

**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

**MOTION RECORD**  
*(Returnable Tuesday, September 8, 2009)*

September 1, 2009

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Lawyers for the Applicants

**TO: THIS HONOURABLE COURT**  
**AND TO: THE ATTACHED SERVICE LIST**

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# TAB 1

**ONTARIO  
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT  
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FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER  
TIMBER LTD., FRASER PAPERS LIMITED and FRASER N.H. LLC

Applicants

**NOTICE OF MOTION**

The Applicants will make a motion before a Judge of the Ontario Superior Court of Justice (Commercial List) on Tuesday, September 8, 2009 at 10:00 o'clock in the morning or as soon thereafter as this motion can be heard at 330 University Avenue, in the City of Toronto, Ontario.

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

**THE MOTION IS FOR AN ORDER:**

1. abridging the time for service of this Notice of Motion and the Motion Record herein, if necessary, and dispensing with any further service thereof, such that this motion is properly returnable on September 8, 2009;

2. authorizing and directing the Applicants to provide names and contact information for all current and former employees and beneficiaries represented by any counsel appointed by this Honourable Court (“Representative Counsel”) to such counsel, or as may be otherwise directed by this Honourable Court;
3. amending the Amended and Restated Order of the Honourable Mr. Justice Morawetz dated as of July 15, 2009 (the “Initial Order”) to confirm that the definition of Cash Management System in paragraph 5 therein includes foreign exchange transactions facilitated by Royal Bank of Canada (“RBC”) at the request of the Applicants, as such arrangements existed immediately prior to June 18, 2009;
4. amending the Initial Order to provide that, notwithstanding any reduction in the CIT Existing Debt (as such term is defined in the Amended CIT Term Sheet approved by this Honourable Court pursuant to the Initial Order) the CIT DIP Charge (as defined therein) secures all advances made by CIT to the Applicants from and after June 18, 2009 up to the maximum principal amount of USD \$24,000,000, having the priority described in the Initial Order.;
5. amending the Order of the Honourable Madam Justice Pepall dated July 15, 2009 (the “Claims Order”) to provide that the fees and expenses of the Claims Officer secured by the Administration Charge includes any legal fees and disbursements incurred by the Claims Officer in fulfilling his mandate under the Claims Order, up to the amount of CAD100,000 in accordance with the Claims Order;
6. directing the manner in which claims relating to the Applicants’ Supplemental Employee Retirement Plan, Supplemental Executive Retirement Plan and Mid-Career Retirement Plan (collectively, the “SERPs”) may be valued and filed pursuant to the Claims Order;

7. amending the Claims Order to provide that the Claims Bar Date (as defined therein) shall be extended to October 15, 2009 solely with respect to Claims to be filed on behalf of any Unrepresented Parties, as such term is defined in the Affidavit of Glen McMillan sworn September 1, 2009;
8. authorizing and directing Mellon Bank N.A., in its capacity as trustee (the "Trustee") under a Deferred Compensation Plan Trust Agreement dated February 2, 2000 as amended on February 24, 2007 (the "Trust Agreement") in respect of a Deferred Compensation Plan restated January 1, 2009 (the "Plan"), to return the balance of funds held by it under the Trust Agreement to Fraser Papers Limited; and
9. granting such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

**Representative Counsel Motion and Disclosure of Employee Information**

1. Motions have been brought by Davies Ward Phillips Vineberg LLP and Nelligan Payne LLP/Shibley Righton LLP who separately represent two groups of current or former employees seeking an Order appointing Representative Counsel in this proceeding;
2. At the request of these two firms the Applicants have facilitated the mailing of letters to current and former employee groups identified by those parties. By so doing, the Applicants preserved the privacy of any identifying information as to the recipients of the letters;
3. The Communications Energy and Paperworkers Union of Canada ("CEP") have also brought a motion seeking an Order allowing them to represent retirees who were formerly active members of the collective bargaining unit they represent. Counsel for the CEP has requested names and

contact details from the Applicants for the retirees who may fall within the retiree group that they seek to represent;

4. the Applicants support the appointment of one representative counsel to act on behalf of all Unrepresented Parties but only if it facilitates a more efficient administration of this proceeding and can be accomplished on a cost-effective basis including any cap imposed by the Applicants' DIP lenders;
5. the Applicants seek an Order authorizing and directing them to disclose the contact information for any current or former employees who will be represented by Representative Counsel to such counsel, or as may be otherwise directed by this Honourable Court;

#### **Amendments to the Initial Order**

##### **Cash Management System**

6. the Applicants maintain certain bank accounts and operate their centralized cash management system through Royal Bank of Canada ("RBC"), as described in the Affidavit of J. Peter Gordon sworn June 17, 2009 in support of the Initial Order (the "Gordon Affidavit"). RBC also facilitates foreign exchange transactions at the request of the Applicants to provide for the conversion of currency that is necessary in the day-to-day operation of the Applicants' business;
7. pursuant to the Initial Order, the Applicants are entitled to continue to utilize the Cash Management System in place as at the date of the Initial Order;
8. RBC has requested that the Applicants seek an amendment to the Initial Order to confirm that the definition of Cash Management System in paragraph 5 therein includes foreign exchange transactions facilitated by RBC at the request of the Applicants in the same manner as existed immediately prior to June 18, 2009;

**Application of CIT DIP Charge**

9. The Amended CIT Term Sheet was approved by this Honourable Court pursuant to the Initial Order. The amount of the CIT DIP Charge (USD24,000,000) was determined by taking the difference between the amount of the indebtedness owing by the Applicants to CIT as at June 18, 2009 (USD56,000,000) (defined therein as the "CIT Existing Debt") and the maximum amount available under the CIT Credit Agreement as amended (USD80,000,000), all as described on page 2 of the Amended CIT Term Sheet and as defined in the Initial Order;
10. The CIT Existing Debt is fully drawn and will not revolve pursuant to the Amended CIT Term Sheet;
11. Since June 18, 2009 the Applicants have concluded a settlement involving certain letters of credit previously posted to secure obligations relating to a Wisconsin landfill as described in paragraphs 182 to 184 of the Gordon Affidavit, and in support of the Applicants' workers' compensation insurance plans in the U.S. This has resulted in a reduction in the amount of letters of credit outstanding, thereby reducing the amount of the CIT Existing Debt. Other outstanding letters of credit may be similarly reduced or released in the future, thereby further reducing the CIT Existing Debt;
12. CIT requires an amendment to the Initial Order to confirm that any revolving advances made available to the Applicants in excess of the reduced amount of the Existing CIT Debt are secured by the CIT DIP Charge, up to the maximum principal amount of USD24,000,000;

**Amendment to the Claims Order**

13. pursuant to the Claims Order the Honourable John D. Ground was appointed as Claims Officer and the Administration Charge was increased by CAD100,000 to secure his fees and expenses in fulfilling his mandate as Claims Officer;

14. the Claims Order provides that the Claims Officer is to be indemnified with respect to any liability or obligation incurred as a result of his appointment or the fulfillment of his duties in carrying out the provisions of the Claims Order;
15. at the request of the Claims Officer, the Applicants seek an amendment to the Claims Order to confirm that the fees and expenses of the Claims Officer secured by the Administration Charge include any legal fees and disbursements incurred in fulfilling his mandate under the Claims Order, all being subject to the same CAD100,000 limit;

**The Deferred Compensation Plan Trust Agreement**

16. as described in paragraphs 86 and 87 of the Gordon Affidavit, Fraser Papers Limited is party to the Trust Agreement;
17. pursuant to the Plan and Trust Agreement: (i) the Participants (as defined in the Plan) have no beneficial interest in the monies held in trust and the Trustee is required to cease making benefit payments to the Participants if Fraser Papers Limited becomes insolvent; and (ii) upon the insolvency of Fraser Papers Limited, any money in trust is held by the Trustee for the benefit of Fraser Papers Limited's general creditors;
18. upon the commencement of this proceeding the Trustee was notified of the Applicants' insolvency and directed to make no further payments to Participants in accordance with the Plan and the Trust Agreement. The Applicants subsequently requested that the Trustee remit payment of all amounts held by the Trustee to Fraser Papers Limited, for the benefit of its creditors;
19. the Trustee has requested that it receive such direction pursuant to a court Order;
20. there is approximately USD117,000 currently held by the Trustee;

21. the Applicants therefore seek an Order authorizing and directing the Trustee to pay the balance of the money held in trust pursuant to the Plan and Trust Agreement to Fraser Papers Limited;

**SERP Claims**

22. on June 18, 2009, SERP participants were advised of the Applicants' filing and were also advised that no further payments would be made to them under the SERPs;
23. SERP participants have received Proofs of Claim to be submitted to the Monitor as part of the claims process set out in the Claims Order;
24. The Applicants have received numerous inquiries as to the value to be included in the Proof of Claim in respect of the SERPs, and believe that some assistance could be provided to the participants based on information in the possession of the Applicants;
25. the Applicants seek an Order directing that claims relating to the SERPs may be valued in accordance with the method set out in paragraph 54 of the Affidavit of Glen McMillan sworn September 1, 2009;
26. Section 11(1) of the CCAA;
27. Rules 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1994, Reg. 194, as amended; and
28. such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of this Motion:

1. the Affidavit of Glen McMillan, sworn September 1, 2009 and the exhibits thereto; and
2. such further and other materials as counsel may advise and this Honourable Court may permit.

September 1, 2009

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Lawyers for the Applicants

**TO: THIS HONOURABLE COURT**  
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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 (collectively, the "Applicants")

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

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

Proceedings commenced at Toronto

**NOTICE OF MOTION**

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# TAB 2

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Applicants

**AFFIDAVIT OF GLEN McMILLAN  
(Sworn September 1, 2009)**

**I, Glen McMillan**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY  
AS FOLLOWS:**

1. I am the Chief Financial Officer of Fraser Papers Inc. ("Fraser Papers" or the "Company", and with the other Applicants, collectively 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. This Affidavit is sworn in support of a motion brought by the Applicants for the relief set out in the Notice of Motion dated September 1, 2009.

## **BACKGROUND**

3. Pursuant to the Order of Mr. Justice Morawetz dated June 18, 2009 as amended and restated by Order of Madam Justice Pepall dated July 15, 2009 (collectively, the “Initial Order”), the Applicants were granted protection under the *Companies’ Creditors Arrangement Act* (the “CCAA”) and PricewaterhouseCoopers Inc. was appointed as monitor (the “Monitor”). Attached hereto as Exhibit “A” is a copy of the Initial Order.

