

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 FOURTH REPORT TO THE COURT
September 3, 2009**

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

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

INTRODUCTION

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.
5. Amendments to the DIP financing term sheets between Brookfield Asset Management ("BAM") and the Applicants and CIT Business Credit Canada Inc. ("CIT") and the Applicants, and an amendment to the existing credit facility with the Province of New Brunswick, were authorized pursuant to the Orders of the Honourable Madam Justice Pepall on July 15, 2009. Amendments to the Initial Order and a Claims Process Order, as described in the Monitor's Third Report, were also approved in the Order granted July 15, 2009.
6. The purpose of this, the Monitor's fourth report (the "**Fourth Report**"), is to provide the Court with information pertaining to:
 - (A) The requests for appointment of representative counsel for unrepresented employees and retirees in the Applicants' CCAA Proceedings;
 - (B) The proposed process for the determination of the value of SERP participants' claims for the purposes of completion of their respective proofs of claim;
 - (C) The orders issued by the New Brunswick Superintendant of Pensions and the Regie Des Rentes du Quebec in respect of the Applicants' two New Brunswick DB Pension Plans and two Quebec DB Pension Plans, respectively;
 - (D) The current status of the Applicants' operations; and
 - (E) The current status of the claims process;

And to support the request of the Applicants to this Honourable Court for approval of:

(F) further amendments to the Initial Order:

- (1) To confirm that the definition of “Cash Management System” referred to in the Initial Order includes a \$5 million foreign exchange facility at RBC that was utilized to effect foreign exchange transactions prior to the CCAA filing and;
- (2) To clarify that the CIT DIP Charge secures all advances made by CIT after June 18, 2009 up to the amount of \$24 million, notwithstanding any reduction in the CIT Existing Debt;

(G) to confirm the request of this Honourable Court for approval of an amendment to the Claims Order; and

(H) an order directing Mellon Bank N.A. to return funds held by it under a trust agreement with Fraser Papers Limited.

7. 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 First, Second and Third Reports, in the affidavit of J. Peter Gordon sworn July 10, 2009 (the “**July 10 Gordon Affidavit**”), the Affidavit of Glen McMillan sworn September 1, 2009 (the “**McMillan Affidavit**”) and as defined in the Claims Process Order.

8. 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.

A. REPRESENTATIVE COUNSEL FOR EMPLOYEES AND RETIREES

9. The Applicants employ approximately 2,500 personnel, of which 1,729 employees participate in the Applicants five defined benefit pension plans (the “**DB Pension**”).

Plans”). The Applicants also have 3,246 retirees receiving benefits from these DB Pension Plans, as summarized in Table 1 below:

Table 1 - DB Pension Plan Participant Analysis					
	Active Employees		Retirees		Total
	#	%	#	%	#
DB Pension Plan Participants					
Salaried Employees - New Brunswick ¹	181	33%	361	67%	542
Hourly Employees - New Brunswick ¹	461	40%	693	60%	1,154
Salaried Employees - Quebec ²	63	23%	212	77%	275
Hourly Employees - Quebec ²	300	46%	348	54%	648
Total - Canada	1,005	38%	1,614	62%	2,619
US ³	724	31%	1,632	69%	2,356
Total Participants	1,729	35%	3,246	65%	4,975
Non-Participants					
Canada	270		n/a		270
US	509		n/a		509
Total Participants and Non-Participants	2,508	44%	3,246	56%	5,754
¹ - Count is based on an actuarial valuation report as of December 31, 2007 ² - Count is based on an actuarial valuation report as of December 31, 2006 ³ - Count is based on an actuarial valuation report as of January 1, 2008					

10. In addition to the DB pension plans, the Company maintains a number of other plans that provide benefits to current or former employees, including defined contribution pension plans, defined contribution supplemental plans, a group registered retirement savings plan, supplementary employee retirement programs (“**SERPs**”), and health, dental and other benefits for current and former employees.
11. Since the commencement of the CCAA proceedings, the Applicants have continued to honour substantially all of the obligations (except for those described in paragraph 12) to active employees and retirees, including health, dental, insurance and related benefits. The Applicants have also continued to pay current service funding payments to their registered pension plans.

12. However, since June 18, 2009, the date of commencement of the CCAA Proceedings, the following changes have been made to the Applicants' post employment benefit programs:
 - i) Suspended payments to all beneficiaries of the Applicants various SERP programs; and
 - ii) On June 26, 2009, the Applicants were granted an Order prohibiting the Applicants from making past service contributions or special payments to fund any going concern unfunded liability or solvency deficiency of the Pension Plans during the Stay Period.
13. Since these changes were made, we understand that a number of the former employees have contacted the Applicants expressing concern regarding these changes and the longer term implications for these with respect to benefit programs as a result of the CCAA Filing and the significant pension deficits that exist.
14. Due to these concerns, we understand that a group of former Canadian salaried employees (who have called themselves the Fraser Papers' Salaried Retirees Committee, hereinafter called the "**Nelligan Committee**") has jointly retained the law firms of Nelligan O'Brien Payne LLP and Shibley Righton LLP (collectively "**Nelligan Shibley**") to represent them. The Nelligan Committee has brought a motion to have Nelligan Shibley formally appointed as representative counsel for all salaried retirees of the Applicants (the "**Nelligan Motion**"). As part of the Nelligan Motion, Nelligan Shibley is seeking to have its fees and expenses paid by the Applicants.
15. The Applicants recognize that formal legal representation for all active employees and retirees not otherwise represented would be beneficial and appropriate, provided it is on an efficient and cost-effective basis. As a result, after considering a number of potential law firms who have expertise in insolvency and employment matters (including cross-

border insolvency filings), who have lawyers who are bi-lingual and who have no conflicts, the Applicants created a short list of such firms.

16. We understand that the Applicants' senior management in discussions with their counsel, determined that Davies Ward Phillips & Vineberg LLP ("**Davies**") met the Applicants' overall criteria for representative counsel. We understand that senior management of the Applicants then contacted individuals at each of the Applicants' locations to discuss the potential employee and former employee claims that may exist as a result of the CCAA filing. Management also suggested to these individuals that the Applicants were prepared to pay reasonable costs of representation for those current and former employees not otherwise represented. Management provided these employees with contact information for individuals at Davies.
17. We understand that these employees then created the "Fraser Papers Committee of Salaried Employees and Retirees" and this committee contacted Davies to represent the interests of all or any combination of Canadian and US non-unionized active, inactive and retired employees, as well as Canadian and US retirees who were formerly members of a union (collectively, the "**Unrepresented Parties**"). Davies is also seeking to have its fees and expenses paid by the Applicants.
18. We understand that Davies is prepared to act as counsel for any current or former employees who are otherwise unrepresented that require representation by representative counsel.
19. Pursuant to a request by Davies and in order to protect the recipients privacy, on August 17, 2009, the Applicants mailed approximately 2,800 information letters prepared by Davies (copy included in Appendix A) to the Unrepresented Parties, as summarized in Appendix B. We understand that as of September 1, 2009, 424 people had signed retainers with Davies, of which 289 are retirees and 135 are current employees. We note that Davies' motion materials (Affidavit of Alexandra Raponi, Tab 4) states that employees from all of Fraser Papers' operations and related employee groups have

retained Davies. We understand Davies also intends to provide the Court with up to date information as to the number of signed retainers they have received prior to the hearing of the motions on September 8, 2009.

20. Pursuant to a request by Nelligan Shibley and again in order to preserve the recipients' privacy, on August 18, 2009, the Applicants mailed approximately 550 information letters prepared by Nelligan Shibley (copy included in Appendix C) to all former Canadian non-unionized retirees and deferred vested participants of the Canadian pension plans, as summarized in Appendix B. We understand that as of August 27, 2009, 108 people had signed retainers with Nelligan Shibley.
21. On August 19, 2009 the Applicants' Canadian counsel, Thornton Grout Finnigan, sent a letter (attached as Appendix D) to Canadian legal counsel of each union representing mill employees (CEP - Edmundston and Thurso Mills, CMAW - Plaster Rock, USW - Madawaska and Gorham mills) requesting a response as to their intentions on representing retired former union members of each respective union. On August 25, 2009 Morris, Nichols, Arsht and Tunnel LLP (the Applicants' US counsel) sent a similar letter (attached as Appendix E) to legal counsel of the US union (USW - Madawaska and Gorham).
22. On August 21, 2009, CaleyWray, legal counsel for the CEP, advised that it is prepared to represent both active and retired former members of the two affected CEP collective bargaining units. CaleyWray is also seeking to have its fees and expenses paid by the Applicants.
23. On September 1, 2009, Sack Goldblatt Mitchell LLP ("**SGM**"), Canadian counsel for the USW advised that it is prepared to represent both active and retired former members of the USW. On September 2, 2009, a notice of motion was served to seek such representation order. Sack Goldblatt Mitchell LLP is also seeking to have its fees and expenses paid by the Applicants.
24. On September 3, 2009, PinkLarkin, legal counsel for the CMAW, advised that it is prepared to represent both active and retired former members of the CMAW. We

understand that PinkLarkin is not seeking to have its fees and expenses paid by the Applicants nor has any motion been brought to date in that regard.

