timing difference relating to the build up of log inventory at the Masardis mill. Typically log inventory is built up prior to the spring thaw and annual 6-8 week shut down in logging activities. However, Masardis limited its log purchases during the reporting period to limit cash disbursements, resulting in these disbursements being deferred.
 - b. \$0.8 million timing difference relating to payments for chips supplied to the Edmundston mill. The Monitor has been advised that this payment will be made by the end of March, 2010.
- ii. A favourable permanent variance of approximately \$1.1 million relating to lower than forecasted raw material purchases, due to lower production at the Gorham Mill, as explained above.
- iii. A favourable permanent variance of approximately \$0.2 million as a result of lower chemical and oil consumption at Edmundston and Madawaska mills, due to different grade mix and warmer weather respectively.

- iv. These favourable variances were partially offset by an unfavourable temporary variance of approximately \$0.8 million relating to the build up of log inventory at the Plaster Rock mill. The Plaster Rock mill purchased logs in advance of the forecast, as a mild spring resulted in an earlier than expected spring shut down in logging activities.

Productions Overhead Costs

Production overhead costs were approximately \$0.3 million lower than forecast due to lower sawmill maintenance costs at Plaster Rock, as less maintenance was required on the new equipment recently purchased and installed at the Plaster Rock mill. The cash flow forecast was based on historical maintenance costs, which did not incorporate the cost savings associated with the new equipment.

Selling, General & Administration (“SG&A”) Costs

SG&A costs were approximately \$0.5 million lower than expected as cash discounts and quality claim rebates against paper products were lower than forecast. Cash discount terms were reduced from 2% net 20 day terms to 1% net 10 day terms for most customers, resulting in lower discounts being paid out.

Employee Costs

Employee Costs were approximately \$0.6 million lower than forecast due to a timing difference. Madawaska payroll is paid on a semi-monthly basis; however it was forecasted on a bi-weekly basis. The temporary variance reversed in the first week subsequent to the Period.

Capital Expenditures – Plaster Rock

There was an unfavourable variance in Capital Expenditures for Plaster Rock of approximately \$0.2 million due to:

- i. An unfavourable permanent variance of approximately \$0.05 million relating to the payment of certain outstanding accounts payable that were higher than forecast; and
- ii. An unfavourable temporary variance of approximately \$0.15 million due to a timing difference (outstanding accounts payable payments, that were forecasted to be paid in later period, were paid earlier than forecast).

Other Disbursements

Other disbursements were largely in line with the forecast. In addition to restructuring related professional fees, Other disbursements include BAM's third party fees, costs and expenses incurred in respect of the SPB Transaction (which total approximately \$0.6 million reimbursed to date). The APA provides for the mandatory reimbursement of up to \$1.5 million of BAM's third party fees, costs and expenses incurred in connection with the sale of the SPB.

Miscellaneous

Since the filing date, the Applicants have made disbursements in connection with pre-filing liabilities totalling \$2.8 million.

Fraser Paper Inc et al.
Combined 17 Week Cash Flow Forecast
US\$ (in 000's)

Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total	
Week Beginning	15-Mar	22-Mar	29-Mar	5-Apr	12-Apr	19-Apr	26-Apr	3-May	10-May	17-May	24-May	31-May	7-Jun	14-Jun	21-Jun	28-Jun	5-Jul	17 Weeks	Note 1
Receipts:																			
Collection of Trade Accounts Receivable	13,800	11,769	11,787	11,587	2,798	2,810	2,948	2,657	2,657	2,638	2,638	2,964	2,964	2,846	3,096	2,938	642	83,538	Note 2
Collection of Other Accounts Receivable	3,783	1,451	199	1,300	367	-	679	1,449	-	49	-	-	-	-	-	-	-	9,276	Note 3
Total Receipts	17,583	13,220	11,986	12,887	3,164	2,810	3,627	4,107	2,657	2,686	2,638	2,964	2,964	2,846	3,096	2,938	642	92,814	
Disbursements:																			
Raw Material Costs	9,247	9,505	10,270	5,970	1,858	1,837	1,918	2,187	1,893	1,914	1,791	2,260	2,098	2,119	2,110	2,118	312	59,405	Note 4
Production Overhead Costs	591	603	1,040	1,331	251	251	251	299	162	162	162	246	169	169	169	169	198	6,222	Note 5
Selling, General & Admin Costs	1,082	1,237	1,082	1,082	204	192	192	192	192	202	202	202	202	193	193	193	100	6,942	Note 6
Employee Costs	2,809	2,125	3,473	2,125	605	409	659	372	576	379	576	405	591	395	476	563	230	16,766	Note 7
Pre-filing Debt Interest & Other Bank Charges	-	-	63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63	Note 8
DIP Interest & Fees	-	-	71	379	-	-	67	29	-	-	64	29	-	-	-	114	-	754	Note 9
Capital Expenditures - Plaster Rock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Note 10
Capital Expenditures - Other	130	116	120	126	-	-	-	-	-	-	-	-	-	-	-	-	-	493	Note 11
Other	73	121	1,091	1,300	73	584	354	73	323	364	73	73	243	364	73	131	243	5,554	Note 12
Total Disbursements	13,931	13,708	17,210	12,312	2,990	3,272	3,441	3,151	3,145	3,020	2,868	3,214	3,302	3,239	3,022	3,289	1,084	96,199	
Net Cash Inflow/(Outflow)	3,651	(488)	(5,224)	575	174	(462)	186	956	(488)	(334)	(230)	(250)	(339)	(393)	75	(351)	(442)	(3,385)	
GNB DIP Funding re Plaster Rock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Note 13
Net Cash Flow After GNB DIP Funding	3,651	(488)	(5,224)	575	174	(462)	186	956	(488)	(334)	(230)	(250)	(339)	(393)	75	(351)	(442)	(3,385)	
Opening Cash Balance	2,241	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	2,241	
Non-operational cash flows:																			
Thurso sale - Net Cash Proceeds	-	-	-	-	-	-	943	-	-	-	-	-	-	-	-	-	-	943	Note 14
Specialty Paper Business - Gross Cash Proceeds	-	-	-	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000	Note 15
CIBC Pre-filing Debt Repayment	-	-	-	(25,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,000)	Note 16
CIT Pre-filing Debt Repayment	-	-	-	(17,600)	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,600)	Note 17
CIT DIP Loan Repayment	-	-	-	(3,441)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,441)	Note 17
DIP Funding Received / (Repaid)	(4,492)	488	5,224	10,466	(174)	462	(1,129)	(956)	488	334	230	250	339	393	(75)	351	442	12,642	Note 18
Closing Cash Balance	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	
Cumulative DIP Funding Usage (excl. GNB DIP)	3,162	3,649	8,874	15,899	15,725	16,188	15,059	14,104	14,592	14,926	15,156	15,406	15,744	16,137	16,063	16,413	16,855	16,855	
Cumulative GNB DIP Funding Usage	7,742	7,742	7,742	7,742	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Note 19

This cash flow forecast must be read in conjunction with the Notes and Assumptions attached hereto and the Monitor's 10th Report dated April 1, 2010.

Fraser Papers Inc. et al.
Combined 17 Week Cash Flow Forecast
Notes and Assumptions