4. The Applicants sought and obtained recognition of the CCAA proceeding and relief under Chapter 15 of the *U.S. Bankruptcy Code* pursuant to an ancillary proceeding brought in the Bankruptcy Court for the District of Delaware.

5. By Order of Madam Justice Pepall dated July 15, 2009 (the “Claims Order”) a claims process was commenced in respect of the Applicants with a Claims Bar Date for all claims other than Restructuring Claims (each as defined in the Claims Order) of September 30, 2009. Attached hereto as Exhibit “B” is a copy of the Claims Order.

## **MOTIONS FOR APPOINTMENT OF REPRESENTATIVE COUNSEL**

6. To facilitate future contact between any representative counsel that may be appointed by the Court and any current or former employees they are appointed to represent, the Applicants seek an Order authorizing and directing the disclosure of information to the representative counsel of information regarding those current or former employees. In the absence of such direction and protection from the Court and a confidentiality agreement signed by the recipient law firm as to the use of such information, the Applicants are not prepared to provide contact details or other confidential information to third parties.

7. A motion has been brought by certain salaried retirees of Fraser Papers (the “Nelligan Committee”) represented jointly by the Ottawa firm of Nelligan O’Brien Payne LLP and the Toronto firm

of Shibley Righton LLP (“Nelligan/Shibley”) by Motion Record served on August 28, 2009 (the “Nelligan Motion”). The Nelligan Motion seeks the appointment of Nelligan/Shibley as representative counsel for the Nelligan Committee. All members of the Nelligan Committee are retirees from the Company’s (closed) facility in Thurso, Quebec.

8. A motion has also been brought by certain current and former employees of Fraser Papers (the “Davies Committee”) represented by the national firm of Davies Ward Phillips & Vineberg LLP (“Davies”) by Motion Record served on September 1, 2009 (the “Davies Motion”). The Davies Motion seeks the Appointment of Davies as representative counsel for the Davies Committee. The Davies Committee is comprised of current salaried employees and former employees who are each members of one of the Company’s defined benefit pension plans, and includes representation from the Company’s facilities in Quebec, New Brunswick and in the United States (“U.S.”).

9. Counsel for the Communications, Energy and Paperworkers Union of Canada (“CEP”) served a Notice of Motion on August 31, 2009 seeking an Order appointing the Toronto firm Caley, Wray as representative counsel for all retirees who were formerly active members of the CEP, and seeking funding from the Applicants for that purpose. Counsel for the CEP has also requested that the Applicants provide the names and contact information of those retirees who would fall within the group that they seek to represent. I anticipate that similar motions may be brought by counsel for the other unions.

10. The Applicants sponsor five defined benefit pension plans in three jurisdictions: two registered in the Province of New Brunswick, two registered in the Province of Quebec and one in the United States (individually, a “Pension Plan” and collectively, the “Pension Plans”). In each of the Province of New Brunswick and the Province of Quebec there are separate registered pension plans for active and retired hourly employees and active and retired salaried employees. In total, there are 3,246 retirees and 1,729 active employees who are members of the Pension Plans (the “Plan Members”) with such numbers being as at December 31, 2006 for Quebec Plan Members, as at December 31, 2007 for New Brunswick Plan

Members and as at January 1, 2008 for U.S. Plan Members. Attached hereto and marked as Exhibit "C" is a summary describing each Plan and the composition of Plan Members as either active or former employees.

11. In addition, as described in the Affidavit of J. Peter Gordon sworn June 17, 2009 in support of the Initial Order (the "Gordon Affidavit"), 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, supplemental employee retirement plans ("SERPs") and health, dental and other benefits for current and former employees (collectively with the SERPs, the "Other Plans").

12. Based on information received from the Applicants' actuaries for the purpose of preparing annual audited financial statements, the Applicants' accrued pension benefit obligations in their five defined benefit Pension Plans and SERPs exceeded the value of the Pension Plan assets by approximately USD \$171.5 million as at December 31, 2008. The Applicants are in the process of updating these figures and anticipate that the amount is actually higher. As such, the Applicants' largest unsecured claims relate to these Pension Plans and the SERPs.

13. The Superintendent of Pensions for the Province of New Brunswick, the Regie des Rentes du Quebec and the Pension Benefits Guarantee Corporation in the U.S., all of whom have certain regulatory responsibilities for the Pension Plans, have all retained legal counsel and are represented in the CCAA proceedings.

14. Many of the Applicants' hourly employees are represented through their respective unions. Those unions may also seek to represent the interests of retirees who were formerly members of their respective collective bargaining units, subject to any Order that may be made by the Court in that regard. A large number of Plan Members and participants in the Other Plans, both current and former employees,

who are not otherwise represented in this proceeding (collectively, the “Unrepresented Parties”) could benefit from an Order appointing representative counsel.

15. Provided the appointment of representative counsel can be achieved in such a way so as to bring both cost and time efficiencies into the CCAA proceedings, the Applicants support the appointment of representative counsel to represent the Unrepresented Parties. It is anticipated that the mandate of such representative counsel will include assisting the Unrepresented Parties to file proper Proofs of Claim and evaluating any Plan of Arrangement that may be presented.

16. At the request of each of the Davies Committee and the Nelligan Committee, the Applicants facilitated the mailing of a letter from those committees to certain current or former employee groups identified by counsel for the respective committees. Each firm delivered pre-printed letters in both official languages in sealed envelopes to the Company, and these envelopes were labelled and mailed by the Company to maintain the privacy of the recipients’ personal contact information. The English version of the letter sent on behalf of the Davies Committee is annexed hereto and marked as Exhibit “D” and the English version of the letter sent by the Nelligan Committee is annexed hereto and marked as Exhibit “E”.

17. The letters referred to above were sent to the specific constituent groups identified by each of Nelligan/Shibley and Davies. The Applicants have prepared a chart confirming all recipient groups of each letter. Attached hereto and marked as Exhibit “F” is a chart prepared by the Applicants describing whether each group noted therein received a letter from Nelligan/Shibley, Davies or both.

18. Upon reviewing this chart and in order to assist the Applicants and the Monitor in considering the motions for representative counsel, a letter was sent to each of Nelligan/Shibley and Davies by the Applicants’ counsel Thornton Grout Finnigan LLP (“TGF”), containing questions developed by the Applicants and the Monitor. Attached hereto and marked as Exhibit “G” is a true copy of the letter sent by TGF to each of Nelligan/Shibley and Davies on August 24, 2009.

19. By letters dated August 28, 2009 a written response was received from each of Davies and Nelligan/Shibley, copies of which are annexed hereto and marked as Exhibits “H” and “T”, respectively.

20. The Applicants are prepared to pay the reasonable legal fees and disbursements of the Court-appointed representative counsel provided this can be done cost-effectively and efficiently as the Applicants remain under significant financial pressure. The Applicants continue to require financing to cover cash operating losses and, as a result, rely heavily upon their debtor-in-possession (“DIP”) financing, without which any restructuring of the Applicants would not be possible. As the Applicants have not generated positive cash flow from operations for three years, every dollar spent on professional fees has the effect of decreasing the amount of funds that may be available to the Applicants’ creditors. As such, the Applicants believe that this necessitates an appointment of representative counsel that is both cost effective and beneficial for the Unrepresented Parties.

21. Each of CIT Business Credit Canada Inc. (“CIT”) and Brookfield Asset Management Inc. (“BAM”) provide critical DIP financing to the Applicants in this proceeding pursuant to term sheets that were approved by the Court and definitive documentation that is currently being finalized with each lender. Both lenders hold security over all property, assets and undertaking of each of the Applicants including all cash.

22. Each of CIT and BAM have advised me that, while they are prepared to support the appointment of representative counsel provided such appointment results in time and cost efficiencies in this proceeding, fees incurred by representative counsel must be subject to an approval process in which they have the ability to participate. The Applicants will therefore be requesting that fees incurred by any counsel appointed by the Court be subject to an assessment and passing of accounts to be brought before the presiding judge in this proceeding, if requested by the Applicants, the Monitor or the DIP lenders.

23. The definitive DIP documents provide that if any Order is made in this proceeding, the terms of which are unacceptable to the DIP lender, such lender is entitled to terminate further borrowings under

the DIP facility. It is therefore imperative in my view that any appointment of representative counsel be on terms that will not cause the Applicants to default under the terms of the DIP financing.

24. I believe that the financial pressure presently experienced by the Applicants will be exacerbated if multiple representative counsel are appointed. The Applicants believe that the appointment of a single law firm to represent all Unrepresented Parties will best serve the interests of those stakeholders, as we believe it will minimize costs and minimize the possibility of duplicative and redundant services being provided. The Applicants are concerned that any Order appointing representative counsel should be broad enough to encompass all Unrepresented Parties and not contemplate multiple representative counsel.

25. The Applicants also believe that representative counsel should have significant experience and demonstrated expertise in dealing with insolvency proceedings, particularly cross-border insolvency proceedings, as well as pension, employment and labour law in Canada and the U.S. It is also important, in my view, that representative counsel have experienced lawyers who are fluent in both official languages, as certain of the Pension Plans and related documents are in French.

26. I am advised by Peter Gordon and do verily believe that on August 4, 2009 he contacted Tim Kenny, a retiree of the Company, as described in the Affidavit of Mr. Kenny filed in support of the Nelligan Motion. At that time he stated that in the Company's view it is important for all Plan Members to be represented as a single group by counsel with experience in insolvency and pension matters.

27. I have reviewed the Nelligan Motion which states, in paragraph 44 of Mr. DesRosiers' Affidavit that Fraser Papers "has sought to retain [Davies]" to represent the interests of its retirees and employees. The letter sent by the Nelligan Committee to the retiree groups, previously attached as Exhibit "E" to this Affidavit, also states that the Company proposed the law firm of Davies "that they retained" and further suggests that Nelligan/Shibley should be retained rather than a law firm [Davies] "that is being imposed by the Company."

28. The letter received from Nelligan/Shibley in response to our counsel's request for information, previously annexed as Exhibit "I" hereto, also suggests that the Company's interest in having all Unrepresented Parties represented by the Davies firm is somehow improper or causes that firm to lack independence in acting as representative counsel.