25. For ease of reference, and based on the Monitor's understanding of the various notices of motion/verbal positions, set out below is a summary of the identified employee groups and which legal counsel is proposing to represent them:

Employee/former employee group	# in Group	Davies	Nelligan/S hibley	CaleyWray (CEP)	SGM (USW)	PinkLarkin (CMAW)
<u>Non-Union</u>						
Active - Hourly	217	Yes	No	No	No	No
Inactive (Terminated) - Hourly	44	Yes	No	No	No	No
Active Salaried - Canada & US	413	Yes	No	No	No	No
Inactive (Terminated) Salary - Canada & US	29	Yes	No	No	No	No
Active SERP/Deferred Compensation Plan	12	Yes	No	No	No	No
Retired SERP/Deferred Compensation Plan - Canada	36	Yes	No	No	No	No
Retired SERP/Deferred Compensation Plan - US	38	Yes	No	No	No	No
Canadian Retirees - Salaried	488	Yes	Yes	No	No	No
US Retirees - Salaried	233	Yes	No	No	No	No
Canadian Deferred Vested Participants	61	Yes	Yes	No	No	No
US Deferred Vested Participants	75	Yes	No	No	No	No
Canadian Retirees - Health or Life Only	65	Yes	No	No	No	No
<u>Union</u>¹						
Active - Hourly	1559	No	No	Yes	Yes ⁵	Yes ⁶
Inactive (Terminated) - Hourly	155	No	No	No	Yes ⁵	Yes
Canadian Retirees - Hourly	990	Yes ²	No ³	Yes ⁴	N/a	Yes
US Retirees - Hourly	929	Yes ²	No	N/a	Yes ⁵	N/a
Retired SERP/Deferred Compensation Plan - Canada	1	Yes ²	No	Yes ⁴	N/a	N/a
Canadian Deferred Vested Participants	104	Yes ²	No ³	Yes ⁴	N/a	Yes
US Deferred Vested Participants	396	Yes ²	No	N/a	Yes ⁵	N/a

¹ The Applicants understand that each of the respective unions (CEP - Edmundston and Thurso Mills, CMAW - Plaster Rock, USW - Madawaska and Gorham) wish to represent active members as well as retirees who were formerly active members of each union, which request will be addressed by motion heard on September 8, 2009.

² Davies has filed a motion to represent the US & Canadian retirees that were formerly members of the CEP, CMAW and USW unions, in addition to all non-union active/inactive employees and retirees. Davies has indicated that it will represent unionized retirees if the respective unions do not represent those parties.

³ Nelligan Shibley are prepared to represent the interests of the Canadian unionized retirees if the CEP and/or CMAW do not want to represent same.

⁴ Caley Wray, legal counsel to the CEP union, has filed a motion to represent the retirees at the Edmunston and Thurso mills in addition to the active union members referred to in note 1.

⁵ SGM, legal counsel to the USW union, has filed a motion to represent the retirees at the Madawaska and Gorham mills in addition to the active union members referred to in note 1.

⁶ Based on the Monitor's understanding of the union's position

Monitor's views

26. As noted above, the Monitor understands that existing legal counsel for each of the three unions proposes to represent the interests of the former members of each respective union, as well as each unions' active members. The Applicants and the Monitor support such positions, subject to matters relating to the payment of costs.
27. The Monitor also notes that, as illustrated in Table 1 above, the number of retirees in all five DB Pension Plans outnumber the active members in each plan, such that in any vote of DB Pension Plan members which requires a majority, the active members cannot "out vote" the retirees.
28. The Monitor concurs with the Applicants that it is appropriate that representative counsel be appointed to represent the interests of the various non-unionized employee and former employees, in view of the significant number of active non-unionized employees and retirees of the Applicants that are not currently represented by legal counsel.
29. To date, the Applicants have not paid the fees and expenses of counsel of any employee group. The Monitor is of the view that based on the financial circumstances facing the Applicants and the need to advance matters in an efficient and effective manner, the fees and expenses of representative counsel to be paid by the Applicants need to be limited and there is a need to avoid duplication and time delays that retention of multiple legal counsels might entail. The Monitor notes that the extent to which the Applicants can support an additional layer of professional fees for the duration of the CCAA period is constrained by its lack of positive cash flow and the restrictions of its DIP Lenders.
30. Based on data in Table 2, the Nelligan Motion would result in 488 Canadian salaried retirees and 61 Canadian deferred vested participants being represented by Nelligan Shibley or only 33% of all Unrepresented Parties. A more broad representation would address the key criteria outlined by the Applicants.

B. THE PROPOSED PROCESS TO DETERMINE THE VALUE OF SERP PARTICIPANT CLAIMS

31. As noted in paragraph 12 above, the Applicants suspended payment of benefits from its three SERPs, namely the Fraser Papers Inc. Supplemental Employee Retirement Plan (“**Employee SERP**”), the Supplemental Executive Retirement Plan (Top Up) (the “**Executive SERP**”) and the Supplemental Executive Retirement Plan (Mid-Career) (the “**MC SERP**”).
32. As a result of the claims process approved by this Honourable Court on July 15, 2009, a number of SERPs beneficiaries have made enquiries as to the quantum of their SERP claim for the purposes of completion of their respective proofs of claim.
33. As the SERPs are not registered or regulated, actuarial valuations are not required. The Monitor understands that liability calculations are performed on the SERPs every three years by the Applicant’s actuaries and in this respect, the last valuation dates are as follows:
 - i) December 31, 2006 for members of the Employer SERP who were employed at the Applicants’ former operations in Quebec;
 - ii) December 31, 2007 for members of the Employer SERP who were employed outside of the Applicants’ former operations in Quebec; and
 - iii) January 1, 2008 for members of the Executive SERP and MC SERP.
34. The Applicants have advised the Monitor that updated actuarial valuations have not been commissioned and that updated actuarial valuations would be costly given the limits on the Applicants’ funding availability and the high cost of such valuations on a per beneficiary basis.
35. As a result, the Applicants propose that they will prepare and provide each SERP participant with an estimate of the present value of their individual SERP entitlement as

at June 18, 2009 (the “**SERP PV**”), based on the last actual actuarial valuations (i.e. as at December 31, 2006, December 31, 2007 or January 1, 2008 as appropriate), rolled forward to reflect payments received and interest accrued since that time.

36. The Applicants have had discussions with their actuaries (Towers Perrin) regarding the methodology to estimate the SERP PV. Towers Perrin confirmed in a letter dated August 31, 2009 (Appendix F) that an extrapolation based on the expected benefit payments since the last actuarial valuation, and the assumption that there have been no liability experience gains and losses nor assumption changes (including discount rate changes) during the period is a reasonable method for developing an estimated accrued benefit obligation. They further stated in the letter that they are prepared to review the Company’s estimate to ensure that it complies with the described methodology, which the Monitor believes is appropriate in the circumstances.
37. The proposed process will allow the SERP beneficiaries to complete their proof of claim forms based on two options:
 - i) either using the SERP PV sent to participants by the Applicants, as set out above; or
 - ii) using a valuation generated by a qualified third party retained by the SERP beneficiary (such as a certificate issued by an insurance company showing the amount required to purchase an equivalent annuity in place of the existing SERP).
38. Given the timing of this hearing and its proximity to the September 30, 2009 claims bar date, the Applicants are also seeking approval of an extension of the Claims Bar Date for filing SERP claims and claims to be filed on behalf of Unrepresented Parties only, from September 30, 2009 to October 15, 2009 which the Monitor considers appropriate.
39. For the reasons outlined in the McMillan Affidavit and supported by the letter from the Applicants’ actuary, the Monitor considers the proposed SERP PV mechanism is a reasonable basis for determining the estimated current value of the individual SERP beneficiary claims and adds efficiency to the claims process.

C. THE ORDERS OF THE NEW BRUNSWICK SUPERINTENDENT OF PENSIONS AND THE REGIE DES RENTES

40. On July 30, 2009, in order to protect the value of the New Brunswick Salaried and Hourly Pension Plans (“**NB Pension Plans**”), the New Brunswick Superintendent of Pensions (“**NB Superintendent**”) issued an order limiting payments from the NB Pension Plans to pensions already in pay and the payment of additional voluntary contributions (the “**July 30, 2009 Order**”). The order required the Applicants to provide the NB Superintendent with a revised transfer ratio and valuation of the assets and liabilities as of the Applicants’ CCAA filing date, as established by an actuary, no later than September 14, 2009.
41. This order was subject to discussion and was subsequently replaced by an amended order on August 13, 2009 which was acceptable to the Applicants (attached as Appendix G)
42. On August 14, 2009, in order to allow the Amended Order to be issued and effective, the Monitor and Applicants consented to a lifting of the stay of proceedings. A letter confirming the Monitor and Applicants’ consent was issued by the Applicants (attached as Appendix H).
43. On June 30, 2009, in order to protect the value of the Thurso Salaried and Hourly Pension Plans (“**PQ Pension Plans**”), the Regie Des Rentes du Quebec (“**Regie**”) issued an order limiting payments from the PQ Pension Plans to pensions already in pay, annuities only for new pension claimants and the payment of additional voluntary contributions (the “**June 30, 2009 Order**”). The order required the Applicants to provide the Regie with a revised transfer ratio and valuation of the assets and liabilities as of June 1, 2009, as established by an actuary.
44. On August 24, 2009, in order to allow the June 30, 2009 Order to be issued and effective, the Monitor and Applicants consented to a lifting of the stay of proceedings. A letter confirming the Monitor and Applicants’ consent was issued by the Applicants (attached as Appendix I).

D. OVERVIEW OF THE CURRENT STATUS OF THE APPLICANTS' OPERATIONS

45. Based on discussions with management, the Monitor understands that the Applicants' operations have continued largely as expected. The Monitor intends to provide more detailed financial information in its report which will be filed in respect of the extension of the stay of proceedings. To date, while actual net cash flows have been negative (as forecast), management has been successful in conserving liquidity in support of its restructuring efforts, under the scrutiny of the DIP lenders.

Masardis Lumber Mill

46. As forecast, the Masardis lumber mill in Maine ceased operations in early August, once its log supply had been exhausted. Given the current depressed lumber prices, the lack of demand for the mill's by-products and the mill's cost structure, management advised it is not profitable for new logs to be purchased to permit operations to continue.

