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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO **FRASER PAPERS INC.**, FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC

Applicants

AFFIDAVIT OF J. PETER GORDON
(Sworn July 14, 2009)

I, J. Peter Gordon, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS**:

1. I am the Chief Executive Officer and a Director of Fraser Papers Inc. ("**Fraser Papers**" or the "**Company**"), and hold the office of Chairman of each of the other Applicants (collectively, with Fraser Papers, the "**Applicants**") and as such I have personal knowledge of the matters to which I herein depose. Where the source of my information or belief is other than my own personal knowledge, I have identified the source and the basis for my information and believe it to be true.

2. On July 10, 2009, I swore an Affidavit (the "**July 10th Affidavit**") that provided, among other things, a detailed overview of the initial restructuring efforts of the Applicants. The purpose of this Affidavit is to provide this Honourable Court with an update regarding certain information set out in the July 10th Affidavit.

3. Capitalized terms not defined herein shall have the definition provided for in the July 10th, Affidavit.

UPDATING JULY 10, 2009 AFFIDAVIT

4. I advised this Honourable Court, in the July 10th Affidavit, that the Applicants had been successful in concluding amended DIP financing terms that were satisfactory to the Applicants and Brookfield, CIT and GNB. I attached the Amended Brookfield Term Sheet and the Amended CIT Term Sheet to the July 10th Affidavit.

5. I further advised this Honourable Court, in the July 10th Affidavit, that an executed copy of the GNB Amending Agreement would be filed with this Honourable Court prior to the return of this motion. Attached hereto as **Exhibit "A"** is an executed copy of the GNB Amending Agreement.

6. The Applicants, Brookfield and CIT have now also finalized terms with respect to new commitment letters in respect of the Amended Brookfield Term Sheet and the Amended CIT Term Sheet. Attached hereto as **Exhibits "B"** and **"C"** are executed copies of the Amended CIT Commitment Letter and the Amended Brookfield Commitment Letter, respectively.

UPDATE REGARDING CHAPTER 15 PROCEEDINGS

7. I am advised by Fraser Paper's United States counsel that, on July 13, 2009, Fraser Papers sought and the United States Bankruptcy Court granted an Order (the "**Recognition Order**") in the Chapter 15 Proceedings recognizing the CCAA proceeding as a foreign main proceeding and granting certain relief, including a continued stay of actions against officers and directors and establishing certain liens in favour of CIT and Brookfield, all consistent with Orders entered in the CCAA proceedings. In addition, as a result of the recognition granted in the Recognition Order the automatic stay under section 362, among other things, of the *U.S. Bankruptcy Code*, applies with respect to the Applicants' and their property within the United States.

8. I swear this affidavit in support of a motion by the Applicants for the relief set out in paragraph two of the July 10th Affidavit and for no other or improper purpose.

SWORN before me at the City of Toronto, in the Province of Ontario, this 14th day of July, 2009. Larry C. Ellis Commissioner for Taking Affidavits	J. PETER GORDON

This is Exhibit "A4" referred to in the affidavit of J. Peter Gordon sworn before me, this 14th day of July 2009.

A COMMISSIONER FOR TAKING AFFIDAVITS

AMENDING AGREEMENT made as of July 10, 2009.

B E T W E E N:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEW BRUNSWICK, as represented by the Minister of Business New Brunswick (the "Minister")

and

FRASER PAPERS INC., a body corporate, duly incorporated under and by virtue of the laws of Canada (the "Corporation")

WHEREAS the Minister and the Corporation are parties to a Loan Agreement (the "Loan Agreement") made as of June 16, 2008 pursuant to which advances in the principal amount of CDN$29,343,805.00 (the "Existing Advances") were outstanding as at June 18, 2009; and

WHEREAS on June 18, 2009 the Corporation and its subsidiaries were granted protection under the *Companies' Creditors Arrangement Act* (the "CCAA") by Order of the Ontario Superior Court of Justice on that date (the "Initial Order") and pursuant to Chapter 15 of the U.S. *Bankruptcy Code*;