29. Fraser Papers has not retained Davies in respect of this proceeding, including as it relates to the motion for the appointment of representative counsel. Furthermore, the Company has not previously retained the Davies firm in respect of any matter, nor does the Company have any prior relationship with the Davies firm or the individuals who are involved in representing the Davies Committee. The Company was introduced to Davies at the suggestion of its counsel TGF, who indicated that Davies was a national firm with offices across Canada, had lawyers familiar with all areas required for this mandate including significant cross-border insolvency experience and would be well suited to undertake the mandate for broad representation that the Company viewed as important for the benefit of the Unrepresented Parties.

#### **AMENDMENTS TO THE INITIAL ORDER**

##### **Cash Management System**

30. Paragraph 5 of the Initial Order provides that the Applicants are entitled to continue to utilize the Cash Management System, as described in the Gordon Affidavit, as such arrangements existed prior to June 18, 2009.

31. The Applicants maintain certain bank accounts and operate the Cash Management System through Royal Bank of Canada ("RBC"). A significant portion of the Applicants' operating costs are incurred in Canadian dollars while almost all of the Applicants' sales are transacted in U.S. dollars. Through the Cash Management System, RBC facilitates foreign exchange transactions at the Applicants' request. These currency conversion transactions are essential to the day-to-day operation of the Applicants' business.

32. RBC has requested clarification that the definition of Cash Management System in paragraph 5 of the Initial Order includes foreign exchange transactions facilitated by RBC in the same manner as existed prior to June 18, 2009.

33. On August 14, 2009 the Applicants' counsel sent a letter to RBC indicating that an amendment to the Initial Order would be sought and that the Monitor, CIT Business Credit Canada Inc. ("CIT") and Brookfield Asset Management Inc., all supported the amendment. Attached hereto as Exhibit "J" is the letter dated August 14, 2009 from TGF to RBC, on which I was copied.

**Application of the CIT DIP Charge**

34. When the Amended CIT Term Sheet was approved by the Court, the amount of the CIT DIP Charge (USD \$24,000,000) was calculated by taking the difference between the amount of the Applicants' indebtedness to CIT as at June 18, 2009 (USD \$56,000,000), defined in the Amended CIT Term Sheet as the CIT Existing Debt, and the maximum amount available under the CIT Credit Agreement, as amended (USD \$80,000,000).

35. The CIT Existing Debt is fully drawn and will not revolve pursuant to the Amended CIT Term Sheet. As such, the CIT DIP Charge presently secures advances in excess of USD \$56,000,000 up to a maximum of USD \$80,000,000.

36. Since June 18, 2009, the Applicants have engaged in discussions and effected a settlement involving certain letters of credit that had previously been posted to secure the Applicants' obligations with respect to a Wisconsin landfill as well as a letter of credit in support of the Applicants' workers' compensation insurance plans in the United States. In addition, certain letters of credit were drawn to the extent they related to pre-filing trade payables that were stayed by this proceeding. The settlement and drawings have resulted in the reduction of the amount of letters of credit outstanding at the date of filing

by approximately USD \$3 million to date which, in turn, has permanently reduced the amount of the CIT Existing Debt.

37. CIT has indicated that it requires an amendment to the Initial Order to confirm that any revolving advances made available to the Applicants in excess of the (reduced amount of the) Existing CIT Debt shall be secured by the CIT DIP Charge to the extent such reduction is permanent as a result of a reduction in outstanding letters of credit or otherwise.

38. In my opinion, the continued support of CIT is a critical component to the completion of a successful restructuring. An amendment to the Initial Order that confirms that all post-filing advances are covered by the CIT DIP Charge up to the principal amount of USD\$24,000,000 notwithstanding any reduction in the amount of letters of credit outstanding and a corresponding reduction in the CIT Existing Debt, is necessary to ensure that the Applicants continue to have access to sufficient liquidity.

#### **AMENDMENT TO THE CLAIMS ORDER**

39. Pursuant to the Claims Order, the Honourable John D. Ground was appointed by the Court as Claims Officer. The Administration Charge was increased by CAD \$100,000 to secure the fees and expenses of the Claims Officer.

40. The Claims Order provides that the Claims Officer is to be indemnified with respect to any liability or obligation incurred as a result of his appointment or the fulfillment of his duties in carrying out the provisions of the Claims Order.

41. I am advised by D.J. Miller of TGF and do verily believe that the Claims Officer has requested an amendment to the Claims Order to confirm that the fees and expenses of the Claims Officer secured by the Administration Charge include any legal fees and disbursements incurred in fulfilling his mandate under the Claims Order, all being subject to the same CAD \$100,000 limit.

## **DEFERRED COMPENSATION PLAN**

42. As previously described in the Gordon Affidavit, Fraser Papers Limited (“Fraser Madawaska”) is party to a Deferred Compensation Plan Trust Agreement dated February 2, 2000 as amended on February 24, 2007 (the “Trust Agreement”) in respect of a Deferred Compensation Plan restated January 1, 2009 (the “Plan”). The Trust Agreement names Mellon Bank N.A. as trustee (the “Trustee”) of the Plan. The Plan was originally established as a means by which to defer the income tax payable by employees on compensation, with the Plan’s Participants (as defined in the Plan and the Trust Agreement) receiving payment either in a lump sum or over the course of a number of years following their retirement. Participation in the Plan was curtailed three years ago, such that only two current employees and seven retired employees are Participants. Attached as Exhibits “K” and “L” are copies of the Plan and the Trust Agreement, respectively.

43. The Plan and Trust Agreement provide that the Participants have no beneficial interest in the funds held in trust. Furthermore, the Plan and Trust Agreement provide that the Trustee is to cease making benefit payments to the Participants if Fraser Madawaska becomes insolvent.

44. The Plan and Trust Agreement provide that, in the event of Fraser Madawaska’s insolvency, any money held in trust by the Trustee must be held for the benefit of Fraser Madawaska’s general creditors.

45. The Trustee was notified of Fraser Madawaska’s insolvency upon the commencement of the CCAA proceedings and was directed to make no further payments to the Participants pursuant to the terms of the Plan and Trust Agreement. Fraser Madawaska has subsequently requested that the Trustee remit all funds held in trust to Fraser Madawaska for the benefit of its creditors.

46. There is approximately USD \$117,000 presently being held by the Trustee. Fraser Madawaska was advised by the Trustee that it does not dispute Fraser Madawaska’s entitlement to the funds and it

will remit all funds held in trust to Fraser Madawaska upon receiving direction to do so by Order of the Court.

## **SERP CLAIMS**

47. As referenced in the Gordon Affidavit, the Company is party to three supplemental employee retirement plans. Those plans are as follows: (i) Supplemental Employee Retirement Plan (the "Employee SERP"); (ii) Supplemental Executive Retirement Plan (Top-Up) (the "Executive SERP") and (iii) Supplemental Executive Retirement Plan (Mid-Career) (the "Mid-Career SERP") (collectively, the "SERPs"). The SERPs are unfunded, unsecured obligations of the Company to 4 current and 63 former employees. All of the SERP participants are also members of one or more of the Company's five Pension Plans.

48. Based on information received from the Applicants' actuaries for the purpose of preparing annual audited financial statements, the Applicants' accrued pension benefit obligations in the SERPs was approximately USD\$7.7 million as at December 31, 2008.

49. Upon the CCAA filing on June 18, 2009, a letter was sent to all SERP participants advising them of the filing and confirming that no further payments would be made to them under the SERPs. Attached hereto and marked as Exhibit "M" is a true copy of the letter sent by the Company to all SERP participants on June 18, 2009.

50. Following the sending of Proof of Claim packages by the Monitor in accordance with the Claims Order, the Applicants have received numerous inquiries from SERP participants with questions as to how to complete the Proofs of Claim and how to value any claim they may have.

51. To assist in the valuation of any SERP claims, the Applicants have developed a mechanism that is intended to simplify the claims process for the SERP participants, without impairing or otherwise affecting their right to file a claim.

52. Within the last three years, the Applicants' actuary, Towers Perrin, has provided calculations as to the then present value attributed to each individual SERP participant as part of its ongoing agreement to provide services to the Applicants. These individual valuations were prepared in conjunction with the accrued benefit obligations that are calculated for purposes of the Applicants' annual financial disclosure obligations.

53. The SERPs are unregistered plans that are funded by the Applicants on a "pay as you go" basis. As such, actuarial funding valuations are not required for regulatory or statutory purposes and are not prepared by the Applicants.

54. As part of the Applicants' annual financial disclosure obligations, the Applicants' actuaries periodically prepare a calculation of the estimated accrued benefit obligation ("ABO") associated with the SERPs (the "ABO Valuation"). The ABO Valuation is prepared in accordance with generally accepted accounting principles (specifically *CICA 3461 Pension Expense and Non-Pension Post-Retirement Benefits and Expense Disclosure*) and accepted actuarial practice.

55. At the time that formal valuations are prepared for the Applicants' Pension Plans, the actuary has historically prepared an estimate of the ABO associated with each member of a SERP plan (each an "Individual ABO"). The most recent Individual ABO calculations determined by the actuaries were on the dates below:

- December 31, 2006 for members of the Employee SERP who were employed at the Applicants' former operations in Quebec;
- December 31, 2007 for members of the Employee SERP who were employed outside of the Applicants' former operations in Quebec; and
- January 1, 2008 for members of the Mid-Career SERP and the Executive SERP.

56. Using these Individual ABO calculations, the Applicants can provide each SERP participant with a calculation showing an updated estimate of their individual SERP valuation as at June 18, 2009, the date of the Applicants' CCAA filing (the "Current SERP Amount"). The Current SERP Amount will be based on the individual amounts generated by the latest Individual ABO calculations and will be adjusted to account for payments received by each participant and interest accrued since the Individual ABO calculations were performed. It is proposed that the calculation of the Current SERP Amount will be prepared by the Company and will be reviewed by the Monitor and the Applicants' actuary prior to being sent to each participant.

57. We have discussed this proposed manner of updating the Individual ABO Amounts to June 18, 2009 with Towers Perrin, the actuary firm that prepared the latest ABO Valuations and Individual ABO calculations. Attached hereto and marked as Exhibit "N" is a true copy of a letter the Company received from Towers Perrin confirming that the proposed method for updating the Individual ABO is a reasonable method for developing the Current SERP Amount in accordance with CICA 3461.

58. Although the Applicants are preparing the Current SERP Amount, we do not propose to require SERP participants to accept this value. SERP participants will have two options for valuing their claim for the purpose of filing a Proof of Claim. Participants can either (i) confirm the Current SERP Amount provided by the Company using the Court-approved mechanism set out in the Order sought by the Applicants; or (ii) use a figure calculated by a qualified third party retained by the individual SERP participant, including, but not limited to, a certificate issued by an insurance company showing the amount required to purchase an annuity to replace that person's SERP benefits.