Resumption of Edmundston Sulphite Mill Operations

47. The Edmundston unions' collective bargaining agreements ("CBA") expired on June 30, 2009. A number of revisions were required to the CBAs in order to improve the cost competitiveness of the sulphite mill.
48. As outlined in the Monitor's Third Report, management advised that if the new four-year CBAs (the "New CBA") presented to the unionized employees of the sulphite mill on July 14, 2009 were ratified, the sulphite mill could be re-started as early as late July, 2009.
49. After two votes by the union memberships that rejected the proposed New CBAs (which were amended after each vote), on the evening of August 11, 2009, the unions finally ratified three-year contracts with 81% support.
50. As a result, the sulphite mill began readying equipment on August 17, 2009 and commenced the startup of the equipment on August 24.. Pulp production has since recommenced.

Thurso pulp mill re-financing efforts

51. As outlined in the July 10 Gordon Affidavit, the Applicants had operated a pulp mill in Thurso Quebec (the “**Thurso Mill**”), but it was indefinitely shutdown in June, 2009 prior to the CCAA Filing, due to poor market conditions and significant losses.
52. Since then, the Monitor understands that the Applicants:
- i) have approached various Quebec provincial bodies to try and obtain new financing to fund the re-start of the Thurso Mill and to make certain equipment improvements; and
 - ii) were successful in obtaining a revised collective bargaining agreement with the unionized work force, which would reduce the future operating costs.
53. However, the Monitor understands that the Applicants have been unsuccessful in their efforts to obtain this new financing to date, but are continuing in talks with the Quebec government that would seek a solution which sees a restart of the mill. We understand that, if the Applicants cannot reach an agreement with the Quebec government, the Thurso Mill could remain indefinitely closed resulting in the continued layoff of the vast majority of the 330 employees who work at that mill.

E. CURRENT STATUS OF THE CLAIMS PROCESS

54. With the assistance of the Monitor, the Applicants implemented the Claims Procedure in accordance with the Claims Process Order, the material aspects of which are summarized below:
- (A) The Applicants provided the Monitor with a complete list of all Known Creditors, showing for each Known Creditor, their name, address and amount owed pursuant to the Applicant’s books and records;

- (B) On August 7, 2009, the Monitor sent Proofs of Claim Document Packages by regular mail to all Known Creditors for completion and submission to the Monitor;
 - (C) The Monitor continues to send copies of the Proof of Claim Document Package to each Creditor with a Restructuring Claim that arose after the Filing Date as soon as practicable, and in any event, no later than 21 days prior to the date fixed by the Court for voting on any plan in respect of the Applicants. To date, the Monitor has sent in excess of 1,800 Proof of Claim Document Packages to vendors and 340 Proof of Claim Document Packages to employees;
 - (D) The Monitor caused a Notice to Creditors to be published on or before August 12, 2009, in each of (a) the national edition of The Globe and Mail; and (b) The Wall Street Journal (U.S. Edition), calling for claims against the Applicants in order to identify Unknown Creditors;
 - (E) On August 11, 2009, the Monitor also caused a Notice to Creditors to be published in each of the following local newspapers: (a) Telegraph Journal; (b) Bangor Daily News; (c) Berlin Daily Sun; and (d) Le Droit, calling for claims against the Applicants in order to identify Unknown Creditors;
 - (F) On August 10, 2009, copies of the Notice to Creditors, the Proof of Claim Document Package and the Claims Process Order were posted online at the Monitor's Website at www.pwc.com/car-fraserpapers;
55. Pursuant to paragraph 21 of the Claims Process Order, Proof of Claims are required to be filed by Creditors by the Claims Bar Date of September 30, 2009 or such later date as may be ordered by this Court, failing which, any Claims of such Creditors would be forever barred and extinguished.
56. As of September 1, 2009, the Monitor had received 447 proofs of claim from creditors. The Monitor has been reviewing proofs of claim as they are received and accepting same/issuing notices of disallowance as appropriate.

57. Pursuant to paragraph 22 of the Claims Process Order, Restructuring Proof of Claims are required to be filed by Creditors by the date which is the earlier of thirty calendar days after the event giving rise to the Restructuring Claim or seven days prior to the date fixed by the Court for voting upon a Plan.
58. As of September 1, 2009, the Monitor had issued 3 Proofs of Claim Document Packages in respect of Restructuring Claims.

F. AMENDMENTS TO THE INITIAL ORDER

59. The Applicants are seeking modifications to the Initial Order to reflect the following:
 - (A) A modification to paragraph 5 of the Initial Order to confirm that the definition of “Cash Management System” referred to therein includes a \$5 million RBC foreign exchange facility that was utilized prior to the CCAA filing.

As this foreign exchange facility was an important part of the Applicants’ cash management system (both prior to, and since the CCAA Filing), the Monitor, the Applicants and the DIP lenders agree that such confirmation by way of an amendment to the Initial Order is appropriate in the circumstances.
 - (B) The CIT DIP Charge secures advances up to \$24 million. This amount was determined by reference to the CIT Existing Debt of \$56 million and the maximum amount available of \$80 million.

Since June 18, 2009, the Applicants have reduced the pre-petition debt balance from approximately \$56 million to \$53 million due to a permanent reduction of certain letters of credit included in the pre-petition debt balance, as explained in the McMillan Affidavit. As the Applicants continue to negotiate with the beneficiaries of letters of credit, further reductions may occur.

CIT has indicated that it requires an amendment of the Initial Order to confirm that any revolving advances made available to the Applicants in excess of the reduced CIT Existing Debt will continue to be secured by the CIT DIP Charge, up

to the maximum amount of \$24 million, notwithstanding any reductions to the CIT existing debt.

The Monitor is of the view that this change to the Initial Order is also appropriate in the circumstances.

G. AMENDMENT TO THE CLAIMS ORDER

60. Upon approval of the Claims Order July 15, 2009, the Administration Charge was increased by C\$100,000 to secure the fees and expenses of the Claims Officer. As noted in the McMillan Affidavit, the Claims Officer has requested an amendment to the Claims Order to confirm that the fees and expenses of the Claims Officer (C\$100,000 limit) secured by the Administrative Charge include any legal fees and disbursements incurred in fulfilling his mandate under the Claims Order.
61. The Monitor is of the view that it was always intended that any fees and disbursements (including legal fees) incurred by the Claims Officer would be covered by the Administrative Charge and, therefore, this modification to the Claims Order is appropriate in the circumstances.

H. ORDER IN RESPECT OF A FRASER PAPERS LIMITED DEFERRED COMPENSATION PLAN

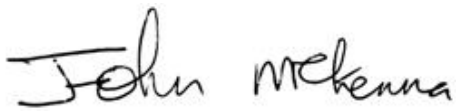
62. As described in more detail in the McMillan Affidavit, in 2000 Fraser Papers Limited created a trust account to hold unpaid funds in respect of a Deferred Compensation Plan for certain employees. The terms of the Trust Agreement provide that in the event of Fraser Papers Limited's insolvency, any funds in the trust account are to be held in trust for the benefit of Fraser Papers Limited's general creditors.
63. The Monitor is of the view that the CCAA Filing is an insolvency event and, as a result, it is appropriate that the funds be repaid to Fraser Papers Limited for the benefit of its creditors.

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

Dated at Toronto, this 3rd day of September 2009.

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, slightly slanted style.

John McKenna
Senior Vice President

APPENDIX A

Letter to the Unrepresented Parties prepared
by Davies



August 13, 2009

File No. 229194

Dear Salaried Employee or Retiree of Fraser Papers:

As you know, on June 18, 2009, Fraser Papers Inc. (the "**Company**"), together with its subsidiaries initiated a court-supervised restructuring under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and pursuant to Chapter 15 of the U.S. Bankruptcy Code (collectively, the "**Proceeding**").

The Company believes that the interests of its salaried employees and retirees could best be served by having representative legal counsel retained to act on behalf of this group, in order to ensure efficient and meaningful participation for all those affected by the Proceeding. We are advised by the Company that it will support a court order appointing legal counsel to represent the interests of all of the salaried employees and retirees.

We, the lawyers from Davies Ward Phillips & Vineberg LLP ("**Davies**"), have been retained by certain individuals who have formed the Fraser Papers' Committee for Salaried Employees and Retirees (the "**CSER**"). The CSER currently includes representatives from the following groups: the salaried employees and retirees from the Edmundston, Thurso, Plaster Rock and Juniper operations, and the salaried employees and retirees (who were formerly salaried employees) of the Madawaska and Gorham operations. The current members of CSER are: Don Corey, Paul H. Gendreau, Francine Clément, Pierre Paul Séguin, Greg Cyr and Richard Marston.

The CSER and groups they represent have retained Davies for legal advice and representation in relation to the Proceeding.

If a court order appointing Davies is granted, our firm's legal fees and disbursements will be paid by the Company, not by you. **Notwithstanding that the Company will pay our law firm's legal fees and disbursements, the Company will have no role or involvement in respect of our firm's representation of the group. Davies will only take instructions from the CSER and look after your interests.**

The Davies' team consists of lawyers who have expertise in insolvency, litigation, employment, and pension and benefits law, and have experience in many similar cases involving proceedings in Canada and the U.S. To the extent that issues requiring specialized knowledge of U.S. law arise, Davies will obtain additional U.S. legal advice on

such matters. The team of lawyers are Jay Swartz, Robin Schwill, Matthew Gottlieb and Natasha vandenHoven.

We will attend at court on September 8, 2009 seeking an order appointing Davies as representative counsel for all salaried employees and retirees and for the payment of our legal fees and disbursements by the Company. The Court will provide for representation for all members of the proposed group who wish to be included. Those salaried employees or retirees who do not wish representation will be able to opt out but the Company will not pay for individual counsel for those who choose this route. In making its decision as to the most appropriate counsel to serve the interests of the salaried employees and retirees, we expect that the Court will consider the preference of the salaried employees and retirees.