WHEREAS the Initial Order contains a stay of proceedings in favour of the Applicants (as defined in the Initial Order) and includes terms authorizing the Applicants to obtain additional loans and advances from CIT Business Credit Canada Inc. ("CIT"), Brookfield Asset Management Inc. ("BAM") and the Minister, with a charge granted over the assets of the Applicants in favour of such lenders;

WHEREAS the Minister has: (i) agreed to make additional advances to the Corporation under the Loan Agreement up to the principal amount of CDN$9,000,000 (the "New Advances") to allow the Applicants to complete the Plaster Rock modernization project, and (ii) consented to advances made or to be made by CIT and BAM from and after the date of the Initial Order, subject to the terms hereof and the terms of an Order to be obtained by the Applicants confirming the priority of certain charges as among CIT, Brookfield and the Minister (the "Amended DIP Approval Order");

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained, the parties agree as follows:

1. Definitions

All words defined in the Loan Agreement have the same meaning in this agreement. To the extent any capitalized term is used and not defined, it is as defined in the Loan Agreement.

2. Amendments to the Loan Agreement

The Loan Agreement is hereby specifically amended:

(a) by deleting the sum "Five Million Dollars ($5,000,000)" from section 5 a) and substituting therefor the sum "One Million Dollars ($1,000,000) or such lesser amounts as may be determined by the Minister from time to time";

(b) by adding to the end of section 9:

"provided that, in all cases, any moneys received by the Minister in respect of security held by the Minister over the Plaster Rock facility shall be applied firstly in repayment of the New Advances";

(c) by adding as sections 10 d), e) and f) the following:

"d) an Acknowledgement from each of CIT and BAM confirming that the New Advances shall have a first-priority charge on the Plaster Rock facility of the Corporation ahead of all other charges and security interests, including those granted to CIT and BAM pursuant to the Initial Order;

e) an amendment to the Inter-creditor Agreement to reflect the terms and priority of the New Advances in relation to the security interests and charges held by CIT and BAM; and

f) the Amended DIP Approval Order."

(d) by adding to section 12 the following:

"provided that the proceeds of the New Advances will be used solely for the purpose of capital expenditures at the Corporation's Plaster Rock facility"; and

(e) by deleting or modifying as necessary any covenant, term, condition, representation, warranty, right or provision that is inconsistent with the terms of the Initial Order or the Amended DIP Approval Order to be obtained by the Applicants, arising by virtue of or in connection with the Applicants' insolvency or the proceedings commenced on June 18, 2009.

3. Conditions Precedent to New Advances

The New Advances shall be available to the Corporation in accordance with the terms for Advances set out the Loan Agreement, as amended hereby, upon the following Conditions Precedent being satisfied:

(a) the Applicants obtain an Acknowledgement from CIT and BAM on the terms described in paragraph 2, above;

(b) the Inter-creditor Agreement is amended, as may be required, to reflect the priority of charges in favour of CIT, BAM and the Minister in accordance with the Amended DIP Approval Order; and

(b) the Applicants obtain the Amended DIP Approval Order on terms acceptable to the Minister.

4. Waiver of Default

To the extent the insolvency of the Corporation or the court proceedings commenced by the Applicants constitutes an Event of Default under the Loan Agreement, such default is hereby waived by the Minister.

5. Payment of Interest on the new advances

The Minister shall be entitled to receive, and the Borrower shall pay interest on the New Advances at the rate and at the times specified under the Loan Agreement, based on the amount outstanding under the New Advances at any given time.

6. Confirmation

Except as amended by the provisions of section 2 above, the parties confirm all other terms of the Loan Agreement. To the extent that any provision of the Loan Agreement, as amended, or the Inter-Creditor Agreement among the Minister, CIT, BAM and the Corporation is inconsistent with any aspect of the Initial Order, including as amended by the Amended DIP Order with respect to relative priority among the Minister, CIT and BAM, or as it relates to any other term, condition or covenant, the terms of the court Orders shall govern in all respects.