- 1 The cash flow forecast ("CFF") is premised on the assumption that the sale of the Specialty Paper Business ("SPB") will close during the week commencing April 5, 2010 and the sale of the Thurso mill will close in the week commencing April 26, 2010. Three of the SPB business locations (i.e. Madawaska, Edmundston and Plaster Rock) will remain open/operating until the SPB closing and the Juniper location will remain closed. The Thurso Mill is forecast to remain closed through to the date of the closing of the sale of the mill (in the week commencing April 26, 2010). The Masardis Mill will continue to operate throughout the cash flow period, while the Gorham Mill will operate through to the week commencing June 28, 2010, when the mill is forecasted to be sold. The Ashland Mill is forecast to remain closed throughout the CFF period. The Masardis saw mill will shut down for a one-week period March 22-28, 2010 and a one-week period May 24-30, 2010 due to a limited log supply following the seasonal spring halt in logging. Masardis will continue to operate its drying kiln and conduct sales activities during the saw mill shutdowns. There are no other significant market downtimes or maintenance outages planned during the 17-week CFF period.
- 2 Collection of Third Party Trade Accounts Receivables consists of cash receipts from the Paper and Lumber operations based on management's updated revenue forecasts. The timing of cash receipts is based upon historical and seasonal collection patterns.
- 3 Collection of Other Accounts Receivable is comprised of a quarterly management fee paid by Katahdin Paper Company LLC ("Katahdin"), an affiliate of BAM, in return for Fraser Papers managing Katahdin's facilities, the collection of monthly GST and HST refunds, as well as the reimbursement from the Government of Quebec of care and maintenance costs of the Thurso mill prior to its sale.
- 4 Raw Material Costs represent materials required for production, primarily fibre and chemicals costs. The raw material disbursements are based on historical costs and expected pricing and required purchase volumes throughout the 17-week period, and arrangements that have been negotiated with suppliers. Disbursements include payments of certain pre-filing amounts. Working capital levels are expected to decrease over the 17-week period due to the sale of the SPB, the Thurso and Gorham mills.
- 5 Production Overhead Costs primarily represent supplies and consumables, repairs and maintenance, and property taxes. These costs are based on forecast production levels, historical costs incurred on a mill level and expected costs based on the forecast operations of each of the mills and arrangements that have been negotiated with suppliers.
- 6 Selling, General and Admin costs primarily represent shipping and freight, general and admin fees and insurance payments. Costs are based on historical expenses, adjusted for known changes in these disbursement levels, the amount of credit being provided by suppliers and arrangements that have been negotiated with these suppliers. SG&A costs also includes fees payable under the Transitional Service Agreements following the sale of the SPB.
- 7 Employee Costs represent salaries, wages, vacation pay, pension contributions and other post-employment benefits. Hourly payroll, salary costs and benefits are based on the forecast headcount at each mill. The pension contributions in the CFF are payments to the Applicants' new defined contribution pension plans.
- 8 Pre-filing interest charges are in respect of the CIT and CIBC pre-filing debt.
- 9 DIP Interest and Fees are based on the DIP Loan Financing Agreements of BAM, CIT and GNB and include interest and fees relating to outstanding letters of credit.
- 10 Capital Expenditures - Plastic Rock represents disbursements with respect to outstanding accounts payable from the mill modernization project at the Applicants' Plaster Rock lumber mill. There are no payments projected in the forecast period. The Plaster Rock mill is being sold as part of the SPB sale in the week of April 5, 2010.
- 11 Capital Expenditures Other represent forecast maintenance capex at the SPB locations until closing. There is no capex forecast for the Thurso, Ashland, Masardis or Gorham mills.
- 12 Other expenses primarily represent the professional fees in respect of the CCAA Proceedings including the Applicants' US and Canadian legal counsel, the Monitor and its legal counsel, Davies - representative counsel for employees and former employees not otherwise represented. Expenses related to the sales process have been included, based on estimates of amounts expected to be incurred during the period. The Stalking Horse Bid provided for the mandatory reimbursement of up to \$1.0 million of BAM's reasonable third party fees, costs and expenses incurred in connection with the sale of the SPB. On February 24, 2010, the Court authorized a \$0.5 million increase in this amount in view of the extended period under which negotiations have taken place. It is the Monitor's understanding that approximately \$0.6 million has been paid towards these fees. The remaining balance of \$0.9 million is forecast as a disbursement during the week of April 5, 2010.
- 13 Government of NB DIP Funding represents funding received in respect of the Plaster Rock lumber mill's modernization project. There are no receipts projected during the forecast period.
- 14 Thurso Sale - Net Cash Proceeds represents the gross cash proceeds from the sale of the Thurso mill net of liens and other priority claims.
- 15 Specialty Paper Business Sale - Gross Cash Proceeds represents the cash proceeds from the sale of the SPB.
- 16 CIBC Repayment represents the repayment of an outstanding pre-petition loan to CIBC upon the sale of the SPB.
- 17 CIT Repayments represent the repayment of the outstanding balance of the pre-petition secured line of credit (\$17.6 million) and the DIP facility (\$3.4 million) to CIT upon the sale of the SPB.
- 18 DIP Funding represents advances received by the Applicants pursuant to the DIP Loan Financing Agreements with BAM and CIT. As noted above, the CIT DIP loan facility will be repaid concurrent with the sale of the SPB. The BAM DIP Financing Agreement will remain in place.
- 19 The outstanding balance under the GNB DIP Facility will be converted to preferred shares in the purchaser upon the sale of the SPB.
- 20 The Consolidated 17-Week Cash Flow is denominated in USD. A US\$/C\$ exchange rate of \$0.97 has been assumed throughout the 17-Week Cash Flow Forecast.