If you support having Davies appointed by the Court to represent you, please complete the retainer form attached to this letter as soon as possible and mail, e-mail or fax it to:

CSER
c/o Davies Ward Phillips & Vineberg
44th Floor
1 First Canadian Place
Toronto ON M5X 1B1
Canada

Fax: 416.863.5520
E-mail: FPemployees@dwpv.com

If you wish to know more about us please visit our firm website at www.dwpv.com or e-mail us at FPemployees@dwpv.com.

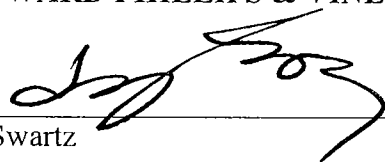
For your information we have established a website to report to you on the status of the Proceeding and how it affects you. The website address is www.FPemployees.dwpv.com. This website also contains a link to the website established by the court-appointed Monitor, PricewaterhouseCoopers Inc., which contains detailed information relating to the Proceeding: www.pwc.com/car-fraserpapers. Should you have any further questions, we are in the process of establishing a toll free hotline, which will be available on our website soon.

Yours very truly,

DAVIES WARD PHILLIPS & VINEBERG LLP

By: _____

Jay Swartz



RETAINER

I am a salaried employee or retiree of Fraser Papers Inc. (or one of its predecessors), FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Ltd, Fraser Papers Limited or Fraser N.H. LLC ("Fraser Papers").

I understand that the Fraser Papers' Committee for Salaried Employees and Retirees (the "CSER") is a committee that has been formed to represent the groups of salaried employees and retirees of Fraser Papers. I understand that the CSER has retained the law firm of Davies Ward Phillips & Vineberg LLP ("Davies") on behalf of itself and the members of the groups that it represents, to provide advice and representation in connection with the insolvency proceedings presently brought by Fraser Papers under the *Companies' Creditors Arrangement Act* (Canada) and the U.S. Bankruptcy Code (the "Proceeding"). As a member of one of the affected groups, I wish to retain Davies to represent my interests (the "Retainer"). This retainer is subject to Davies being appointed by the Court as representative counsel. Should the Court not appoint Davies, this retainer will terminate.

Consent, Authorization and Direction: I consent to, authorize and direct the CSER and Davies, as well as any agents retained by them on my behalf, including actuaries, advisors and third party service providers, to collect, use and disclose all documents and information available that are relevant to the Retainer containing my personal information. I acknowledge that I have been advised by Davies that my personal information will be kept in confidence and the information will be used only for the purposes of representing me in respect of the Proceeding. I acknowledge that Davies has not been provided my personal information to date.

For more information regarding Davies' privacy policy, please visit www.FPemployees.dwpv.com.

Date: _____

Signature: _____

Name: _____

E-mail: _____

[Please Print]

Address: _____

Phone: _____

Fax #: _____

Other Contact #: _____

Please check the applicable box:

- ☐ I am a salaried employee at Thurso.
- ☐ I am a salaried employee at Edmundston.
- ☐ I am a salaried employee at Plaster Rock.
- ☐ I am a salaried employee at Juniper.
- ☐ I am a salaried employee at Madawaska.
- ☐ I am a salaried employee at Ashland.
- ☐ I am a salaried employee at Masardis.
- ☐ I am a salaried employee at Gorham.
- ☐ I am a retiree who is receiving a pension from: _____
Name of pension plan



Le 13 août 2009

Dossier n° 229194

Cher employé salarié ou retraité de Papiers Fraser,

Comme vous le savez, le 18 juin 2009, Papiers Fraser Inc. (la « **société** ») ainsi que ses filiales ont entamé une restructuration sous supervision judiciaire aux termes de la *Loi sur les arrangements avec les créanciers des compagnies* (Canada) (la « **LACC** ») et conformément au chapitre 15 du code des États-Unis intitulé *Bankruptcy Code* (collectivement, la « **procédure** »).

La société estime qu'il serait au mieux des intérêts de ses employés salariés et retraités que des conseillers juridiques soient nommés pour les représenter collectivement, de sorte que toutes les personnes visées par la procédure puissent y participer de manière efficiente et significative. La société nous a informés qu'elle appuierait une ordonnance judiciaire nommant des conseillers juridiques ayant le mandat de représenter les intérêts de l'ensemble des employés salariés et retraités.

Nous, les avocats de Davies Ward Phillips & Vineberg S.E.N.C.R.L., s.r.l. (« **Davies** »), avons été choisis par certains employés à l'origine du comité des employés salariés et retraités de Papiers Fraser (le « **CESR** »). À l'heure actuelle, le CESR est formé de représentants des groupes suivants : les employés salariés et retraités des établissements d'Edmundston, de Thurso, de Plaster Rock et de Juniper, et les employés salariés et retraités (qui étaient anciennement des employés salariés) des établissements de Madawaska et de Gorham. Les membres actuels du CESR sont : Don Corey, Paul H. Gendreau, Francine Clément, Pierre Paul Séguin, Greg Cyr et Richard Marston.

Le CESR et les groupes qu'il représente ont retenu les services de Davies pour que nous leur prodiguions des conseils juridiques et les représentations dans le cadre de la procédure.

Si un tribunal rend une ordonnance confirmant Davies dans ses fonctions, les honoraires et débours seront réglés par la société, non pas par vous. **Malgré le fait qu'elle règlera nos honoraires et nos débours, la société ne prendra d'aucune façon part à nos travaux en tant que représentants du groupe. Davies n'acceptera d'instructions que de la part du CESR et ne fera que veiller à vos intérêts.**

L'équipe de Davies est composée d'avocats spécialisés dans les domaines de l'insolvabilité, du litige, de l'emploi et de la retraite et des avantages sociaux, qui ont déjà pris part à de nombreuses procédures similaires au Canada et aux États-Unis. Si des questions nécessitant une expertise spécialisée en droit américain sont soulevées, Davies obtiendra les conseils de conseillers juridiques américains à l'égard de ces questions. L'équipe d'avocats est composée de M^{cs} Jay Swartz, Robin Schwill, Matthew Gottlieb et Natasha vandenHoven.

Le 8 septembre 2009, nous demanderons au tribunal de rendre une ordonnance concernant la nomination de Davies à titre de conseillers juridiques représentant tous les employés salariés et retraités, ainsi que le règlement de nos honoraires et débours par la société. Le tribunal permettra que tous les membres du groupe proposé qui souhaitent être représentés le soient. Les employés salariés ou retraités qui ne souhaitent pas être représentés pourront se retirer, mais la société ne réglera pas les honoraires et débours des conseillers juridiques choisis par ces personnes. Nous nous attendons à ce que, avant de décider quels conseillers juridiques sont davantage en mesure de servir les intérêts des employés salariés et retraités, le tribunal tienne compte de leur préférence.

Si vous êtes en faveur de la nomination, par le tribunal, de Davies à titre de conseillers juridiques chargés de vous représenter, veuillez remplir le mandat de représentation qui accompagne les présentes et l'envoyer dans les meilleurs délais par courrier, par courrier électronique ou par télécopieur aux coordonnées suivantes :

CESR
a/s de Davies Ward Phillips & Vineberg
44th Floor
1 First Canadian Place
Toronto (Ontario) M5X 1B1
Canada

Télécopieur : 416-863-5520
Courriel : FPemployees@dwpv.com

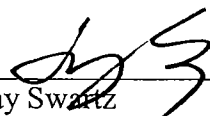
Pour obtenir plus de renseignements à notre sujet, nous vous invitons à visiter le site Web de notre cabinet, au www.dwpv.com, ou à nous envoyer un courriel, à FPemployees@dwpv.com.

Nous avons créé un site Web présentant l'état d'avancement de la procédure et son incidence sur les employés salariés et retraités. L'adresse de ce site est www.FPemployees.dwpv.com. Le site contient également un hyperlien vers le site Web créé par le contrôleur nommé par le tribunal, PricewaterhouseCoopers Inc., site qui présente des renseignements détaillés au sujet de la procédure et dont l'adresse est www.pwc.com/car-fraserpapers. Si vous avez d'autres questions, sachez que nous sommes sur le point d'établir une ligne d'assistance, dont le numéro sans frais sera indiqué sous peu sur notre site Web.

Veuillez agréer, cher employé salarié ou retraité de Papiers Fraser, l'expression de nos sentiments distingués.

DAVIES WARD PHILLIPS & VINEBERG S.E.N.C.R.L., S.R.L.

Par :


Jay Swartz

MANDAT DE REPRÉSENTATION

Je suis un employé salarié ou un employé retraité de Papiers Fraser Inc. (ou d'une société remplacée par celle-ci), de FPS Canada Inc., de Fraser Papers Holdings Inc., de Fraser Timber Ltd, de Fraser Papers Limited ou de Fraser N.H. LLC (« **Papiers Fraser** »).

Je crois comprendre que le comité des employés salariés et retraités de Papiers Fraser (le « **CESR** ») a été formé pour représenter les groupes d'employés salariés et retraités de Papiers Fraser. Je crois comprendre que le CESR, en son nom et au nom des membres des groupes qu'il représente, a retenu les services du cabinet d'avocats Davies Ward Phillips & Vineberg S.E.N.C.R.L., s.r.l. (« **Davies** ») à titre de conseiller et de représentant dans le cadre de la procédure d'insolvabilité actuellement entreprise par Papiers Fraser aux termes de la *Loi sur les arrangements avec les créanciers des compagnies* (Canada) et du code des États-Unis intitulé *Bankruptcy Code* (la « **procédure** »). À titre de membre d'un des groupes visés, je souhaite retenir les services de Davies à titre de représentant (le « **mandat de représentation** »). Le mandat de représentation est conditionnel à la nomination de Davies par la Cour à titre de conseillers juridiques. Le présent mandat de représentation prendra fin si la Cour ne nomme pas Davies.