7. Governing Law

This agreement will be governed by and construed in accordance with the laws of the Province of New Brunswick and the laws of Canada applicable therein.

IN WITNESS WHEREOF the parties have duly executed this Agreement.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEW BRUNSWICK, AS REPRESENTED BY THE MINISTER OF BUSINESS NEW BRUNSWICK

Per: ______________________________
Name:
Title:

FRASER PAPERS INC.

Per: ______________________________
Name: GLEN MCMILLAN
Title: CFO

IN WITNESS WHEREOF the parties have duly executed this Agreement.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEW BRUNSWICK, AS REPRESENTED BY THE MINISTER OF BUSINESS NEW BRUNSWICK

Per: ______________________
Name:
Title:

FRASER PAPERS INC.

Per: ______________________
Name:
Title:

"B"
This is Exhibit .... referred to in the affidavit of J. Peter Gordon
sworn before me, this 14th
day of July 2009

A COMMISSIONER FOR TAKING AFFIDAVITS

July 10, 2009

DEBTOR-IN-POSSESSION COMMITMENT LETTER

PERSONAL AND CONFIDENTIAL

Fraser Papers Inc.

Attention: Robert Allen

Gentlemen:

This debtor-in-possession commitment letter agreement (together with all exhibits and annexes hereto, the "*DIP Commitment Letter*") will confirm the understanding and agreement among Brookfield Asset Management Inc. ("*BAM*"), and Fraser Papers Inc.. (the "*Company*"), in connection with a proposed secured super-priority debtor-in-possession revolving loan facility of US$20 million (the "*DIP Facility*") to fund the continued operation of the Company's business as debtor under the Canadian Companies' Creditors Arrangement Act ("*CCAA*") and related proceedings under the U.S. Bankruptcy Code.

I. The Commitment.

You have requested that BAM and/or its affiliates and managed funds (collectively, the "*Initial Lenders*", and collectively with each Additional Lender (as defined below), the "*Lenders*") commit to provide the entire amount of the DIP Facility upon the terms and subject to the conditions set forth or referred to in this DIP Commitment Letter and in the Summary of Terms of DIP Facility attached hereto as Exhibit A (together with any annexes thereto, the "*DIP Term Sheet*"). Based on the foregoing, (i) BAM is pleased to confirm by this DIP Commitment Letter its commitment to you (the "*BAM Commitment*") to provide or cause one or more of its affiliates or managed funds to provide the full amount of the DIP Facility (the "*Commitment*").

It is agreed that the Lenders will have no duties other than those expressly set forth herein. You agree that no agents, co-agents, arrangers or book-runners will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the DIP Term Sheet) will be paid in connection with the DIP Facility unless you and we so agree.

II. Conditions.

The Commitment and agreements of the Lenders described herein are subject to (i) the absence of any event or occurrence which has resulted in or could reasonably be expected to result in, individually or in the aggregate, any material adverse change in the assets, liabilities, business, operations or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole (other than any events which customarily occur as a result of events leading up to and following the commencement of a proceeding under the CCAA (and including, without limitation, those reflected in the financial projections heretofore made available in writing to the Initial Lenders); (ii) the accuracy and completeness of all representations that you and your affiliates make to the Lenders and all Information (as defined herein) that you, your affiliates or representatives furnish to the Lenders; (iii) payment of all reasonable and documented fees and expenses; and (iv) the other conditions set forth herein or in the DIP Term Sheet.

III. Fees and Expenses.

In consideration of the execution and delivery of this DIP Commitment Letter by the Initial Lenders, you agree to pay the fees and expenses set forth herein and in the DIP Term Sheet as and when payable in accordance with the terms thereof.