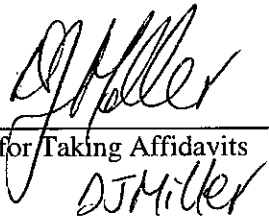
59. To allow for the calculation of the Current SERP Amount and any additional time needed by the SERP participants who choose the second option in submitting their Proofs of Claim or to submit a revised Proof of Claim, the Applicants seek an extension of the Claims Bar Date (as defined in the Claims

Order), solely as it relates to SERP claims and claims to be filed on behalf of the Unrepresented Parties, from September 30, 2009 to October 15, 2009.

60. A letter was sent by the Applicants to SERP participants on September 1, 2009 advising them of this motion and the relief sought by the Applicants with respect to the filing of SERP claims. SERP participants have been advised that they may wish to wait until after the Applicants' motion is heard before filing Proofs of Claim and, in the event the requested relief is granted, those SERP participants who have already submitted Proofs of Claim can submit a revised Proof of Claim. Attached hereto as Exhibit "O" is the letter to SERP participants dated September 1, 2009.

61. I swear this affidavit in support of a motion by the Applicants for the relief set out in the Notice of Motion dated September 1, 2009 and for no other or improper purpose.

SWORN before me at the City of Toronto,  
in the Province of Ontario, this 1<sup>st</sup> day of  
September, 2009.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

  
\_\_\_\_\_  
GLEN MCMILLAN

# **EXHIBIT A**

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

THE HONOURABLE ) ► WEDNESDAY, THE 15<sup>th</sup> DAY  
 )  
JUSTICE PEPALL ) OF JULY, 2009



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

**ORDER**

THIS MOTION made by the Applicants for the relief sought in the Notice of Motion herein dated July 10<sup>th</sup>, 2009, was heard this day at 330 University Avenue, in the City of Toronto, Ontario.

ON READING the affidavits of J. Peter Gordon sworn July 10<sup>th</sup>, 2009 (the "Second Gordon Affidavit") and July 14, 2009 (the "Third Gordon Affidavit"), the Third Report to the Court of PricewaterhouseCoopers Inc., in its capacity as court-appointed Monitor in this proceeding, dated July 14, 2009 and on hearing the submissions of counsel for the Applicants and any other parties appearing:

**Service**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein is abridged so that this Motion is properly returnable today and the service of the Notice of Motion and the Motion Record be and is hereby validated in all respects;

**Stay Period**

2. **THIS COURT ORDERS** that the Stay Period as described in Order of this Honourable Court dated June 18, 2009 (the "Initial Order") be and is hereby extended to and including October 16, 2009.

**DIP Amendment**

3. **THIS COURT ORDERS** that the Amended CIT Commitment Letter (as described in the Third Gordon Affidavit) and the Amended CIT Term Sheet (as described in the Second Gordon Affidavit) between CIT Business Credit Canada Inc. and the Applicants be and are hereby approved.
4. **THIS COURT ORDERS** that the Amended Brookfield Commitment Letter (as described in the Third Gordon Affidavit) and the Amended Brookfield Term Sheet (as described in the Second Gordon Affidavit) between Brookfield Asset Management Inc. and the Applicants be and are hereby approved.
5. **THIS COURT ORDERS** that the Applicants are authorized to enter into the GNB Amending Agreement (as defined in the Second Gordon Affidavit) with Her Majesty the Queen in Right of the Province of New Brunswick as represented by the Minister of Business New Brunswick and that the GNB Amending Agreement be and is hereby approved.


**Amendments to Initial Order**

6. **THIS COURT ORDERS** that the form of the Amended and Restated Initial Order, attached hereto as Schedule "A", be and is hereby approved.

  
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parties, and on reading the Consent of PwC to act as the Monitor, and upon being satisfied that this Court has jurisdiction to receive the Application in respect of the Applicants pursuant to sections 3 and 9(1) of the CCAA and upon being satisfied that the Applicants' center of main interest is within the jurisdiction of this Court:

#### **SERVICE**

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

#### **APPLICATION**

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

#### **PLAN OF ARRANGEMENT**

3. THIS COURT ORDERS that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan") between, *inter alia*, the Applicants and one or more classes of their respective secured and/or unsecured creditors as they deem appropriate.

#### **POSSESSION OF PROPERTY AND OPERATIONS**

4. THIS COURT ORDERS that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "Business") and Property. The Applicants shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by each of them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Applicants shall be required to continue to utilize the centralized cash management system, including blocked account and lockbox arrangements, currently in place as described in the Gordon Affidavit (the "Cash Management System") and that any Person (as defined below) providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that the Applicants shall be entitled and are hereby directed to continue, in the ordinary course of business as carried on immediately prior to the date hereof, all existing arrangements under a Paper Supply Agreement dated January 29, 2009 as described in the Gordon Affidavit, unless otherwise agreed to by the parties thereto.

#### **PAYMENTS**

7. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses:

- (a) all outstanding and future wages, salaries, vacation pay, and expenses that may be owing at any time to employees who continue to provide services on or after the date of this Order (the "Active Employees"), in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, whether incurred prior to, on or after the date of this Order;
- (b) all existing and future employee health, dental, life insurance, short and long term disability and related benefits (collectively, the "Group Benefits") that may be owing at any time to Active Employees, in each case incurred in the ordinary

course of business and consistent with existing policies and arrangements or such amended policies and arrangements as are necessary or desirable to deliver the existing Group Benefits, whether incurred prior to, on or after the date of this Order;

- (c) all normal cost contribution obligations (the "Current Contributions") in respect of current service provided by Active Employees of any funded pension plans maintained by the Applicants (collectively, the "Pension Plans") whether such Current Contributions were incurred prior to, on or after the date of this Order,
- (d) payment for goods or services actually supplied to the Applicants on or after the date of this Order; and
- (e) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges, whether incurred prior to, on or after the date of this Order.

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

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) all outstanding and future claims, premiums or other amounts payable in respect of workers' compensation programs applicable to the Applicants' employees, whether incurred prior to, on or after the date of this Order, all in the ordinary course of business and in accordance with the terms of any existing insurance or other policies;

- (c) payments on account of existing employee performance incentive programs in respect of Active Employees, whether incurred prior to or after the date of this Order, all in the ordinary course of business as carried on immediately prior to the date hereof;
- (d) with the prior written approval of the Monitor and subject to the terms of the Amended CIT Term Sheet and the Amended DIP Term Sheet, each as defined below (collectively, the “DIP Term Sheets”), payments in respect of key employee incentive programs established on or after the date of this Order;
- (e) any amounts payable in respect of Group Benefits in respect of retired employees or other current or former employees who are not Active Employees, whether incurred prior to, on or after the date of this Order, all subject to the terms of the DIP Term Sheets and the Definitive Documents, as defined in this Order;
- (f) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof, any local, state or federal taxation authority in the United States or any other taxation authority, in all cases in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors but: (i) are not attributable to or in respect of the ongoing Business carried on by the Applicants on or after the date of this Order; or (ii) are payable in respect of a period prior to the date of this Order;
- (g) any outstanding amounts payable in respect of (i) customer programs including, *inter alia*, rebates, adjustments, performance and volume discounts and (ii) billing errors, including duplicative invoicing, improper invoicing, duplicative payment, mispricing and various other billing and payment errors, whether incurred prior to, on or after the date of this Order; and
- (h) amounts owing for goods and services actually supplied to the Applicants, or to obtain the release of goods contracted for prior to the date of this Order, in each case with the consent of the Monitor and the DIP Lender, as defined in this Order,

up to the maximum amount of USD\$12,300,000 if, in the opinion of the Applicants, such supplier is critical to the ongoing Business of the Applicants.

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

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

10. THIS COURT ORDERS that until such time as the Applicants repudiate a real property lease in accordance with paragraph 17(d) of this Order, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to

the landlord under the lease) or as otherwise may be negotiated by the Applicants from time to time ("Rent"), for the period commencing from and including the date of this Order, bi-weekly, in advance (but not in arrears).

11. THIS COURT ORDERS that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date, save and except in respect of payments referred to in paragraph 12 below and other existing secured creditors as may be specifically provided for in the DIP Term Sheets or the GNB Amending Agreement, as they are defined in this Order; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

12. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the Applicants are authorized to enter into an amendment to the credit agreement dated as of May 2, 2008, between Fraser Papers Inc. and CIT Business Credit Canada Inc., as agent for itself and the lenders from time to time under such credit agreement, as amended (the "CIT Credit Agreement"), substantially on the terms of the amended commitment letter between the Applicants and CIT, dated July 10, 2009 annexed to the Third Gordon Affidavit and the amended DIP facility term sheet forming Exhibit A thereto and separately annexed to the Second Gordon Affidavit (the amended commitment letter and amended DIP facility term sheet, collectively, the "Amended CIT Term Sheet");
- (b) the Applicants are hereby authorized to borrow, repay and reborrow under and in accordance with the terms of the Amended CIT Term Sheet and the CIT Credit Agreement, and are authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to CIT under and pursuant to the Amended CIT Term Sheet and the CIT Credit Agreement as and when the same become due and are to be performed; and

- (c) CIT shall be entitled to issue such notices as may be needed to permit it to exercise cash dominion over the lockbox accounts subject to the Existing CIT Security (as defined below).

## PENSION PLANS

12.1 THIS COURT ORDERS that, notwithstanding any other provision of this Order, the Applicants shall not make any past service contributions or special payments to fund any going concern unfunded liability or solvency deficiency of the Pension Plans during the Stay Period (as defined in this Order), pending further Order of this Court.

12.2 THIS COURT ORDERS that none of the Applicants or their respective officers or directors shall incur any obligation, whether by way of debt, damages for breach of duty, whether statutory, fiduciary, common law or otherwise, or for breach of trust, nor shall any trust be recognized, whether express, implied, constructive, resulting, deemed or otherwise, as a result of the failure of any Person to make any contribution or payments other than Current Contributions during the Stay Period, that they might otherwise have been required to make to any Pension Plans maintained by any of the Applicants.