Autorisation et instruction : Je donne l'autorisation et l'instruction au CESR et à Davies, ainsi qu'aux représentants dont ils retiennent les services en mon nom, y compris des actuaire, des conseillers et des tiers fournisseurs de services, de recueillir, d'utiliser et de communiquer l'ensemble des documents et de l'information disponibles contenant mes renseignements personnels qui sont pertinents au mandat de représentation. Je reconnais que Davies m'a informé que mes renseignements personnels demeureront confidentiels et seraient utilisés uniquement aux fins de représentation dans le cadre de la procédure. Je reconnais également que, à ce jour, mes renseignements personnels n'ont pas encore été communiqués à Davies.

On trouvera de plus amples renseignements au sujet de la politique de confidentialité de Davies au www.FPEmployees.dwpv.com.

Date : _____

Signature : _____

Nom : _____

Courriel : _____

[En caractères d'imprimerie]

Adresse : _____

Téléphone : _____

Télécopieur : _____

Autre numéro de tél. : _____

Veuillez cocher la case appropriée :

- ☐ Je suis un employé salarié de Thurso.
- ☐ Je suis un employé salarié d'Edmundston.
- ☐ Je suis un employé salarié de Plaster Rock.
- ☐ Je suis un employé salarié de Juniper.
- ☐ Je suis un employé salarié de Madawaska.
- ☐ Je suis un employé salarié d'Ashland.
- ☐ Je suis un employé salarié de Masardis.
- ☐ Je suis un employé salarié de Gorham.

☐ Je suis un employé retraité recevant des prestations du : _____

Nom du régime de retraite

APPENDIX B

Overview of distribution of Letters

Overview of Distribution of Letters

	Nelligan / Sibley Mailing		Davies Mailing	
	Unionized	Non-Union	Unionized	Non-Union
Active: Hourly	No letter	No letter	No letter	Canada – 97 letters sent U.S. – 120 letters sent
Inactive (Terminated): Hourly	No letter	No letter	No letter	Canada – 44 letters sent
Active: Salaried and Other Non-Union	N/A	No letter	N/A	Canada – 178 letters sent U.S. – 235 letters sent
Inactive (Terminated): Salaried and Other Non-Union	N/A	No letter	N/A	Canada – 14 letters sent U.S. – 15 letters sent
Supplemental Executive Retirement Plans / Deferred Compensation Plan	N/A	No letter (31 of the 488 Canadian non-union retirees would have received a letter due to overlap in also being DB plan beneficiaries)	N/A	Canada – 47 letters sent U.S. – 40 letters sent
Salaried and Other Non-Union Retirees	N/A	Canada – 488 letters sent U.S. – No letter	N/A	Canada – 488 letters sent U.S. – 233 letters sent
Hourly Union Retirees	Canada – No letter U.S. – No letter	N/A	Canada – 990 letters sent U.S. – No letter	N/A
Deferred Vested Participants (Non-Union)	N/A	Canada – 61 letters sent U.S. – No letter	N/A	Canada – 61 letters sent U.S. – 75 letters sent
Deferred Vested Participants (Unionized)	Canada - No letter U.S. – No letter	N/A	Canada – 104 letters sent U.S. – No letter	N/A

Canada Life Insurance or Health Benefits – no pension	No letter		Canada – 65 letters sent	

“N/A” – Not applicable as no one in that category.

APPENDIX C

Letter prepared by Nelligan Shibley to
preserve the recipients privacy.

August 16, 2009

Dear Salaried Retiree of Fraser Papers,

I am writing to you as a salaried retiree and on behalf of the Steering Committee of the Fraser Papers' Salaried Retirees Committee. The Committee is comprised of Murray Dunnigan, Tim Kenny, Armand Renault, Gary Sweet and myself, Paul Des Rosiers. This letter is to update you on our efforts to retain legal counsel to represent salaried retirees and our recommendation that you join us, if you have not already done so, in retaining the law firms of Nelligan O'Brien Payne and Shibley Righton.

As you know, on June 18, 2009, Fraser Papers Inc. (the "Company") filed for protection under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"). As a consequence, I and four other retirees in late June, 2009, formed the Steering Committee of the Fraser Papers' Salaried Retirees Committee ("FPSRC") to take action and ensure that retirees were represented in the CCAA process. We immediately started to investigate what could be done and our inquiries led us to the firms of Nelligan O'Brien Payne (NOP) and Shibley Righton (NOP/SR). As a result, it became very important that we obtain representation in the CCAA process to allow our voices to be heard and attempt to minimize any negative impact on retirees and spouses.

After meeting with NOP, we selected them as legal counsel. We are confident that NOP will provide us with the independent representation we need and that they have the necessary pension and benefits law expertise. In addition, NOP/SR have a long-term relationship and SR is in Toronto, where the proceedings are taking place and have extensive insolvency law experience. NOP and SR are also currently representing employees from Nortel, who face similar pension deficiency concerns. Moreover, both firms have lawyers licensed in Quebec who practice in French and are therefore able to communicate to retirees in their language of choice. In addition, the firms will also be able to retain U.S. based counsel if required.

On July 23, 2009, lawyers from NOP and the Steering Committee of the Fraser Papers Salaried Retirees (FPSRC) held an information session for former Salaried (non-union) retirees of Fraser Papers Inc. in Thurso QC, regarding the recent filing by Fraser Papers for protection under CCAA. Since that meeting over a 125 salaried retirees have signed retainers with NOP and the numbers continue to grow.

On August 7, 2009, on our instructions, NOP/SR filed a motion seeking a representation order on behalf of salaried Fraser retirees in New Brunswick and in Quebec. This motion seeks the confirmation of NOP/SR as legal representatives of this group, and further requests the court to oblige the Company to pay for all related legal fees. NOP/SR have also requested that the Court grant an extension to the September 30, 2009 deadline for retirees to file claims. The Court hearing for this motion is set for September 8, 2009.

You may have recently received a letter from the law firm of Davies Ward Phillips & Vineberg LLP ("Davies") seeking to have you retain them as counsel. At about the time NOP/SR's motion was being filed, the Company proposed the law firm of Davies that they retained, represent all Fraser retirees and salaried employees. Until our initiative with the NOP, the Company showed no indication they would provide and pay for such legal counsel.

It is our recommendation that you join us in retaining the counsel we have selected for the following reasons. First, the Steering Committee feels very uncomfortable with the extremely unusual course of action where the Company chooses our legal representation. The Committee and myself believe the interests of

salaried retirees would be better represented by a legal firm of our own choosing rather than a firm that is being imposed by the Company. Second, we feel that it is not appropriate for both the salaried retirees and salaried employees to be represented by the same law firm, as Davies and the Company are proposing. We are concerned that retirees and employees have very different interests and that our interests as retirees can only be adequately represented by having a separate independent voice before the Court. Retirees are interested in protecting their pensions and benefits, while employees will be more interested in preserving their jobs.

We expect that Davies and the Company will contest our choice of legal representatives for the salaried retirees' group during the scheduled September 8, 2009 Court hearing. In preparation for this challenge, we would like to demonstrate that an even larger number of salaried retirees support our motion for the separate independent representation of retirees. It is important therefore that you join us in retaining NOP and SR at this time. In order to show your commitment and to help cover a portion of the cost, a retainer of \$150.00 is being requested. No further retainer or legal fees will ever be requested from you. If the motion is successful, Nelligan will refund the \$150 retainer provided in full.

If you support having NOP and SR appointed by the Court to represent you and you have not already retained them, please complete the enclosed retainer form as soon as possible and mail, e-mail or fax it to:

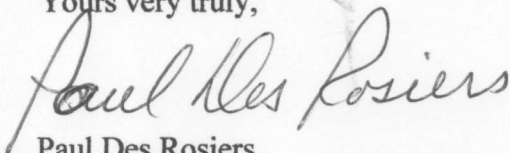
Nelligan O'Brien Payne LLP
attention Genève Vachon,
Suite 1500, 50 O'Connor Street,
Ottawa, ON, K1P 6L2.
Fax: 613-788-2369
Phone: 1-888-565-9912
E-mail: fraserpapers@nelligan.ca

Cheques in the amount of \$150.00 should be made payable to Nelligan O'Brien Payne in trust

NOP has a website and if you wish to know more please visit Nelligan's website at www.nelligan.ca or e-mail NOP at fraserpapers@nelligan.ca. They can also be reached by phone at 1-888-565-9912. In addition, myself and the Steering Committee would be happy to speak or communicate directly with you. We can be reached by email at pauldesrosiers@sympatico.ca (Paul Des Rosiers) or at dunnigan@sympatico.ca (Murray Dunnigan)

Thanks to the efforts made to date by retirees, it is clear that we will have representation in this process after September 8, 2009. The only issue left to be decided is whom our representatives will be and whether our representation will be separate from active employees. I ask you to support our selection of counsel in order to help ensure that the voices of retirees are independently heard in this CCAA process.

Yours very truly,



Paul Des Rosiers

On behalf of the Steering Committee of the Fraser Papers' Salaried Retirees Committee

AUTHORIZATION AND RETAINER

I, _____, hereby confirm that I am a former salaried employee of Fraser Papers Ltd. (or its predecessors) and/or a member of the _____ pension plan (the "Pension Plan") and/or a beneficiary under the Pension Plan.

I understand that the Fraser Papers Salaried Retirees Committee ("FPSRC") is a committee formed to represent a group of former salaried employees of Fraser Paper and their beneficiaries (the "Group"). By this retainer, I apply to join that Group.

I understand that the Steering Committee for the FPSRC has retained the law firm of Nelligan O'Brien Payne LLP on behalf of itself and the members of the Group it represents for advice and representation in connection with the legal proceedings presently brought by Fraser Papers under the *Companies' Creditors Arrangement Act* ("the CCAA Proceedings"), subject to the signing of retainers by the Group members.