IV. Indemnification.

The Company hereby agrees to indemnify and hold harmless the Administrative Agent (as defined in the DIP Term Sheet), the Initial Lenders, the other Lenders and each of their respective affiliates and all their respective officers, directors, partners, trustees, employees, shareholders, advisors, agents, representatives, attorneys and controlling persons and each of their respective heirs, successors and assigns (each, an "*Indemnified Person*") from and against any and all losses, claims, damages and liabilities to which any Indemnified Person may become subject arising out of or in connection with this DIP Commitment Letter and the DIP Facility, the use of the proceeds therefrom, any of the other transactions contemplated by this DIP Commitment Letter, any other transaction related thereto or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any Indemnified Person is a party thereto and whether or not the transactions contemplated hereby are consummated, and to reimburse each Indemnified Person promptly upon demand for all legal and other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, any lawsuit, investigation, claim or other proceeding relating to any of the foregoing (including, without limitation, in connection with the enforcement of the indemnification obligations set forth herein); provided that no Indemnified Person will be entitled to indemnity hereunder in respect of any loss, claim, damage, liability or expense to the extent that it is found by a final, non-appealable judgment of a court of competent jurisdiction that such loss, claim, damage, liability or expense resulted directly from the gross negligence, actual fraud or willful misconduct of such Indemnified Person. If for any reason the foregoing indemnification is unavailable to an Indemnified Person or insufficient to hold it harmless, then the Company shall contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability in such proportion to reflect the economic interests of (i) the Company and its respective affiliates, stockholders or other equity holders on the one hand and (ii) such Indemnified Person on the other hand in the matters contemplated by the this DIP Commitment Letter as well as the relative fault of (i) the Company and its respective affiliates, stockholders or other equity holders on the one hand and (ii) such Indemnified Person with respect to such loss, claim, damage or liability and any other relevant equitable considerations. In no event will any Indemnified Person be liable on any theory of liability for indirect, special or consequential damages, lost profits or punitive damages as a result of any failure to fund any of the DIP Facility contemplated hereby or otherwise in connection with the DIP Facility. No Indemnified Person will be liable for any damages arising from the use by unauthorized persons of information, projections or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by unauthorized persons.

V. Expiration of Commitment.

The Commitment will expire at 5:00 p.m., Toronto time, on June __, 2009 unless on or prior to such time you have executed and returned to the Initial Lenders a copy of this DIP Commitment Letter. If you do so execute and deliver to the Initial Lenders this DIP Commitment Letter, the Lenders agree to hold the Commitment available for you until 5:00 p.m., Toronto time, on July 15, 2009. The Commitment hereunder will terminate on the later of the Closing Date (as defined in the DIP Term Sheet), and the execution of a definitive credit agreement, and you agree to rely exclusively on your rights and the Commitment set forth in such definitive credit agreement in respect of all loans and extensions of credit to be made on or after such date. In addition, the Commitment of each Initial Lender hereunder shall be ratably reduced to the extent of any purchase or commitment to purchase by an Additional Lender obtained pursuant to a joinder agreement satisfactory to the Initial Lenders (a "*Joinder Agreement*"), in respect of the DIP Facility as contemplated hereunder.

VI. Assignment and Syndication.

The parties hereto agree that each Lender shall have the right to assign its Commitment as provided for in the DIP Term Sheet.

Prior to the Closing Date, a transferee of an Initial Lender shall become a party to this DIP Commitment Letter (an "*Additional Lender*") by execution by such Additional Lender and the Initial Lenders of a Joinder Agreement.

VII. Information.

You hereby represent and covenant that (i) all information other than financial projections (the "Information") that has been or will be made available to the Lenders by you or any of your affiliates or representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (ii) the financial projections (the "*Projections*") that have been or will be made available to the Lenders by you or any of your affiliates or representatives have been or will be prepared in good faith based upon reasonable assumptions. You understand that in arranging the DIP Facility and the Commitment the Lenders may use and rely on the Information and Projections without independent verification thereof and that you will promptly notify us of any changes in circumstances that could be expected to call into question the continued reasonableness of any assumption underlying the Projections. You agree that if at any time prior to the Closing Date any of the representations in the preceding sentences would be incorrect if the Information and Projections were being furnished, and if such representations were made, at such time, you will promptly supplement the Information and Projections so that such representations will be correct under those circumstances.

