

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 15
)	
FRASER PAPERS INC., <u>et al.</u> , ¹)	Case No. 09-12123(KJC)
)	
Debtors in Foreign Proceedings.)	Jointly Administered
)	
_____)	RE: D.I. 7

TEMPORARY RESTRAINING ORDER

Upon the motion (the "Motion") of Fraser Papers Inc. ("Fraser") as foreign representative of Fraser and its affiliated captioned debtors and participants (collectively, with Fraser, the "Debtors") in a proceeding (the "Canadian Proceeding") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pending before the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court"), pursuant to sections 105(a) and 1519 of title 11 of the United States Code (the "Bankruptcy Code"), for the entry of a temporary restraining order (the "TRQ"), *inter alia*, enforcing an order entered on June 18, 2009 (the "CCAA Order") by the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") in connection with a proceeding (the "Canadian Proceeding") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. c-36, as amended (the "CCAA"), and, after notice and a hearing, a preliminary injunction granting the Debtors provisional relief under sections 105(a) and 1519(a)(1), (2), and (3) of the Bankruptcy Code and scheduling a hearing (the "Hearing") on Fraser's request for a preliminary injunction; and the Court having considered and reviewed the Motion, the petitions filed by the Debtors under chapter 15 of the Bankruptcy

¹ These jointly administered cases are those of the following debtors: Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Ltd., Fraser Papers Limited, and Fraser N.H. LLC.

Code, and required documents thereto (the "Chapter 15 Petitions"), and the Memorandum (as defined in the Motion) and the Gordon Declaration (as defined in the Motion), each in support of the Motion and the Chapter 15 Petitions (collectively, the "Supporting Documents"), and based on the foregoing, the Court finds and concludes as follows:

a) Fraser has demonstrated a substantial likelihood of success that the Debtors are subject to a pending foreign main proceeding in Canada and that Fraser is the foreign representative of the Debtors;

b) The commencement or continuation of any action or proceeding in the United States against the Debtors, any of their assets or proceeds thereof, or their former, current, and future directors and officers should be enjoined pursuant to sections 105(a) and 1519 of the Bankruptcy Code to permit the expeditious and economical administration of the foreign estates in the Canadian Proceeding, and the relief requested will cause neither an undue hardship nor create any hardship to any party in interest that is outweighed by the benefits of the TRO;

c) Unless a restraining order is issued, it appears to the Court that there is a material risk that the Debtors' assets located in the United States could be subject to attack by creditors, thereby potentially interfering with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code, and interfering with and causing harm to the Debtors' efforts to administer the Debtors' estates in the Canadian Proceeding, and undermining the Debtors' efforts to achieve an equitable distribution for the benefit of all of the Debtors' creditors; as a result, the Debtors will suffer immediate and irreparable injury for which they will have no adequate remedy at law, making it necessary that the Court grant the relief requested without prior notice to the parties in interest or their counsel;

d) Fraser has demonstrated that the incurrence of indebtedness as authorized by the CCAA Order is necessary to prevent irreparable harm to the Debtors because without such financing, the Debtors will be unable to continue operations, thereby significantly impairing the value of their assets;

e) Fraser has demonstrated that the terms of the financing are fair and reasonable and were entered into in good faith by CIT and the DIP Lender as defined in the CCAA Order and CIT and the DIP Lender would not extend financing without the protection provided by section 364(e) of the Bankruptcy Code as made applicable by section 1519 of the Bankruptcy Code;

f) The interest of the public will be served by this Court's granting of the relief requested by Fraser;

g) This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334;

h) This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P); and

i) Venue is proper in this District pursuant to 28 U.S.C. § 1410.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Except as otherwise expressly set forth in the CCAA Order, all persons and entities are hereby enjoined from (a) continuing any action or commencing any additional action, involving the Debtors, their assets or the proceeds thereof, or their former, current, and future directors and officers with respect to any claim against such directors or officers that arose before the date hereof and relates to any obligations of the Debtors whereby the directors or officers are alleged to be liable in their capacity as directors or officers until further order of this Court; (b) enforcing any judicial, quasi-judicial, administrative or regulatory judgment,