I hereby retain Nelligan O'Brien Payne LLP to act on my behalf in connection with the CCAA Proceedings and the Pension Plan and other related benefits and to that end attach the required deposit of \$150 towards legal fees to be incurred on my behalf.

I understand that Nelligan O'Brien Payne LLP will be instructed by the Steering Committee for the FPSRC on behalf of all members in the Group and I agree to be bound by those instructions.

I also understand that it is the intention of Nelligan O'Brien Payne LLP to make application for a Court Order appointing it as representative counsel in the CCAA proceedings for all members of the Group with respect to all issues pertaining to Fraser Papers insolvency and that it will seek reimbursement of all related legal fees and disbursements ("the Order").

Should the Order be granted, Nelligan O'Brien Payne LLP will not seek further payment of legal expense from me and will refund the \$150 deposit I have provided.

Should the Order not be granted and should mutually acceptable other arrangements not be made, Nelligan O'Brien Payne LLP may withdraw its services without further obligation on my part to pay further legal fees.

Protection of Privacy: I further authorize and direct the FPSRC and Nelligan O'Brien Payne, as well as any agents retained on our behalf, including actuaries, advisors and third party service providers, to obtain all documents and information legally available to me in respect of the Pension Plan, including my personal information and any such information that may otherwise be subject to the protections of governing privacy and pension legislation. Any party receiving this information undertakes to keep any personal information so collected in confidence and such information will be used only for the purposes of representing me and advancing my rights in respect of the CCAA Proceedings and the Pension Plan.

Date: _____

Signature: _____

[Please Print]

Name: _____

Home E-mail: _____

Address: _____

Home Phone: _____

[Please Note: Retainer should be sent to Nelligan O'Brien Payne LLP, attention Geneve Vachon, Suite 1500, 50 O'Connor Street, Ottawa, ON, K1P 6L2. Cheques in the amount of \$150.00 should be made payable to Nelligan O'Brien Payne in trust.]

Cher salarié non-syndiqué retraité de Papiers Fraser Inc.,

Je vous écris en tant que salarié non-syndiqué retraité moi-même et au nom du Comité de direction des salariés non-syndiqués et retraités de Papiers Fraser Inc. Le comité est composé de Murray Dunnigan, Tim Kenney, Armand Renault, Gary Sweet et moi-même, Paul Des Rosiers. La présente lettre a pour but de vous faire une mise à jour de nos efforts à engager des avocats pour représenter les salariés non-syndiqués retraités et pour vous recommander de vous joindre à nous pour mandater Nelligan O'Brien Payne et Shibley Righton, si vous ne l'avez pas déjà fait.

Tel que vous le savez, le 18 juin 2009, Papiers Fraser Inc. (ci-après la «Compagnie») a déposé en cour une demande de protection en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* du Canada (ci-après la «LACC»). En conséquence, à la fin juin 2009 j'ai formé, avec quatre autres retraités, le Comité de direction des salariés non-syndiqués et retraités de Papiers Fraser Inc (ci-après le «Comité de direction») afin de poser les gestes nécessaires et assurer que les retraités soient représentés au sein de l'instance LACC. Nous avons immédiatement analysé les différentes avenues concernant ce qui pourrait être fait et c'est ce qui nous a amené aux bureaux d'avocats Nelligan O'Brien Payne (ci-après «NOP») et Shibley Righton (ci-après «NOP/SR», collectivement). En conséquence, il est très important que l'on obtienne une représentation à l'instance de la LACC pour que nos voix soient entendues afin de minimiser les effets négatifs envers les retraités et leurs conjoints ou conjointes.

Après avoir rencontré NOP, nous les avons choisis comme nos procureurs. Nous sommes confiants que NOP nous assurera la représentation indépendante dont nous avons besoin et qu'ils ont l'expertise nécessaire en droit des pensions et prestations. De plus, NOP/SR ont une relation de longue date et SR est situé à Toronto (où l'instance se déroule) et a une expertise considérable en droit d'insolvabilité. NOP et SR représente également les employés de Nortel, qui font face à des craintes semblables concernant le déficit de leur pension. Finalement, les deux bureaux ont des avocats membres du Barreau du Québec qui exercent en français et qui peuvent communiquer aux retraités dans la langue de leur choix. De plus, les bureaux pourront aussi mandater des avocats américains si nécessaire.

Le 23 juillet 2009, des avocats de NOP et le Comité de direction ont tenu une séance d'information pour les anciens salariés non-syndiqués retraités des Papiers Fraser Inc., à Thurso, Québec, concernant la demande en cour récemment déposée par Papiers Fraser pour une protection en vertu de la LACC. Depuis cette réunion, plus de 125 salariés retraités ont signé leurs mandats à NOP et le nombre continue d'augmenter.

Le 7 août 2009, tel que nous leur avons demandé, NOP/SR a déposé une motion visant une ordonnance de représentation au nom des salariés retraités de Fraser au Québec et au Nouveau-Brunswick. La motion vise la confirmation de NOP/SR en tant que procureurs représentants de ce regroupement, et demande de plus que la Cour ordonne la Compagnie de payer tous les frais juridiques afférents. NOP/SR ont également demandé que la cour autorise une prolongation de la date limite du 30 septembre 2009 pour le dépôt de toute réclamation des retraités. L'audition à la Cour de cette motion est fixée au 8 septembre 2009.

Vous aurez peut-être récemment reçu une lettre du bureau d'avocats Davies Ward Phillips & Vineberg LLP (ci-après «Davies») vous demandant de les engager en tant que vos procureurs. Au moment approximatif que NOP/SR déposait leur motion, la Compagnie a proposé un autre bureau d'avocats, "Davies" qu'ils ont engagé, pour représenter tous les retraités et les salariés actifs de Fraser. Avant notre initiative auprès de NOP, la Compagnie n'a pas donné signe qu'elle fournirait ou payerait pour une telle représentation juridique.

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Nous vous recommandons de vous joindre à nous pour mandater les avocats que nous avons choisis et ce, pour les motifs suivants: Premièrement, le Comité de direction se sent très mal à l'aise et trouve très inhabituel que la Compagnie choisisse nos procureurs. Les autres membres du Comité et moi-même croyons que les intérêts des salariés retraités seraient mieux servis par un bureau d'avocats que nous avons choisi plutôt qu'un bureau imposé par la Compagnie. Deuxièmement, nous pensons qu'il n'est pas approprié que les mêmes avocats représentent et les retraités et les employés actifs, tel que Davies et la Compagnie proposent. Nous croyons que les retraités et les employés actifs ont des intérêts très différents et que nos intérêts en tant que retraités ne seront adéquatement servis qu'en assurant une voix indépendante devant la Cour. Les retraités veulent protéger leurs pensions et leurs prestations, tandis que les employés actifs auront plus intérêt à préserver leurs emplois.

Nous nous attendons à ce que la Compagnie et Davies conteste notre choix de représentants juridiques pour le regroupement des salariés retraités à l'audition en cour fixée pour le 8 septembre 2009. En nous préparant à cette contestation, nous aimerions démontrer qu'un plus grand nombre de salariés retraités appuie notre motion pour une représentation indépendante des retraités. Il est donc important que vous vous joigniez à nous maintenant pour mandater NOP et SR. Pour démontrer le sérieux de notre demande et pour aider à défrayer une partie des frais, nous vous demandons un dépôt de 150\$. Il n'y aura jamais de demande de dépôt additionnel ou d'honoraires juridiques. Si la motion est accueillie, Nelligan O'Brien Payne vous remboursera en totalité le dépôt de 150\$ fourni.

Si vous appuyez la motion à la Cour pour faire nommer NOP et SR pour vous représenter et que vous ne les avez pas encore mandatés, veuillez remplir le formulaire de mandat ci-joint aussitôt que possible et le remettre par la poste, par courriel ou par télécopieur aux coordonnées suivantes :

Nelligan O'Brien Payne LLP
À l'attention de: Madame Genève Vachon
50, rue O'Connor, suite 1500
Ottawa, ON K1P 6L2
Télécopieur: 613-788-2369
Téléphone: 1-888-565-9912
Courriel: fraserpapers@nelligan.ca

Les chèques d'un montant de 150\$ devrait être faits à l'ordre de *Nelligan O'Brien Payne en fiducie*

NOP a un site web (www.nelligan.ca) si vous désirez plus d'informations, ou vous pouvez leur envoyer un courriel à fraserpapers@nelligan.ca. Vous pouvez également téléphoner au 1-888-565-9912. Finalement, moi-même et les autres membres du Comité de direction sommes disponibles en tout temps si vous désirez nous contacter directement. Vous pourriez nous rejoindre par courriel à pauldesrosiers@sympatico.ca (Paul Des Rosiers) ou à dunnigan@sympatico.ca (Murray Dunnigan).

Grâce aux efforts des retraités jusqu'à date, il est clair que nous aurons une représentation dans ce processus après le 8 septembre 2009. La seule question qui demeure est qui seront nos procureurs et si notre représentation sera distincte de celle des employés actifs? Je vous demande d'appuyer notre choix de procureurs afin d'assurer que la voix des retraités soit entendue indépendamment au cours de ce processus de la LACC.

Cordialement vôtre,


Paul Des Rosiers

Au nom du Comité de direction des salariés retraités de Papiers Fraser

AUTORISATION ET MANDAT

Je _____, confirme par la présente que je suis un ancien salarié non-syndiqué de Fraser Papers Inc. (ou d'un de ses prédécesseurs) et/ou un membre du régime de pension _____ (ci-après le « Régime de pension ») et/ou un bénéficiaire en vertu dudit Régime de pension.

Je comprends que le Comité des salariés non-syndiqués et retraités de Fraser Papers Inc. (« le Comité des salariés ») est un comité formé pour représenter un regroupement d'anciens salariés de Fraser Papers (ci-après le « Regroupement »). En signant ce mandat, je fais la demande de me joindre à ce Regroupement.