VIII. Survival.

The provisions of this DIP Commitment Letter relating to the payment of fees and expenses, indemnification and contribution and confidentiality and the provisions of Sections III, IV, VIII and IX hereof will survive the expiration or termination of the Commitment or this DIP Commitment Letter (including any extensions) and the execution and delivery of definitive financing documentation.

IX. Choice of Law; Jurisdiction; Waivers.

This DIP Commitment Letter will be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. The Company hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of any suit, action or proceeding arising out of or relating to the provisions of this DIP Commitment Letter and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court. The parties hereto hereby waive any objection that they may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The parties hereto hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury with respect to any action or proceeding arising out of or relating to this DIP Commitment Letter.

X. Withholding.

The payment and issuance of fees, costs, expenses, compensation and other amounts under Section III hereof ("*Subject Payments*") will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities or expenses related thereto) imposed or levied by or on behalf of any authority or agency having power to tax (hereinafter, the "*Taxes*"), unless the Company is required to withhold or deduct any amount for or on account of Taxes by law or by the interpretation or administration thereof. If the Company is required to withhold or deduct any amount for or on account of such Taxes in respect of the Subject Payments, the Company will remit such Taxes.

The Company will furnish each Lender, within 30 days after the date the payment of any Taxes described in the preceding paragraph is due pursuant to applicable law, evidence of such payment by the Company. The Company will indemnify and hold harmless each Indemnified Person and will, upon written request of such Indemnified Person, reimburse each Indemnified Person for Taxes, other than any Taxes now or hereafter imposed, levied, collected, withheld or assessed on an Indemnified Person under the laws of an applicable jurisdiction as a result of such Indemnified Person (i) carrying on a trade or business in such jurisdiction; (ii) being organized under the laws of such jurisdiction; (iii) being resident or deemed to be resident in such jurisdiction; or (iv) not dealing at arm's length (within the meaning of applicable tax law or regulation) with the Company at the time of payment, (collectively "*Excluded Taxes*"), for the amount of (x) any such Taxes, other than Excluded Taxes, so levied or imposed and paid by such Indemnified Person and (y) any Taxes so levied or imposed with respect to any reimbursement under the foregoing clause (x).

XI. Miscellaneous.

This DIP Commitment Letter may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. Delivery of an executed signature page of this DIP Commitment Letter by facsimile or ".pdf" transmission will be effective as delivery of a manually executed counterpart hereof. This DIP Commitment Letter may not be amended or waived except by an instrument in writing signed by (i) Initial Lenders representing at least 50% of the aggregate Commitment held by all Initial Lenders, (ii) for so long as BAM together with its affiliates and managed funds hold no less than 20% of the Commitment, BAM, and (iii) you; provided that the consent of each Lender adversely affected thereby shall be required for (i) increases in the Commitment of such Lender, (ii) waivers, reductions or postponements of scheduled payment of principal, interest or fees payable to such Lender, (iii) extensions of final maturity of the loans or Commitments of such Lender, (iv) modifications to this paragraph or the definition of "Required Lenders" in the DIP Term Sheet, or releases of all or substantially all of the value of the Guarantees or all or a material portion of the Collateral.

The Company may not assign any of its rights, or be relieved of any of its obligations hereunder, without the prior written consent of each of the Lenders (and any purported assignment without such consent will be null and void). In connection with any syndication of all or a portion of the Commitment, the rights and obligations of each Lender hereunder may be assigned, in whole or in part, in accordance with the terms set forth in this DIP Commitment Letter and the DIP Term Sheet or on the terms set forth in the definitive credit agreement and upon such assignment and assumption by the assignee of all obligations of such Lender in respect of the portion of the Commitment so assigned on the terms set forth in this DIP Commitment Letter or on the terms set forth in the definitive credit agreement, such Lender will be relieved and novated hereunder from its obligations with respect to such portion of the Commitment.

This DIP Commitment Letter and the attached exhibits and annexes set forth the entire understanding of the parties hereto as to the scope of the Commitment and the obligations of the Lenders hereunder. This DIP Commitment Letter supersedes all prior understandings and proposals, whether written or oral, between any of the Lenders and you relating to any debtor-in-possession financing or the transactions contemplated hereby.