12.3 THIS COURT ORDERS that if any claim, lien, charge or trust arises as a result of the failure of any Person to make any contribution or payment (other than Current Contributions in accordance with Sections 81.5 and 81.6 of the *Bankruptcy and Insolvency Act* (the "BIA")) during the Stay Period that such Person might otherwise have become required to make to any Pension Plans but for the stay provided for herein, no such claim, lien, charge or trust shall be recognized in these proceedings or in any subsequent receivership, interim receivership or bankruptcy of any of the Applicants as having priority over the claims of the Charges as set out in this Order.

12.4 THIS COURT ORDERS AND DECLARES that nothing in this Order shall be taken to extinguish or compromise the obligations of the Applicants, if any, regarding payments under the Pension Plans.

## RESTRUCTURING

13. THIS COURT ORDERS that the Applicants shall, subject to such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their Business or operations;
- (b) dispose of redundant or non-material assets not exceeding CDN\$500,000 in any one transaction or CDN\$2,000,000 in the aggregate, subject to paragraph 17(d), if applicable;
- (c) terminate the employment of such of their employees or temporarily lay off such of their employees as appropriate on such terms as may be agreed upon between the Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) in accordance with paragraphs 14 and 15, vacate, abandon or quit any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than seven (7) days' notice in writing to the relevant landlord on such terms as may be agreed upon between the Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (e) repudiate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants, or any of them, deem appropriate on such terms as may be agreed upon between any one of the Applicants and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (f) pursue all avenues of refinancing and offers for material parts of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a), above),

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

14. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and such Applicant, or by further Order of this Court upon application by the Applicants on at least four (4) days' notice to such landlord and any such secured creditors. If an Applicant repudiates the lease governing such leased premises in accordance with paragraph 13(d) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute, and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

15. THIS COURT ORDERS that if a lease is repudiated by an Applicant in accordance with paragraph 13(d) of this Order, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

16. THIS COURT ORDERS that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Applicants shall be permitted to dispose of any or all of the Property located (or formerly located) at such leased premises without any interference of any kind from landlords (notwithstanding the terms of any

leases) and, for greater certainty, the Applicants shall have the right to realize upon the Property and other assets in such manner and at such locations, including leased premises, as they deem suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

#### **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

17. THIS COURT ORDERS that until and including October 16, 2009 or such later date as this Court may order (the "Stay Period"), no claim, application, action, suit, right or remedy, proceeding or enforcement process in any court, tribunal or arbitration association (each, a "Proceeding") shall be commenced or continued against or in respect of any of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

18. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) exempt the Applicants from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

19. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Applicants and the Monitor, or leave of this Court.

### **CONTINUATION OF SERVICES**

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

21. THIS COURT ORDERS that, without limiting paragraph 20 hereof, all Persons providing freight services to the Applicants shall deliver all shipments relating to the Applicants or their Business or Property in transit as at the date hereof (the "In Transit Shipments") in accordance with the existing arrangements and delivery instructions with respect to the In Transit Shipments. The Applicants are hereby directed to pay to the applicable freight provider the freight costs associated with the In Transit Shipments, within five (5) business days following delivery of the In Transit Shipments.

### **NON-DEROGATION OF RIGHTS**

22. THIS COURT ORDERS that, notwithstanding anything else contained herein, no creditor of the Applicants shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to any Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

23. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of

the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

24. THIS COURT ORDERS that the Applicants shall indemnify their directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 7(a), 9(a), 9(b) and 9(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct in respect thereto.

25. THIS COURT ORDERS that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of USD\$30,000,000, as security for the indemnity provided in paragraph 24 of this Order. The Directors' Charge shall have the priority set out in paragraphs 45 and 47 herein.

26. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

#### **APPOINTMENT OF MONITOR**

27. THIS COURT ORDERS that PricewaterhouseCoopers Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicants'

conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

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

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination to CIT and the DIP Lender and their counsel of financial and other information as agreed to between the Applicants and CIT or the DIP Lender, as applicable, which may be used in these proceedings, including reporting on a basis to be agreed with CIT and with the DIP Lender;
- (d) assist the Applicants in their preparation of the Applicants' cash flow statements, budgets and any other reporting or information that they may require in relation to the Business or the Property, including any reporting required by CIT or the DIP Lender, which information shall be reviewed with the Monitor and delivered to CIT and its counsel, and to the DIP Lender and its counsel in accordance with any reporting requirements of the Amended DIP Term Sheet or the Amended CIT Term Sheet, or as otherwise agreed to by CIT or the DIP Lender, as applicable;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan and, to the extent required by the Applicants, in their negotiations with creditors, customers, vendors and other interested Persons;

- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) assist the Applicants, to the extent required by the Applicants, in dealing with their respective creditors, customers, vendors and other interested Persons;
- (h) assist the Applicants with their financing and restructuring activities to the extent required by the Applicants;
- (i) have full and complete access to the books, records and management, employees and advisors of the Applicants and to the Business and the Property to the extent required to perform its duties arising under this Order;
- (j) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order, including any affiliate of, or person related to, PwC;
- (k) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and
- (l) perform such other duties as are required by this Order or by this Court from time to time.

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

30. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or

relating to the disposal of waste or other contamination including, without limitation, the Canadian *Environmental Protection Act*, the Ontario *Environmental Protection Act*, the Ontario *Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder, and such similar legislation in any jurisdiction in which the Property may be located (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. THIS COURT ORDERS that the Monitor shall provide any creditor of the Applicants, CIT and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

32. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. THIS COURT ORDERS that the Monitor, counsel to the Monitor and all counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis.

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

35. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the Applicants' Canadian counsel and U.S. counsel and ~~Justice~~ <sup>- the Honourable -</sup> John D. Ground, Q.C., a retired judge, in his capacity as claims officer (the "Claims Officer"), shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of CDN\$850,000. The Administration Charge shall secure claims of the Monitor, counsel to the Monitor, the Applicants' Canadian counsel and U.S. counsel as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings up to the aggregate amount of \$750,000 and shall also secure any claims of the Claims Officer up to the amount of \$100,000. The Administration Charge shall have the priority set out in paragraphs 45 and 47 hereof. SNP.

#### DIP FINANCING

36. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility, dated July 10, 2009 (the "Amended DIP Facility") from Brookfield (the "DIP Lender") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed USD\$ \$20,000,000 unless permitted by further Order of this Court.

37. THIS COURT ORDERS that the Amended DIP Facility shall be substantially on the terms and subject to the conditions set forth in the amended commitment letter between the Applicants and the DIP Lender dated July 10, 2009 annexed to the Third Gordon Affidavit and the amended DIP Facility term sheet forming Exhibit "A" thereto and separately annexed to the Second Gordon Affidavit (collectively, the "Amended DIP Term Sheet"), as same may be amended from time to time with the Monitor's written consent.

38. THIS COURT ORDERS AND DECLARES that this Court has been advised of the minority approval requirements of Multilateral Instrument 61-101 "Protection of Minority

Security Holders in Special Transactions” and the exemption from such requirements contained in Section 5.7(d) hereof, all as contained in the Gordon Affidavit, and that compliance with the provisions of such Multilateral Instrument is hereby dispensed with.

39. THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Amended DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Amended DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property as security for any and all obligations of the Applicants under or pursuant to the Amended DIP Facility, the Amended DIP Term Sheet and the Definitive Documents, which charge shall not exceed the aggregate amount owed to the DIP Lender under or pursuant to the Amended DIP Facility, the Amended DIP Term Sheet and the Definitive Documents. The DIP Lender's Charge shall have the priority set out in paragraphs 45 and 47 hereof.

41. THIS COURT ORDERS that CIT shall be entitled to the benefit of and is hereby granted a charge (the "CIT DIP Charge") on the Property to secure amounts outstanding under the Amended CIT Term Sheet and the CIT Credit Agreement as amended pursuant to paragraph 12(a), all as described in the Amended CIT Term Sheet and the CIT Credit Agreement, in the amount of US\$24,000,000.

41.1 THIS COURT ORDERS that the Applicants are hereby authorized and empowered to obtain and borrow under a loan agreement dated June 16, 2008, as amended on July 10, 2009 (the "GNB Amending Agreement") from Her Majesty the Queen in Right of The Province of New Brunswick (the "GNB") in order to finance the Applicants' completion of the Applicants' Plaster Rock modernization project, provided that additional borrowings under such loan

agreement shall not exceed CDN\$9,000,000. The GNB Amending Agreement is annexed to the Second Gordon Affidavit.

41.2 THIS COURT ORDERS that the GNB shall be entitled to the benefit of and is hereby granted a charge (the "GNB's DIP Charge") on the Plaster Rock Fixed Assets (as defined below) as security for any and all obligations of the Applicants in respect of the New Advances, as defined in the GNB Amending Agreement, which charge shall not exceed \$9,000,000. The GNB's DIP Charge shall have the priority set out in paragraphs 45 and 47 hereof.

42. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

- (a) the DIP Lender and CIT may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or the Amended DIP Facility or any of the Definitive Documents, or the CIT DIP Charge;
- (b) upon the occurrence of an event of default under the Amended DIP Term Sheet or Definitive Documents or the DIP Lender's Charge, the DIP Lender, may immediately cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Amended DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge and make demand, accelerate payment and give other notices and, upon five (5) days notice to the Applicants and the Monitor, may exercise any and all of its other rights and remedies against the Applicants or the Property under or pursuant to the Amended DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants, and upon the occurrence of an event of default under the terms of the Amended DIP Term Sheet or the Definitive Documents, the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicants to repay amounts owing to the DIP Lender in accordance with the

Definitive Documents and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 45 and 47 of this Order;

- (c) upon the occurrence of an event of default under the Amended CIT Term Sheet, the CIT Credit Agreement or the CIT DIP Charge, CIT, may immediately cease making advances to the Applicants and set off and/or consolidate any amounts owing by CIT to the Applicants against the obligations of the Applicants to CIT under the Amended CIT Term Sheet, the CIT Credit Agreement, the related documents or the CIT DIP Charge and make demand, accelerate payment and give other notices and, upon five (5) days notice to the Applicants and the Monitor, may exercise any and all of its other rights and remedies against the Applicants or the Property including under or pursuant to the Amended CIT Term Sheet, the CIT Credit Agreement and the CIT DIP Charge, including without limitation, to apply to this Court for the appointment of a receiver, receiver and manager and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicants, and upon the occurrence of an event of default under the terms of the Amended CIT Term Sheet, the CIT Credit Agreement or the CIT DIP Charge, CIT shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicants to repay amounts owing to CIT in accordance with the Amended CIT Term Sheet, the CIT Credit Agreement and the CIT DIP Charge, but subject to the priorities as set out in paragraphs 45 and 47 of this Order; and
- (d) the foregoing rights and remedies of the DIP Lender and CIT shall each be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

43. THIS COURT ORDERS AND DECLARES that CIT and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the BIA, with respect to any advances made under the Amended CIT Term Sheet, the CIT Credit Agreement, the Amended DIP Term Sheet or the Definitive Documents and with respect to any claims and rights the DIP Lender may

have under or pursuant to the Paper Supply Agreement and the Amended and Restated Guarantee and Reimbursement Agreement dated as of September 22, 2008 made by the Applicants in favour of the DIP Lender and the liens relating thereto.