Je comprends que le Comité de direction du Comité des salariés a engagé le bureau d'avocats Nelligan O'Brien Payne s.e.n.c.r.l., personnellement et au nom des membres du Regroupement qu'il représente à fournir des conseils et une représentation à l'instance en justice intentée présentement par Fraser Papers Inc. en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* (« l'instance ACC »), sous réserve de la signature des mandats individuels par les membres du Regroupement.

J'engage et mandate Nelligan O'Brien Payne s.e.n.c.r.l. à me représenter à l'instance ACC et concernant le Régime de pension et toute autre prestation y reliée. Je joins à cet égard le dépôt requis de 150\$ destiné aux honoraires à être encourus pour mon compte.

Je comprends que le Comité de direction du Comité des salariés donnera des instructions à Nelligan O'Brien Payne s.e.n.c.r.l. au nom de tous les membres du Regroupement et j'accepte d'être lié par ces instructions.

Je comprends également que Nelligan O'Brien Payne s.e.n.c.r.l. a l'intention de faire une demande en vue d'obtenir une Ordonnance de la Cour (ci-après « l'Ordonnance ») pour les faire nommer à l'instance ACC en tant que procureurs représentatifs de tous les membres du Regroupement concernant toutes les questions pertinentes à l'insolvabilité de Fraser Papers Inc. et que Nelligan O'Brien Payne s.e.n.c.r.l. demandera remboursement de tous les honoraires et débours afférents.

À condition que l'Ordonnance soit accordée, Nelligan O'Brien Payne s.e.n.c.r.l. ne demandera plus de paiement de frais juridiques de ma part et me remboursera le dépôt de 150\$ que j'ai fourni.

Advenant un refus de l'Ordonnance et dans l'éventualité que nous n'arrivions pas à d'autres arrangements mutuellement acceptables, Nelligan O'Brien Payne s.e.n.c.r.l. pourrait cesser de me représenter sans aucune obligation additionnelle de ma part au paiement des honoraires juridiques.

Protection de la vie privée :

J'autorise et mandate et le Comité des salariés et Nelligan O'Brien Payne s.e.n.c.r.l. et tout agent que ceux-ci pourraient engager à notre compte notamment des actuaires, conseillers et fournisseurs de services externes à obtenir tous les documents et informations auxquels j'ai un droit d'accès concernant le Régime de pension, y compris mes informations personnelles et toutes informations qui seraient autrement protégées par les lois applicables concernant la vie privée et les pensions. Toute personne qui recueillera ainsi ces informations s'engagera à les garder confidentielle et s'en servira seulement pour me représenter et pour revendiquer mes droits au sein de l'instance ACC et le Régime de pension.

(Lettres moulées svp.)

Date : _____
Nom : _____ Courriel perso. : _____
Adresse : _____ Tél. à domicile : _____
Signature : _____

[Veuillez prendre note que le Mandat devrait être envoyé directement à Nelligan O'Brien Payne à l'attention de Genève Vachon, 50 rue O'Connor, Suite 1500, Ottawa, ON, K1P 6L2 accompagné du chèque d'un montant de 150\$ fait à l'ordre de Nelligan O'Brien Payne en fiducie.]

APPENDIX D

Letter prepared by TGF to existing legal
counsel of each union representing mill
employees

ThorntonGroutFinnigan

THE RESTRUCTURING & LITIGATION BOUTIQUE

Schedule "A"

PAULA TURTLE

Canadian Counsel, United Steelworkers
234 Eglinton Ave East, Suite 800,
Toronto, ON M4P 1K7

Tel: (416) 487-1571
Email: pturtle@usw.ca
Fax: (416) 487-8826
Canadian Counsel, USW

SACK GOLDBLATT MITCHELL LLP

20 Dundas Street West, Suite 1100
Toronto, ON M5G 2G8

Charles Sinclair

Tel: (416) 979-4234
Fax: (416) 591-7333
Email: csinclair@sgmlaw.com
Lawyers for United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied
Industrial and Service Workers International Union

CALEY WRAY

1600 – 65 Queen Street West
Toronto, ON M5H 2M5

Jesse B. Kugler / Harold Caley

Tel: (416) 775-4677 / (416) 775-4672
Fax: (416) 366-3292 / (416) 366-3293
Email: kuglerj@caleywrap.com
caleyh@caleywrap.com
Lawyers for Communications, Energy and Paperworkers Union of Canada

PINK LARKIN

Suite 210, 1133 Regent Street
Fredericton, New Brunswick E3B 3Z2

Joel Michaud

Tel: (506) 458-1989
Fax: (506) 458-1127
Email: jmichaud@labour-law.com
Lawyers for the New Brunswick Regional Council of Carpenters, Millwrights and Allied
Workers, Local 2450

ThorntonGroutFinnigan LLP

Suite 3200, Canadian Pacific Tower, 100 Wellington St. West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Canada M5K 1K7
Phone: 416-304-1616 Fax: 416-304-1313 www.tgf.ca

ThorntonGroutFinnigan

THE RESTRUCTURING & LITIGATION BOUTIQUE
D.J. Miller
Direct: 416-304-0559 E-mail: djmiller@tgf.ca
File No.: 1296-001

VIA EMAIL

August 19, 2009

To: Counsel on the Attached Schedule "A"

Re: CCAA Proceeding of Fraser Papers Inc. and its subsidiaries (collectively, the "Company")

As you are aware, we represent the Company in this proceeding. Two motions are returnable before Madam Justice Pepall on September 8, 2009 for the appointment of representative counsel, brought by (i) Davies Ward Phillips and Vineberg LLP and (ii) Nelligan O'Brien Payne LLP and Shibley Righton LLP.

The Company is attempting to determine the various groups that each of these firms may be seeking to represent, and is considering a number of issues including the most efficient and cost-effective manner of ensuring that those who may require representation, receive it. Would each of you please confirm if it is your client's intention (subject to any Order that may be made in that regard on September 8, 2009) to seek to represent the interests of both active **and retired** members of their collective bargaining unit.

Yours truly,

ThorntonGroutFinnigan LLP



D.J. Miller
DJM/slg

cc: John McKenna, *PricewaterhouseCoopers Inc.*
Peter Gordon, *Fraser Papers Inc.*

ThorntonGroutFinnigan LLP

Suite 3200, Canadian Pacific Tower, 100 Wellington St. West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Canada M5K 1K7
Phone: 416-304-1616 Fax: 416-304-1313 www.tgf.ca

APPENDIX E

Letter prepared by Morris, Nichols, Arsht
and Tunnel LLP (US Counsel) to Legal
counsel of the US union (USW –
Madawaska and Gorham)

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

1201 NORTH MARKET STREET
P.O. BOX 1347
WILMINGTON, DELAWARE 19899-1347

(302) 658-9200
(302) 658-3989 FAX

DEREK C. ABBOTT
(302) 351-9289
302-425-4664
Dabbott@mnat.com

August 25, 2009

David R. Jury, Ass't Gen. Counsel
United Steelworkers
Five Gateway Center, Room 807
Pittsburgh, PA 15222

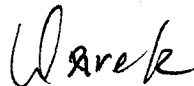
Re: CCAA Proceeding of Fraser Papers Inc. and its subsidiaries (collectively,
the "Company")

Dear David:

As you may be aware, this law firm is United States counsel for the Company. On September 8, 2009, Madam Justice Pepall in Toronto will hear arguments on two motions for the appointment of representative counsel, brought by (i) Davies Ward Phillips and Vineberg LLP and (ii) Nelligan O'Brien Payne LLP and Shibley Righton LLP.

The Company is attempting to determine the various groups that each of these firms may be seeking to represent, and is considering a number of issues, including the most efficient and cost-effective manner of ensuring that those who may require representation receive it. At your earliest convenience, would you please confirm to me if it is your client's intention (subject to any order that may be made in that regard on September 8, 2009) to seek to represent the interests of both active **and retired** members of their collective bargaining unit?

Sincerely yours,



Derek C. Abbott (FOTA)

APPENDIX F
Letter prepared by Towers Perrin

August 31, 2009

Fraser Papers Inc.
Suite 200, Brookfield Place
181 Bay Street
Toronto, Ontario
M5J 2T3

- **FRASER PAPERS INC. SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN**
- **FRASER PAPERS LIMITED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (TOP-UP)**
- **FRASER PAPERS LIMITED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (MID-CAREER)**

As requested, this letter is being delivered to Fraser Papers Inc. (the "Company") to confirm the source data for the Company's extrapolation of the obligations for each of the Company's non-registered, unfunded SERPs to June 18, 2009.

This information is in respect of the following SERPs:

- Fraser Papers Inc. Supplemental Employee Retirement Plan [CANADA];
- Fraser Papers Limited Supplemental Executive Retirement Plan (TOP-UP) [UNITED STATES]; and
- Fraser Papers Limited Supplemental Executive Retirement Plan (MID-CAREER) [UNITED STATES]

At the request of the Company, Towers Perrin regularly prepares accounting valuations of the Company's pension and post-retirement non-pension benefit plans in accordance with Section 3461 of the Canadian Institute of Chartered Accountants' Handbook ("CICA 3461") for the purpose of the Company's periodic financial disclosures. As part of these valuations, Towers Perrin determines the Accrued Benefit Obligation ("ABO") for each of the aforementioned SERPs; the ABO for each SERP is determined as the sum of the ABO for each individual participant. The ABO is determined in accordance with CICA 3461, using assumptions selected by the Company. The obligations will differ if different assumptions and methods are used, or if the purpose of the valuation were to disclose a separate liability for each individual participant. As such, the ABO determined in accordance with CICA 3461 is not intended nor necessarily suitable for other parties or for other purposes.