This DIP Commitment Letter has been and is made solely for the benefit of the parties signatory hereto and to a Joinder Agreement, and the Indemnified Persons, and nothing in this DIP Commitment Letter, expressed or implied, is intended to confer or does confer on any other person or entity any rights or remedies under or by reason of this DIP Commitment Letter or the agreements of the parties contained herein.

If you are in agreement with the foregoing, kindly sign and return to us the enclosed copy of this DIP Commitment Letter.

Very truly yours,

BROOKFIELD ASSET MANAGEMENT INC.

By: ______________________________
Name: Samuel J.B. Pollock
Title: Senior Managing Partner

Accepted and agreed to as of the
date first above written:

FRASER PAPERS INC.

By: ______________________
Name: PETER GORDON
Title: CEO

By: ______________________
Name: GLEN MCMILLAN
Title: CFO

This is Exhibit ..."C-1"... referred to in the affidavit of ...J. Peter Gordon... sworn before me, this ...14th... day of ...July... 2009

....
A COMMISSIONER FOR TAKING AFFIDAVITS

July 10, 2009

DEBTOR-IN-POSSESSION COMMITMENT LETTER

PERSONAL AND CONFIDENTIAL

Fraser Papers Inc.

Attention: Paul Gagne

Gentlemen:

This debtor-in-possession commitment letter agreement (together with all exhibits and annexes hereto, the "*DIP Commitment Letter*") will confirm the understanding and agreement among CIT Business Credit Canada Inc. ("*CIT*"), and Fraser Papers Inc.. (the "*Company*"), in connection with the amendment of the existing credit agreement between the Company and CIT (the "Existing Credit Agreement") to establish a proposed secured super-priority debtor-in-possession revolving loan facility (the "*DIP Facility*") to assist in funding the continued operation of the Company's business as debtor under the Canadian Companies' Creditors Arrangement Act ("*CCAA*") and related proceedings under the U.S. Bankruptcy Code.

I. The Commitment.

You have requested that CIT (the "*Initial Lender*", and collectively with each Additional Lender (as defined below), the "*Lenders*") commit to provide the entire amount of the DIP Facility upon the terms and subject to the conditions set forth or referred to in this DIP Commitment Letter and in the Amended DIP Facility Term Sheet attached hereto as Exhibit A (together with any annexes thereto, the "*DIP Term Sheet*"). Based on the foregoing, (i) CIT is pleased to confirm by this DIP Commitment Letter its commitment to you (the "*CIT Commitment*") to provide the full amount of the DIP Facility (the "*Commitment*").

It is agreed that the Lenders will have no duties other than those expressly set forth herein. You agree that no agents, co-agents, arrangers or book-runners will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the DIP Term Sheet) will be paid in connection with the DIP Facility unless you and we so agree.

II. Conditions.

The Commitment and agreements of the Lenders described herein are subject to (i) the absence of any event or occurrence which has resulted in or could reasonably be expected to result in, individually or in the aggregate, any material adverse change in the assets, liabilities, business, operations or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole (other than any events which customarily occur as a result of events leading up to and following the commencement of a proceeding under the CCAA (and including, without limitation, those reflected in the financial projections heretofore made available in writing to the Initial Lender); (ii) the accuracy and completeness of all representations that you and your affiliates make to the Lenders and all Information (as defined herein) that you, your affiliates or representatives furnish to the Lenders; (iii) payment of all reasonable and documented fees and expenses; and (iv) the other conditions set forth herein or in the DIP Term Sheet.

III. Fees and Expenses.

In consideration of the execution and delivery of this DIP Commitment Letter by the Initial Lender, you agree to pay the fees and expenses set forth herein and in the DIP Term Sheet as and when payable in accordance with the terms thereof. You are authorized to debit such fees to the operating loan accounts maintained by you for the Company.