assessment, order or arbitration award against the Debtors, their assets, or their former, current, and future directors and officers with respect to any claim against such directors or officers that arose before the date hereof and relates to any obligations of the Debtors whereby the directors or officers are alleged to be liable in their capacity as directors or officers until further order of this Court; (c) commencing or continuing any action to create, perfect or enforce any lien, setoff or other claim against the Debtors or against any of their property; or (d) managing or exercising control over the Debtors' assets located within the United States except as expressly authorized by Fraser in writing; however, to the extent that any party in interest challenges the injunctive provisions of this paragraph, solely with respect to the former, current, and future officers and directors of the Debtors, then, after notice and at any hearing thereupon, the burden of proof regarding continuing the injunctive provisions of this paragraph shall rest with the Debtors and/or those parties-in-interest advocating the continued effect of said injunctive provisions.

2. Until further order of this Court, Fraser is hereby established as the exclusive representative of the Debtors in the United States with the exclusive authority to administer the Debtors' assets and affairs in the United States including, without limitation, any transfer of or withdrawals from any bank accounts maintained by the Debtors.

3. Until further order of this Court, Fraser is hereby authorized to operate the Debtors' businesses and to exercise the rights and powers of a trustee under and to the extent provided by sections 363 and 552 of the Bankruptcy Code.

4. The CCAA Order is hereby enforced on an interim basis and shall be given full force and effect in the United States until otherwise ordered by this Court.

5. The Debtors are hereby authorized to enter into an amendment to the CIT Credit Agreement substantially on the terms of the CIT Term Sheet, both as defined in the CCAA Order.

6. The Debtors are hereby authorized to borrow, repay and reborrow up to twenty-two million dollars (\$22,000,000) under and in accordance with the terms of the DIP Term Sheet and the DIP Facility, and to borrow, repay and reborrow under and in accordance with the terms of the CIT Term Sheet and the CIT Credit Agreement, each as defined in the CCAA Order, through and including the conclusion of the hearing on the request for a preliminary injunction.

7. CIT is hereby granted the CIT DIP Charge, as defined in the CCAA Order, on all of the Debtors' United States assets in the amount of \$20,000,000 minus the amount outstanding from time to time under the DIP Facility, subject to the priorities, terms and conditions of the CCAA Order, to secure current and future amounts outstanding under the CIT Term Sheet and the CIT Credit Agreement, both as defined in the CCAA Order.

8. The DIP Lender, as defined in the CCAA Order, is hereby granted the DIP Lender's Charge, as defined in the CCAA Order, on all of the Debtors' United States assets, subject to the priorities, terms and conditions set forth in the CCAA Order, to secure current and future amounts outstanding under the DIP Facility.

9. Pursuant to sections 105(a), 364(e), 1519(a)(3), and 1521(a)(7) of the Bankruptcy Code, the validity of the indebtedness and the priority of the lien authorized by the CCAA Order and made enforceable in the United States by this Order shall not be affected by any reversal or modification of this Order on appeal or the entry of an order denying recognition of the Canadian Proceeding pursuant to section 1517 of the Bankruptcy Code.

10. Pursuant to Federal Rule of Bankruptcy Procedure 7065(b), no notice to any person is required prior to entry and issuance of this Order.

11. Any party in interest may make a motion seeking relief from or modifying this Order by, on not less than ten (10) days' written notice to Fraser and to Fraser's counsel, Morris, Nichols, Arsht & Tunnell LLP, 1201 North Market Street, Wilmington, Delaware 19899-1347 (Attention: Derek C. Abbott) and Thornton Grout Finnigan LLP, Suite 3200, Canadian Pacific Tower, 100 Wellington St. West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Canada M5K 1K7 (Attention: D.J. Miller), filing a motion seeking an order of this Court vacating or modifying the injunction entered in this proceeding, and any such request shall be the subject matter of a hearing as scheduled by the Court and, otherwise, any party in interest may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing in the future on any subsequent relief sought by Fraser in this proceeding.