Towers Perrin most recently conducted a complete actuarial valuation of the ABO on the following dates:

Plan	Actuarial Valuation Date	Discount Rate
Fraser Papers Inc. Supplemental Employee Retirement Plan (non-Quebec employees)	Dec. 31, 2007	5.25%
Fraser Papers Inc. Supplemental Employee Retirement Plan (Quebec employees)	Dec. 31, 2006	5.00%
Fraser Papers Limited Supplemental Executive Retirement Plan (TOP-UP and MID-CAREER)	Jan. 1, 2008	6.00%

For the purposes of these valuations, membership data as at the valuation date was provided by the Company; this data was relied upon by Towers Perrin following tests of reasonableness. With the exception of the discount rate noted above, the remaining actuarial assumptions and methods used are described in our most recent year-end accounting letters.

We understand that the Company is developing an updated estimate of the ABO (the "Estimated ABO") as at June 18, 2009 using the individual ABOs determined by Towers Perrin as part of the most recent actuarial valuation. We understand that these Estimated ABOs will be developed by the Company using an extrapolation based on expected benefit payments in the intervening period, and the assumption that there have been no liability experience gains or losses nor assumption changes (including discount rate changes) during that period. We confirm that this is a reasonable method for developing an Estimated ABO in accordance with CICA 3461 based on the membership data and actuarial assumptions as of the most recent actuarial valuation date. Further, we confirm that Towers Perrin is prepared to review the Company's extrapolation to ensure that it complies with the above-noted methodology.

Sincerely,



Simon J. Nelson, FSA, FCIA

cc: Ken Choi, Dan Laline – Towers Perrin

Direct Dial: 416-960-4485

APPENDIX G
Amended Order issued by the NB
Superintendent



IN THE MATTER of the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc., and the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc.;

and

IN THE MATTER of an application by Fraser Papers Inc. under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 on June 18, 2009 and any subsequent transfers or payments from the pension funds of the above-mentioned pension plans.

AMENDED ORDER OF THE SUPERINTENDENT OF PENSIONS

Date of Order: August 13, 2009

To: Fraser Papers Inc.
c/o Mr. Bernard LeBlanc,
Director, Pension Administration
27 Rice Street
Edmundston, NB E3V 1S9

Copy: Glen McMillan
Suite 200, Brookfield Place
181 Bay Street
Toronto, ON M5J 2T3
Via Facsimile: 416-359-8606

FACTS / ANALYSIS:

By Initial Order of the Ontario Superior Court of Justice dated June 18, 2009, Fraser Papers Inc. was granted protection from their creditors and a stay of proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") until July 17, 2009. This CCAA protection and stay was extended to October 16, 2009 by Order of the Superior Court of Justice on July 15, 2009.

Fraser Papers has two pension plans registered in New Brunswick, the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (the "Salaried Plan") and the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (the "Hourly Plan"). The last filed valuation reports for both plans were as at December 31, 2007. These reports established a transfer ratio of 92.6% for the Salaried Plan and 86.5% for the Hourly Plan.

Pursuant to subsection 19(7) of the *General Regulation – Pension Benefits Act*, an administrator of a pension plan who has reason to believe that the transfer ratio of the plan has been reduced by more than ten percent since the review date of the most recently filed actuarial valuation report shall not transfer the transfer value or the commuted value of a benefit until a new transfer ratio has been determined by an actuary or the transfer has been approved by the Superintendent.

The 2008 financial crisis has severely affected the returns and liabilities of pension funds, and has likely resulted in a significant impact on and drop in the transfer ratio of most pension plans. The impact of the crisis is not reflected in the last filed valuation reports for either the Salaried Plan or the Hourly Plan, as they pre-date the crisis.

Further, in the present circumstances of the employer under these pension plans being under CCAA protection and obtaining a related stay on making special payments to the plans, the Superintendent of Pensions believes the interests of the members and beneficiaries of the plans warrants the limitation of withdrawals from the funds of the plans until the effect of the crisis on the solvency of the plans is known. There is a real possibility of irreparable loss to the interests of the members and beneficiaries of the plans if the payment of benefits is based on a transfer ratio that is too high. The Superintendent of Pensions believes this warrants an urgent measure to avoid this situation.

By Order dated July 30, 2009, the Superintendent limited payments from the plan to pensions already in pay and the payment of additional voluntary contributions. By letter dated August 12, 2009, Fraser Papers requested an amendment to this Order, indicating that allowing pensions to commence to be paid between the date of the original Order and the end of September, 2009 was immaterial to the fund. According to their forecasts, they expect only 11 people to retire during this

period. The Superintendent of Pensions finds the figures they have provided to be persuasive, and finds there is little protection to be gained for the pension funds by preventing approximately 11 people from retiring between the date of the original Order and the anticipated date of receipt of the information requested.

ORDER:

Therefore, pursuant to paragraph 72(2)(h) of the *Pension Benefits Act*, I hereby Order Fraser Papers Inc., the plan administrator, and CIBC Mellon, the fund trustee, to limit the transfer of funds from the pension funds of the Salaried Plan and the Hourly Plan to the following payments:

1. The payment of pensions already in pay on the date of receipt of this Order, and any pensions that may commence to be paid after the date of this Order;
2. If a commuted value transfer is requested, the payment of additional voluntary contributions, if any.


It is further Ordered that Fraser Papers Inc. provide the Superintendent of Pensions with the transfer ratio and the value of assets and liabilities that produce this ratio, as established by an actuary, for both the Salaried Plan and the Hourly Plan as at June 18, 2009. These documents are to be filed with the Superintendent of Pensions on or before **September 14, 2009**. Following receipt of the new transfer ratios, this Order may be amended.

The administrator shall transmit notice of this Order to each member and former member of the plans, each trade union that represents members of the plans, and any other persons entitled to payment from the pension funds.

This Order replaces and vacates the Order of July 30, 2009.

Any person against whom this Order is made or who is affected by this Order may make a written request to the Superintendent, within 20 days after this Order is served, that the Superintendent refer the matter to the Labour and Employment Board, pursuant to subsection 73(1) of the *Pension Benefits Act*.

Issued at Fredericton, New Brunswick this 13th day of August, 2009.


Angela Mazerolle Stephens
Superintendent of Pensions

APPENDIX H

Letter issued by the applicants lifting the
stay of proceedings to allow the NB
Order to be issued and effective

August 17, 2009

Angela Mazerolle Stephens
Superintendent of Pensions
Office of the Superintendent of Pensions
Department of Justice and Consumer Affairs
Province of New Brunswick
P.O. Box 6000
Fredericton, NB E3B 5H1

Dear Ms. Mazerolle Stephens:

The Company is in receipt of an Amended Order of the Superintendent of Pensions (the "Superintendent") dated August 13, 2009 (the "NB Order"). As you are aware, the Company is currently subject to court protection under the *Companies' Creditors Arrangement Act* by Order of the Court dated June 18, 2009, which includes a stay of proceedings in favour of the Company.

At the Superintendent's request the Company consents to a lifting of the stay of proceedings for the sole purpose of allowing the NB Order to be issued and effective. We can confirm that PricewaterhouseCoopers Inc., in its capacity as court-appointed Monitor of the Company also provide its consent to a lifting of the stay, and the Monitor is copied on this letter. The Company's and the Monitor's consent to a lifting of the stay relates only to the NB Order, and not to any further Order or actions the Superintendent may take in the future.

The Company is currently working on the information requests set out in the NB Order.

Should you have any questions with respect to the above, please do not hesitate to contact me.

Regards,

FRASER PAPERS INC.



Bernard A. LeBlanc
Director, Pension Administration

cc. John McKenna – PricewaterhouseCoopers Inc.
cc. D.J. Miller – Thornton Grout Finnigan LLP

Fraser Papers Inc.
Suite 200, PO Box 762
Brookfield Place, 181 Bay
Street
Toronto, ON M5J 2T3
CANADA

Tel 416-359-8605
Fax 416-359-8606
www.fraserpapers.com

APPENDIX I

Letter issued by the applicants lifting the stay of proceedings to allow the June 24, 2009 Order to be issued and effective

Le 24 aout 2009

Régie des rentes du Québec
Direction des régimes de retraite
C.P. 5200
Québec, QC
G1K 7S9

a/s Isabelle Gagnon

Régime de retraite des syndiqués de Papiers Fraser inc., Pâtes Thurso
Numéro du dossier : 20931

Madame,

La Société accuse réception de l'ordonnance provisoire émise le 30 juin 2009 par la Régie des rentes du Québec (RRQ). Comme vous êtes au courant, la Société est présentement sous la protection de la Loi sur les arrangements avec les créanciers des compagnies (« LACC ») en date du 18 juin 2009, qui inclut un sursis d'instance en faveur de la Société.

À la demande de la RRQ, la Société consent d'enlever le sursis d'instance pour la seule et unique raison de permettre l'ordonnance provisoire d'être émise et prendre effet. Nous sommes en mesure de confirmer que PricewaterhouseCoopers Inc., le Contrôleur nommé par la Cour, consent au prélèvement du sursis d'instance pour ce qui a trait à l'ordonnance provisoire émise par la RRQ, et ne s'applique pas à aucune autre ordonnance ou actions émises par le RRQ dans le futur, ni en aucun cas ceci donne le consentement à une procédure qui peut être amenée par une tierce personne, incluant un bénéficiaire du régime de retraite, ni qui pourrait nommer la Société comme une partie en cause ou affecter la Société en aucune manière.

Vous pouvez me rejoindre cet été au numéro 506-737-2475 si vous avez des questions.

Sincèrement

Papiers Fraser inc.



Bernard A LeBlanc
Directeur, administration des régimes de retraite

cc John McKenna – PricewaterhouseCoopers Inc.
cc D.J. Miller – Thornton Grout Finnigan LLP