IV. Indemnification.

The Company hereby agrees to indemnify and hold harmless the Administrative Agent (as defined in the DIP Term Sheet), the Initial Lender, the other Lenders and each of their respective affiliates and all their respective officers, directors, partners, trustees, employees, shareholders, advisors, agents, representatives, attorneys and controlling persons and each of their respective heirs, successors and assigns (each, an "*Indemnified Person*") from and against any and all losses, claims, damages and liabilities to which any Indemnified Person may become subject arising out of or in connection with this DIP Commitment Letter and the DIP Facility, the use of the proceeds therefrom, any of the other transactions contemplated by this DIP Commitment Letter, any other transaction related thereto or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any Indemnified Person is a party thereto and whether or not the transactions contemplated hereby are consummated, and to reimburse each Indemnified Person promptly upon demand for all legal and other expenses reasonably incurred by it in connection with investigating, preparing to defend or defending, or providing evidence in or preparing to serve or serving as a witness with respect to, any lawsuit, investigation, claim or other proceeding relating to any of the foregoing (including, without limitation, in connection with the enforcement of the indemnification obligations set forth herein); provided that no Indemnified Person will be entitled to indemnity hereunder in respect of any loss, claim, damage, liability or expense to the extent that it is found by a final, non-appealable judgment of a court of competent jurisdiction that such loss, claim, damage, liability or expense resulted directly from the gross negligence, actual fraud or willful misconduct of such Indemnified Person. If for any reason the foregoing indemnification is unavailable to an Indemnified Person or insufficient to hold it harmless, then the Company shall contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability in such proportion to reflect the economic interests of (i) the Company and its respective affiliates, stockholders or other equity holders on the one hand and (ii) such Indemnified Person on the other hand in the matters contemplated by the this DIP Commitment Letter as well as the relative fault of (i) the Company and its respective affiliates, stockholders or other equity holders on the one hand and (ii) such Indemnified Person with respect to such loss, claim, damage or liability and any other relevant equitable considerations. In no event will any Indemnified Person be liable on any theory of liability for indirect, special or consequential damages, lost profits or punitive damages as a result of any failure to fund any of the DIP Facility contemplated hereby or otherwise in connection with the DIP Facility. No Indemnified Person will be liable for any damages arising from the use by unauthorized persons of information, projections or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by unauthorized persons. The Company's obligations under this indemnity are secured by the security heretofore granted by the Company to the Administrative Agent and/or CIT.

V. Expiration of Commitment.

The Commitment will expire at 5:00 p.m., Toronto time, on July 14, 2009 unless on or prior to such time you have executed and returned to the Initial Lender a copy of this DIP Commitment Letter. If you do so execute and deliver to the Initial Lender this DIP Commitment Letter, the Lenders agree to hold the Commitment available for you until 5:00 p.m., Toronto time, on August 21, 2009. The Commitment hereunder will terminate on the later of the Closing Date (as defined in the DIP Term

Sheet), and the execution of a definitive credit agreement (or an amendment to the Existing Credit Agreement), and you agree to rely exclusively on your rights and the Commitment set forth in such definitive credit agreement (or amendment) in respect of all loans and extensions of credit to be made on or after such date. Until such definitive agreement or amendment is executed, any credit advanced to you will be deemed to be governed by the Existing Credit Agreement, as amended as contemplated by the Term Sheet.

VI. Assignment and Syndication.

The parties hereto agree that each Lender shall have the right to assign its Commitment as provided for in the DIP Term Sheet.

VII. Information.

You hereby represent and covenant that (i) all information other than financial projections (the "Information") that has been or will be made available to the Lenders by you or any of your affiliates or representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (ii) the financial projections (the "*Projections*") that have been or will be made available to the Lenders by you or any of your affiliates or representatives have been or will be prepared in good faith based upon reasonable assumptions. You understand that in arranging the DIP Facility and the Commitment the Lenders may use and rely on the Information and Projections without independent verification thereof and that you will promptly notify us of any changes in circumstances that could be expected to call into question the continued reasonableness of any assumption underlying the Projections. You agree that if at any time prior to the Closing Date any of the representations in the preceding sentences would be incorrect if the Information and Projections were being furnished, and if such representations were made, at such time, you will promptly supplement the Information and Projections so that such representations will be correct under those circumstances.