#### **INTER-COMPANY TRANSACTION CHARGE**

44. THIS COURT ORDERS AND DECLARES that each Applicant shall be entitled to and is hereby granted the benefit of a charge (the "Inter-Company Charge") on the Property of each of the other Applicants in an amount equal to but not exceeding:

- (a) in respect of the period from June 1, 2009 to the date of this Order, the costs of all goods and services supplied by one Applicant to another; and
- (b) in respect of the period from and after the date of this Order, (i) the costs of all goods and services supplied by one Applicant to another, (ii) costs incurred by one Applicant on behalf of another and (iii) the net advances actually made by one Applicant to another,

all in accordance with existing cash management and inter-company transaction practises existing as at the date of this Order. The Inter-Company Charge in favour of the Applicants shall have the priority set out in paragraphs 45 and 47 hereof.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

45. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge, the CIT DIP Charge, the DIP Lender's Charge, the GNB's DIP Charge and the Inter-Company Charge as among them, and as against the existing security held by CIT prior to the issuance of this Order (the "Existing CIT Security"), shall be as follows:

- (a) with respect to all assets charged in favour of CIT under the Existing CIT Security (collectively, the "CIT Collateral"):

First – CIT in respect of the Existing CIT Security;

Second – Administration Charge (to the maximum amount of CDN \$850,000);

Third – CIT in respect of the CIT DIP Charge (to a maximum amount of US\$24,000,000);

Fourth – DIP Lender in respect of the DIP Lender's Charge (to a maximum amount of US\$20,000,000);

Fifth – Directors' Charge (to the maximum amount of USD\$30,000,000);

Sixth – GNB in respect of the charge and security interest held by GNB over the Property of the Applicants (or any portion thereof) existing immediately prior to the date of this Order (the "Existing GNB Security") (limited to such Property subject to the Existing CIT Security as may be located in the Province of New Brunswick;

Seventh – DIP Lender in respect of the charge and security interest held by the DIP Lender over the Property of the Debtors (or any portion thereof) existing immediately prior to the date of this Order (the "Existing Brookfield Security"), after giving effect to the Sixth ranking charge above; and

Eighth – the Inter-Company Charge;

(b) with respect to the Applicants' fixed assets comprising the sawmill facility in Plaster Rock, New Brunswick (the "Plaster Rock Fixed Assets") :

First – GNB in respect of the GNB's DIP Charge (to a maximum amount of CDN\$9,000,000);

Second – Administration Charge (to a maximum amount of CDN\$850,000);

Third – CIT in respect of the CIT DIP Charge (to a maximum amount of US\$24,000,000);

Fourth –DIP Lender in respect of the DIP Lender Charge (to a maximum amount of US\$20,000,000);

Fifth – Directors' Charge (to the maximum amount of USD\$30,000,000);

Sixth – GNB in respect of the Existing GNB Security;

Seventh – DIP Lender in respect of the Existing Brookfield Security, after giving effect to the Sixth ranking charge above; and

Eighth – Inter-Company Charge;

- (c) with respect to all Property other than the Plaster Rock Fixed Assets or Property subject to the Existing CIT Security::

First – Administration Charge (to the maximum amount of CDN \$850,000);

Second – CIT in respect of the CIT DIP Charge (to a maximum amount of US\$24,000,000);

Third – DIP Lender in respect of the DIP Lender's Charge (to a maximum amount of US\$20,000,000);

Fourth – Directors' Charge (to the maximum amount of USD\$30,000,000);

Fifth – GNB in respect of the Existing GNB Security (limited to fixed assets in the Province of New Brunswick);

Sixth – DIP Lender in respect of the Existing Brookfield Security, after giving effect to the Fifth ranking charge above; and

Seventh – Inter-Company Charge.

For greater certainty, where amounts owing are described in subparagraph (a), (b) or (c) above as being secured up to a maximum amount, the maximum amount will apply in each subparagraph where the reference appears, but shall not be cumulative.

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

47. THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge, the CIT DIP Charge, the GNB's DIP Charge and the DIP Lender's Charge (all as constituted and

defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances") in favour of any Person other than the Existing CIT Security. In addition, the Inter-Company Charge shall not rank in priority to any Encumbrances existing as of the date hereof in favour of any Person.

48. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Existing CIT Security or any of the Charges unless the Applicants also obtain the prior written consent of the Monitor, CIT, the GNB, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

49. THIS COURT ORDERS that the Charges, the Amended DIP Facility and the Definitive Documents, the GNB Amending Agreement and (with respect to advances made on or after the date hereof) the Existing CIT Security, shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges and/or the DIP Lender, the GNB and/or CIT thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds any of the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Amended DIP Facility or the Definitive Documents, nor the Amended CIT Term Sheet or the amendments to the CIT Credit Agreement, nor the GNB Amending Agreement authorized hereby shall

create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Amended DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents, the Amended CIT Term Sheet, the amendments to the CIT Credit Agreement, or the GNB Amending Agreement authorized hereby; and
- (c) the payments made by the Applicants pursuant to this Order, the Amended DIP Facility or the Definitive Documents, the Amended CIT Term Sheet, the CIT Credit Agreement, the GNB Amending Agreement and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

#### **SERVICE AND NOTICE**

50. THIS COURT ORDERS that the Monitor shall, within ten (10) business days of the date of entry of this Order, cause a notice to be sent to the Applicants' known creditors, other than employees and creditors to which the Applicants owe less than CDN\$1,000.00, at their addresses as they appear on the Applicants' records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order.

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

52. THIS COURT ORDERS that the Applicants, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on its website at [www.pwc.com/car-fraserpapers](http://www.pwc.com/car-fraserpapers)

#### GENERAL

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

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

55. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Fraser Papers Inc. on behalf of the Applicants in any foreign proceeding including a proceeding to be commenced by the Applicants pursuant to Chapter 15 of the United States *Bankruptcy Code*, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

56. THIS COURT ORDERS that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

57. THIS COURT ORDERS that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days'

notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

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 (collectively, the "Applicants")

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

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

Proceedings commenced at Toronto

**INITIAL ORDER AMENDED AND RESTATED  
AS OF JULY 15, 2009**

**ThorntonGroutFinnigan LLP**  
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**Lawyers for the Applicants**

# **EXHIBIT B**

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

THE HONOURABLE MADAM ) WEDNESDAY, the 15<sup>th</sup>  
 )  
JUSTICE PEPALL ) DAY OF JULY, 2009



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

**CLAIMS ORDER**

**THIS MOTION**, made by Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC (the "Applicants"), for an Order establishing a claims process for the identification and determination of all Claims (as defined herein) against any of the Applicants was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Applicants' Notice of Motion dated July 10, 2009, the Affidavits of J. Peter Gordon sworn June 17, July 10 and July 14, 2009, the Third Report of PricewaterhouseCoopers Inc. in its capacity as Court-appointed monitor of the Applicants (the "Monitor") and on hearing from counsel for the Applicants, the Monitor and such other counsel

as were present and on being advised that the Service List as of July 10, 2009 was served electronically with the Applicants' Notice of Motion dated July 10, 2009 herein,

**Service**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record herein be and is hereby abridged and that the motion is properly returnable today and further that service upon any interested party other than those parties served is hereby dispensed with.

**Definitions and Interpretations**

2. **THIS COURT ORDERS** that, for the purposes of this Order (the "**Claims Order**"), in addition to the terms defined elsewhere in this Claims Order, the following terms shall have the following meanings:
  - (a) "**Applicants**" means Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC;
  - (b) "**Business Day**" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
  - (c) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
  - (d) "**Chapter 15 Claims Order**" means a supplemental Order issued by the U.S. Court within the Chapter 15 Proceedings, recognizing this Claims Order as issued by the Court;
  - (e) "**Chapter 15 Proceedings**" means the proceedings commenced by the Applicants on June 18, 2009 in the Delaware Court under Chapter 15 of the United States Bankruptcy Code Case No. 09-12123 (KJC) in which these proceedings were

recognized as a foreign main proceeding in the United States of America (the "United States");

(f) **"Claim"** means:

(i) a Restructuring Claim;

(ii) a Secured Claim; and/or

(iii) the rights of any Person whatsoever, including any Secured Creditor, against one or more of the Applicants and/or Directors, whether or not asserted and however acquired, in connection with any indebtedness, liability or obligation of any kind of one or more of the Applicants and/or Directors in existence on the Claim Date, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, direct or indirect, by guarantee, surety, insurance deductible or otherwise, and whether or not such claim or right arises out of a contract that is executory or anticipatory in nature or any other claims that would have been claims provable in bankruptcy had the applicable Applicant become bankrupt on the Claim Date;

provided however, that in all cases "Claim" shall not include an Excluded Claim;

(g) **"Claims Bar Date"** means 5:00 p.m. (Eastern Standard Time) on September 30, 2009, or such later date as may be ordered by this Court;

(h) **"Claim Date"** means June 18, 2009, which shall be the date for determining all Claims under this Claims Order;

- (i) **“Claims Officer”** means the individual(s) designated by the Court pursuant to paragraph 11 of this Claims Order and such other Persons as may be designated by the Applicants, acceptable to the Monitor and approved by the Court;
- (j) **“Court”** means the Ontario Superior Court of Justice (Commercial List);
- (k) **“Creditor”** means any Person having a Claim and includes without limitation the transferee or assignee of a Claim or a trustee, liquidator, receiver, receiver and manager, or other Person acting on behalf of such Person;
- (l) **“Creditor's Dispute Package”** means a copy of the Notice of Revision or Disallowance associated with the Creditor's Proof of Claim and the Dispute Notice;
- (m) **“Directors”** means those individuals who are or were previously directors or officers of any one or more of the Applicants;
- (n) **“Disputed Claim”** means a Claim in respect of which the Monitor has received a Dispute Notice;
- (o) **“Dispute Notice”** means the notice delivered by a Creditor to the Monitor with respect to a Claim pursuant to paragraph 34 which shall be substantially in the form attached as Schedule 'E' hereto;
- (p) **“Excluded Claim”** means, without prejudice to the Applicants' right to seek amendments to this Claims Order and to propose a treatment of claims under the Plan and subject to further order of this Court, and only for the purposes of the claims process described herein:

- (i) Claims secured by the Directors' Charge or the Administration Charge, each as defined in the Initial Order, and any further charge as may be ordered by this Court;
  - (ii) Claims of the Directors pursuant to an indemnity from any Applicant which are not otherwise covered by the Directors' Charge;
  - (iii) Claims imposed by statute and referred to in Section 18.2 of the CCAA;  
and
  - (iv) Claims to be treated as unaffected pursuant to paragraph 43 of the Initial Order.
- 
- (q) **"Filing Date"** means June 18, 2009;
  - (r) **"Initial Order"** means the Order of the Honourable Mr. Justice Morawetz dated June 18, 2009, as amended, extended, restated or varied from time to time;
  - (s) **"Instruction Letter"** means the instruction letter to Creditors, in substantially the form attached as Schedule 'B' hereto, regarding the completion of a Proof of Claim by a Creditor and the claims process described herein;
  - (t) **"Known Creditor"** means:
    - (i) any Person that the financial or other records of an Applicant as of the Claim Date disclose had, or may be entitled to assert, a Claim, where monies in respect of such Claim remain unpaid in full or in part, without acknowledging in any respect the validity or existence of any such Claim;  
and
    - (ii) Secured Creditors;

- (u) **“Monitor”** means PricewaterhouseCoopers Inc.;
- (v) **“Notice of Revision or Disallowance”** means the notice delivered by the Monitor to a Creditor in accordance with paragraph 32 hereof which forms part of the Creditor’s Dispute Package, which shall be substantially in the form attached as Schedule ‘D’ hereto;
- (w) **“Notice to Creditors”** means the notice to Creditors for publication in accordance with paragraph 16 hereof, which shall be substantially in the form attached as Schedule ‘A’ hereto;
- (x) **“Other Insolvency Proceeding”** means any voluntary or involuntary bankruptcy, receivership, liquidation, winding up or other realization process or proceeding involving the Applicants at any time and in any jurisdiction, including but limited to any proceedings under the *Bankruptcy and Insolvency Act* (Canada) and the *United States Bankruptcy Code*, whereby the claims of creditors are determined and the assets of the Applicants are distributed for the benefit of their creditors;
- (y) **“Person”** means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, regulatory body or instrumentality thereof, legal personal representative or litigation guardian, or any other entity howsoever designated or constituted;
- (z) **“Plan”** means the proposed plan(s) of compromise or arrangement to be filed by the Applicants pursuant to the CCAA, as same may be amended, supplemented or restated from time to time;

- (aa) **“Proof of Claim”** means the form to be completed and filed by a Creditor setting forth its purported Claim, which shall be substantially in the form attached as Schedule ‘C’ hereto and which shall include all supporting documentation in respect of such Claim;
- (bb) **“Proof of Claim Document Package”** means a document package which shall include a copy of the Instruction Letter, a Proof of Claim and such other materials as the Monitor or Applicants may consider appropriate or desirable;
- (cc) **“Proven Claim”** means a Claim filed by the Claims Bar Date or the Restructuring Claims Bar Date, as the case may be, in respect of which the Monitor has not sent a Dispute Package to the Creditor asserting the Claim and which the Monitor accepts for voting and distribution purposes;
- (dd) **“Restructuring Claim”** means any right of any Person against one or more of the Applicants in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation or termination after the Filing Date of any contract, lease or other agreement whether written or oral provided, however a “Restructuring Claim” shall not include Excluded Claims;
- (ee) **“Restructuring Claims Bar Date”** means 5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or seven (7) calendar days prior to the date fixed by the Court for voting upon a Plan;

- (ff) **“Secured Creditor”** means any Creditor holding a Claim, any portion of which is, or was at the Claim Date, a Secured Claim;
  - (gg) **“Secured Claim”** means that portion of a Claim of a Secured Creditor that is: (i) secured by security validly charging or encumbering property or assets of any of the Applicants (including statutory and possessory liens that create security interests) up to the value of such collateral; and (ii) duly and properly perfected in accordance with the relevant legislation in the appropriate jurisdiction as of the Claim Date;
  - (hh) **“Supervising Judge”** means the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List);
  - (ii) **“U.S. Court”** means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 15 Proceedings;
  - (jj) **“Valuation Date”** means June 18, 2009;
  - (kk) **“Website”** means the website of the Monitor, [www.pwc.com/car-fraserpapers](http://www.pwc.com/car-fraserpapers).
3. **THIS COURT ORDERS** that all reference to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day in Toronto unless otherwise indicated herein.
4. **THIS COURT ORDERS** that all references to the word “including” shall mean “including without limitation”.

5. **THIS COURT ORDERS** that references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.

**General Provisions**

6. **THIS COURT ORDERS** that the Monitor is hereby authorized and directed to use reasonable discretion as to the adequacy of compliance with this Claims Order, including, without limitation, with respect to the manner and timing in which Proofs of Claim, Notices of Revision or Disallowance and Dispute Notices are completed executed and delivered and may, where the Monitor is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Claims Order as to completion execution and delivery of Proofs of Claim, Notices of Revision or Disallowance and Dispute Notices and request any further documentation the Monitor may require in order to enable it to determine the validity of a Claim.
7. **THIS COURT ORDERS** that any Claim denominated in any currency other than United States dollars shall, for the purposes of this Claims Order only (and without prejudice to the terms of any Plan which may be filed by the Applicants pursuant to the CCAA), be converted to and shall constitute obligations in United States dollars, such calculation to be effected using the Bank of Canada noon spot rate on the Valuation Date (exchange rate conversion on such date was: US\$1.00 = CAD\$1.1273).

**Monitor's Role in Claims Process**

8. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, shall implement and oversee the claims process provided for herein, including the determination of Claims of Creditors as provided for herein, and is hereby directed and

empowered to take such other actions and fulfill such other roles as are contemplated by this Claims Order.

9. **THIS COURT ORDERS** that the Monitor may apply to this Court for directions regarding its obligations in respect of the claims process provided for in this Claims Order.

10. **THIS COURT ORDERS** that the Monitor shall not have any responsibility or liability with respect to any information, confidential or otherwise, including without limitation, a Proof of Claim Document Package, a Creditor's Dispute Package or otherwise, distributed, circulated or released, whether intentional or unintentional, by the Monitor relating to the exercise of its powers and discharge of its obligations under this Claims Order. The Monitor shall be entitled to rely on the Applicants' advice and the Applicants' books and records for all purposes including establishing the names and addresses of Known Creditors. In addition to the rights and protections afforded to the Monitor under the CCAA and the Initial Order or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the fulfillment of its duties in the carrying out of the provisions of this Claims Order, save and except for any gross negligence or wilful misconduct on its part.

**Claims Officer**

11. **THIS COURT ORDERS** that the Honourable John D. Ground and such other Persons as may be designated by the Applicants, acceptable to the Monitor and approved by the Court, be and are hereby appointed as Claims Officers for the purpose of resolving any Disputed Claims in accordance with the claims process described herein.

12. **THIS COURT ORDERS** that, subject to the discretion of the Court, the Claims Officer shall determine the validity and amount of Disputed Claims in accordance with this Claims Order and, to the extent necessary, may determine whether any Claim or part thereof constitutes an Excluded Claim. The Claims Officer shall determine all procedural matters that may arise in respect of its determination, including the manner in which any evidence may be adduced. The Claims Officer shall have the discretion to determine by whom and to what extent the costs of any hearing before the Claims Officer shall be paid.
  
13. **THIS COURT ORDERS** that the Claims Officer shall be entitled to reasonable compensation for the performance of its obligations set out in this Claims Order on the basis of the hourly rate customarily charged by the Claims Officer in performing comparable functions to those set out in this Claims Order and any disbursements incurred in connection therewith. The fees and expenses of the Claims Officer shall be borne by the Applicants and shall be paid by the Applicants forthwith upon receipt of each invoice tendered by the Claims Officer.
  
14. **THIS COURT ORDERS** that the Administrative Charge (as defined in the Initial Order) is hereby amended and extended to include and to secure the fees and expenses of the Claims Officer provided for in this paragraph 14, and is hereby increased to the aggregate principal amount of \$850,000. The Administrative Charge as amended by this Claims Order shall continue to secure any claims in favour of the beneficiaries referred to in the Initial Order up to the aggregate amount of \$750,000, and shall also secure any claims of the Claims Officer up to the amount of \$100,000.

15. **THIS COURT ORDERS** that the Claims Officer shall incur no liability or obligation as a result of its appointment or the fulfilling of its duties in carrying out of the provisions of this Claims Order, save and except for any gross negligence or wilful misconduct on its part. The Applicants shall indemnify and hold harmless the Claims Officer with respect to any liability or obligation as a result of its appointment or the fulfilling of its duties in carrying out the provisions of this Claims Order, save and except for any gross negligence or wilful misconduct on its part. No action, application or other proceeding shall be commenced against the Claims Officer as a result of, or relating in any way to its appointment as the Claims Officer, the fulfillment of its duties as the Claims Officer or the carrying out of any Order of this Court except with leave of this Court being obtained, and notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the Claims Officer at least seven (7) days prior to the return date of any such motion for leave.

**Publication of Notice to Creditors**

16. **THIS COURT ORDERS** that the Monitor shall cause the Notice to Creditors to be published on or before August 12, 2009 in each of (i) The Globe and Mail (National Edition) and (ii) The Wall Street Journal (U.S. Edition).
17. **THIS COURT ORDERS** that electronic copies of the Claims Order, the Notice to Creditors and the Proof of Claim Document Package shall be posted on the Website.

**Notice to Known Creditors**

18. **THIS COURT ORDERS** that the Applicants shall advise the Monitor of all Known Creditors, including the amounts owed to all Known Creditors and their last known address pursuant to the Applicants' books and records, and that the Monitor shall be

entitled to rely on the accuracy and completeness of the information provided by the Applicants regarding the Known Creditors. For greater certainty, the Monitor shall have no liability in respect of the information provided to it regarding the Known Creditors and shall not be required to conduct any independent inquiry and/or investigation with respect to such information.