12. Pursuant to Federal Rule of Bankruptcy Procedure 7065, the security provisions of Federal Rule of Civil Procedure 65(c) are waived.

13. Copies of the Supporting Documents shall be served upon the Debtors, all administrators in foreign proceedings of the Debtors, all other parties (or their counsel) known by the Debtors against whom provisional relief is sought under section 1519 of the Bankruptcy Code (except the Debtors' employees), including any such parties (or counsel) that have addresses outside the United States, and all parties to any litigation in which any of the Debtors is a party and that is pending in the United States as of the Petition Date², in accordance with

² All capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

Bankruptcy Rule 2002(q), and any interested party that becomes known to Fraser by first class mail or overnight courier within five (5) business days of the Petition Date (or three (3) business days following the time a party is identified by Fraser, whichever is later).

14. Service in accordance with this Order shall constitute adequate and sufficient service and notice.

15. The Supporting Documents shall also be made available by Fraser upon request via electronic mail or at the offices of Morris Nichols Arsht & Tunnell LLP, 1201 North Market Street, Wilmington, Delaware 19899-1347 to the attention of Derek C. Abbott, (302) 351-9357, dabbott@mnat.com.

16. The Court shall hold a hearing on Fraser's request for a preliminary injunction granting substantially the same relief through entry of an order on recognition of the Canadian Proceeding before the Honorable Kevin J. Carey, United States Bankruptcy Judge, for the Hearing at 2:00 p.m Eastern time on June 26, 2009, at the United States Bankruptcy Court, 824 Market Street, Third Floor, Wilmington, Delaware 19801 or as soon thereafter as counsel may be heard.

17. Objections, if any, submitted for the purpose of opposing Fraser's request for a preliminary injunction on the terms described above must be made in writing describing the basis therefor and the nature and extent of the respondent's interests in the Debtors' estates and shall be filed with the Court and served upon Morris, Nichols, Arsht & Tunnell LLP, 1201 North Market Street, Wilmington, Delaware 19899-1347 (Attention: Derek C. Abbott) and Thornton Grout Finnigan LLP, Suite 3200, Canadian Pacific Tower, 100 Wellington St. West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Canada M5K 1K7 (Attention: D.J. Miller), counsel for Fraser, so as to be received on or before June 25, 2009 at 4:00 p.m. Eastern time; except that the

foregoing is without prejudice to the right of any party-in-interest to seek, upon appropriate notice and hearing, to terminate or limit this temporary restraining order.

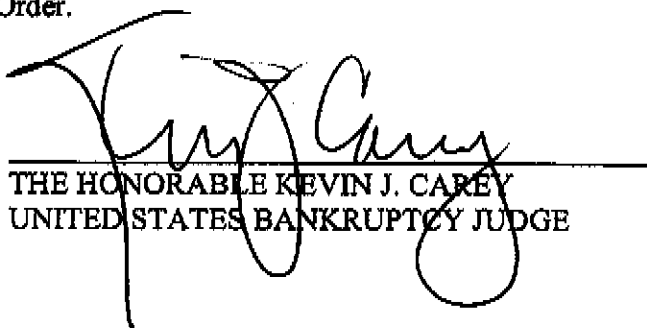
18. If no objection to the Debtors' request for a preliminary objection is timely filed and served in accordance with this Order, this Court will enter the proposed Order for Preliminary Injunction without further notice or hearing.

19. This Order will remain in effect until the earlier of the entry of an order granting or denying the preliminary injunction or the entry of an order recognizing the Canadian Proceeding as a foreign main proceeding in accordance with 11 U.S.C. § 1517.

20. Nothing contained herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding.

21. This Court shall retain jurisdiction with respect to all matters relating to the interpretation or implementation of this Order.

Dated: June 19, 2009
Wilmington, Delaware



THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

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