VIII. Survival.

The provisions of this DIP Commitment Letter relating to the payment of fees and expenses, indemnification and contribution and confidentiality and the provisions of Sections III, IV, VIII and IX hereof will survive the expiration or termination of the Commitment or this DIP Commitment Letter (including any extensions) and the execution and delivery of definitive financing documentation.

IX. Choice of Law; Jurisdiction; Waivers.

This DIP Commitment Letter will be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. The Company hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of any suit, action or proceeding arising out of or relating to the provisions of this DIP Commitment Letter and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court. The parties hereto hereby waive any objection that they may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in any such court, and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The parties hereto hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury with respect to any action or proceeding arising out of or relating to this DIP Commitment Letter.

X. Withholding.

The payment and issuance of fees, costs, expenses, compensation and other amounts under Section III hereof (*"Subject Payments"*) will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities or expenses related thereto) imposed or levied by or on behalf of any authority or agency having power to tax (hereinafter, the "*Taxes*"), unless the Company is required to withhold or deduct any amount for or on account of Taxes by law or by the interpretation or administration thereof. If the Company is required to withhold or deduct any amount for or on account of such Taxes in respect of the Subject Payments, the Company will remit such Taxes.

The Company will furnish each Lender, within 30 days after the date the payment of any Taxes described in the preceding paragraph is due pursuant to applicable law, evidence of such payment by the Company. The Company will indemnify and hold harmless each Indemnified Person and will, upon written request of such Indemnified Person, reimburse each Indemnified Person for Taxes, other than any Taxes now or hereafter imposed, levied, collected, withheld or assessed on an Indemnified Person under the laws of an applicable jurisdiction as a result of such Indemnified Person (i) carrying on a trade or business in such jurisdiction; (ii) being organized under the laws of such jurisdiction; (iii) being resident or deemed to be resident in such jurisdiction; or (iv) not dealing at arm's length (within the meaning of applicable tax law or regulation) with the Company at the time of payment, (collectively "*Excluded Taxes*"), for the amount of (x) any such Taxes, other than Excluded Taxes, so levied or imposed and paid by such Indemnified Person and (y) any Taxes so levied or imposed with respect to any reimbursement under the foregoing clause (x).

XI. Miscellaneous.

This DIP Commitment Letter may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. Delivery of an executed signature page of this DIP Commitment Letter by facsimile or ".pdf" transmission will be effective as delivery of a manually executed counterpart hereof. This DIP Commitment Letter may not be amended or waived except by an instrument in writing signed by CIT and you.

The Company may not assign any of its rights, or be relieved of any of its obligations hereunder, without the prior written consent of CIT.

This DIP Commitment Letter and the attached exhibits and annexes set forth the entire understanding of the parties hereto as to the scope of the Commitment and the obligations of the Lenders hereunder. This DIP Commitment Letter supersedes all prior understandings and proposals, whether written or oral, between any of the Lenders and you relating to any debtor-in-possession financing or the transactions contemplated hereby.

This DIP Commitment Letter has been and is made solely for the benefit of the parties signatory hereto, and the Indemnified Persons, and nothing in this DIP Commitment Letter, expressed or implied, is intended to confer or does confer on any other person or entity any rights or remedies under or by reason of this DIP Commitment Letter or the agreements of the parties contained herein.

If you are in agreement with the foregoing, kindly sign and return to us the enclosed copy of this DIP Commitment Letter.

Very truly yours,

CIT BUSINESS CREDIT CANADA INC.

By: ______________________
Name: E. Dennis McCluskey
Title: President & CEO

By: ______________________
Name: Lawrence Clement
Title: Vice President

Accepted and agreed to as of the
date first above written:

FRASER PAPERS INC.

By: ______________________
Name: PETER GORDON
Title: CEO

By: ______________________
Name: GLEN MCMILLAN
Title: CFO

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

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