19. **THIS COURT ORDERS** that:

- (a) The Monitor shall send a copy of the Proof of Claim Document Package to each Known Creditor as soon as practicable to the last known address for such Creditor on the Applicants' books and records, but in no event later than 5:00 p.m. on or before August 14, 2009. The delivery of the Proof of Claim Document Package to a Creditor shall not constitute an admission by the Applicants or the Monitor of any liability of the Applicants to any Person;
- (b) The Monitor shall send a copy of the Proof of Claim Document Package to each Creditor with a Restructuring Claim that arose after the Filing Date but prior to the Restructuring Claims Bar Date as soon as practicable, but in any event, no later than twenty-one (21) days prior to the date fixed by this Court for voting upon a Plan; and
- (c) The Monitor shall send as soon as practicable following receipt of a request therefore and provided such request is received prior to the Claims Bar Date or Restructuring Claims Bar Date, a copy of the Proof of Claim Document Package to any Person claiming to be a Creditor and requesting such material, or in the

alternative, notify the purported Creditor that it may obtain an electronic copy of the Proof of Claim Document Package on the Website.

Any such service and delivery by the Monitor for all purposes under the Order shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada (other than within Ontario), and the tenth Business Day after mailing internationally; (ii) if sent by prepaid registered mail, on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada (other than within Ontario), and the tenth Business Day after mailing internationally; (iii) if by courier, on the next following Business Day for courier deliveries within Canada, and on the third following Business Day for courier deliveries outside of Canada; (iv) if sent by personal delivery, on the same date as delivery; (v) if sent by electronic communication, on the same date as the electronic communication is sent or, if sent on a day that is not a Business Day or after 5:00 (Eastern Standard Time) on a Business Day, the following Business Day; and (vi) if sent by fax, on the date on which the Monitor receives a successful facsimile transmission report or, if sent on a day that is not a Business Day or after 5:00 (Eastern Standard Time) on a Business Day, the following Business Day;

20. **THIS COURT ORDERS** that service and delivery of the Proof of Claim Document Package, the Creditor's Dispute Package and any other correspondence from the Monitor to any Creditor shall be by ordinary mail, prepaid registered mail, courier, personal delivery, electronic communication or facsimile transmission.

21. **THIS COURT ORDERS** that the Claims Bar Date shall be 5:00 p.m. (Eastern Standard Time) on September 30, 2009, or such later date as may be ordered by this Court.
  
22. **THIS COURT ORDERS** that the Restructuring Claims Bar Date shall be 5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or seven (7) calendar days prior to the date fixed by the Court for voting upon a Plan.
  
23. **THIS COURT ORDERS** that service by the Monitor of the Proof of Claim Document Package on Creditors and publication of the Notice to Creditors in the manner set forth herein shall constitute good and sufficient service upon the Creditors of notice of these proceedings, this Claims Order, the Claims Bar Date, the Restructuring Claims Bar Date and the related deadlines and procedures set forth herein, and that no other form of service or notice need be made by the Applicants or the Monitor to any Person, and no other document or material need be served on any Person in respect of the claims process detailed herein.
  
24. **THIS COURT ORDERS** that the form and substance of each of the Notice to Creditors, Instruction Letter, Proof of Claim, Notice of Revision or Disallowance and Dispute Notice substantially in the forms attached as Schedules 'A', 'B', 'C', 'D' and 'E' respectively to this Claims Order, are hereby approved. Despite the foregoing, the Applicants and the Monitor may, from time to time, make minor changes to such forms as the Applicants and the Monitor consider necessary or desirable.

**Filing of Proofs of Claim**

25. **THIS COURT ORDERS** that any Person asserting a Claim against one or more of the Applicants or the Directors shall file a Proof of Claim (including all supporting documentation) with the Monitor on or before the Claims Bar Date.
26. **THIS COURT ORDERS** that any Person asserting a Restructuring Claim against one or more Applicants or Directors shall file a Proof of Claim with the Monitor on or before the Restructuring Claims Bar Date.
27. **THIS COURT ORDERS** that each Creditor shall file a single Proof of Claim including each individual Applicant and/or Director against whom it asserts a Claim.
28. **THIS COURT ORDERS** that any Creditor that does not file a Proof of Claim as provided for in paragraphs 25, 26 and 27 hereof so that such Proof of Claim is actually received by the Monitor on or before the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, or such later date as the Monitor and the Applicants may agree in writing or this Court may otherwise order:
  - (a) shall be and is hereby forever barred from making or enforcing any Claim as against any Applicant and/or Directors, and all such Claims shall be forever extinguished;
  - (b) shall be and is hereby forever barred from making or enforcing any Claim as against any other Person who could claim contribution or indemnity from an Applicant and/or Director;
  - (c) shall not be entitled to any further notice of any Orders made or steps taken in these proceedings; and

(d) shall not be entitled to participate as a Creditor in these proceedings and shall not be entitled to vote at any meetings of Creditors or to receive any distribution in respect of a Plan.

29. **THIS COURT ORDERS** that Creditors with Excluded Claims shall not be required to file a Proof of Claim in this process, unless required to do so by further order of this Court.

**Determination of Claims**

30. **THIS COURT ORDERS** that the Monitor shall review each Proof of Claim received by the Claims Bar Date or Restructuring Claims Bar Date, as applicable, and shall either accept, revise or disallow the amount claimed for voting and/or distribution purposes under a Plan which may be filed by the Applicants. For greater certainty, and without limiting the foregoing, notwithstanding that the validity and quantum of a Claim as set out in a Proof of Claim may be accepted, in whole or in part, for voting purposes, the Monitor may dispute the validity or quantum of such Claim, in whole or in part, for distribution purposes in respect of a Plan.

31. **THIS COURT ORDERS** that the acceptance of any Claim by the Monitor or other determination of same in accordance with this Order, in full or in part, and whether for voting and/or distribution purposes, shall not constitute an admission of any fact, thing, liability, or quantum of any claim by any party, save and except in the context of the within proceedings and for the sole purposes of a Plan.

**Notices of Revision or Disallowance**

32. **THIS COURT ORDERS** that if the Monitor disputes the validity and/or amount of a Claim set forth in a Proof of Claim, in whole or in part, the Monitor:
- (a) may attempt to consensually resolve the validity and/or amount of the Claim with the Creditor; and/or failing such resolution
  - (b) shall send a Creditor's Dispute Package to the Creditor by no later than 5:00 p.m. (Eastern Standard Time) on October 23, 2009.
33. **THIS COURT ORDERS** that any Claim received by the Claims Bar Date or the Restructuring Claims Bar Date, as the case may be, in respect of which the Monitor does not send a Creditor's Dispute Package shall be deemed a Proven Claim.

**Dispute Notices**

34. **THIS COURT ORDERS** that any Creditor who receives a Creditor's Dispute Package and who does not agree with the amount of the Claim set out in the Notice of Revision or Disallowance, shall file a Dispute Notice with the Monitor by no later than 5:00 p.m. (Eastern Standard Time) on November 6, 2009.
35. **THIS COURT ORDERS** that if a Creditor who receives a Creditor's Dispute Package does not file a Dispute Notice in accordance with paragraph 34 hereof, then the value of such Creditor's Claim, as described by the Monitor in the Notice of Revision or Disallowance, for all purposes, including but not limited to voting on any Plan and any distribution to Creditors, shall be deemed to be accepted as final and binding in all respects.

36. **THIS COURT ORDERS** that, upon receipt of a Dispute Notice, the Monitor may attempt to consensually resolve the amount of the Claim for voting and/or distribution purposes with the Creditor and/or deliver a copy of the Creditor's Dispute Package and the Creditor's Proof of Claim to the Claims Officer for determination.
37. **THIS COURT ORDERS** that if the Monitor is unable to resolve the dispute in respect of a Claim, such Claim may be accepted by the Monitor and the Applicants for voting purposes only, in which case the Claim shall be determined for all other purposes, including but not limited to distribution, by a Claims Officer in accordance with paragraph 40 hereof.
38. **THIS COURT ORDERS** that, notwithstanding any other provisions of this Order, prior to a hearing date being set by the Claims Officer, (i) the Monitor or (ii) any Applicant may apply to this Court to seek leave to have a Claim determined by the Supervising Judge for voting and/or distribution purposes, rather than having the Claim first determined by the Monitor or secondly by the Claims Officer as provided herein.
39. **THIS COURT ORDERS** that, notwithstanding anything herein to the contrary, the Monitor or the Applicants may move before this Court to resolve or seek directions in respect of the validity, effect and/or quantum of any Claim or any other aspect of the claims process outlined in this Claims Order.

**Claims Officer's Hearing for Claims**

40. **THIS COURT ORDERS** that upon receipt of a Creditor's Dispute Package and the Creditor's Proof of Claim, the Claims Officer determining the dispute shall determine the Creditor's Claim for voting purposes. The Claims Officer reviewing the Disputed Claim

shall notify the Applicants, the Monitor and the Creditor of the Claims Officer's determination of the Creditor's Claim for voting purposes as soon as practicable after such determination. Notwithstanding anything contained in this Claims Order, subject to further order of the Court, nothing shall prejudice or delay the ability of the Applicants to hold a meeting of creditors.

41. **THIS COURT ORDERS** that upon receipt of a Creditor's Dispute Package and the Creditor's Proof of Claim the Claims Officer hearing the dispute shall schedule and conduct a hearing in Toronto to determine the value of the Creditor's Claim for distribution purposes. The Claims Officer hearing the dispute shall notify the Applicants, the Monitor and the Creditor of the Claims Officer's determination of the value of the Creditor's Claim for distribution purposes as soon as practicable thereafter, but in no event later than thirty (30) calendar days after the conclusion of the hearing of the Disputed Claim.
42. **THIS COURT ORDERS** that, in the discretion of the Claims Officer, the determination of a Disputed Claim for voting and distribution purposes may be made at a single hearing.
43. **THIS COURT ORDERS** that, subject to paragraph 12 hereof, the parties to the Disputed Claim may offer evidence in support of or in opposition to the Disputed Claim, and the Claims Officer shall determine the manner in which any such evidence may be brought before him by the parties, as well as any other procedural or evidentiary matters that may arise in respect of the hearing of a Disputed Claim, including, without limitation, the production of documents by any of the parties involved in the hearing of a

Disputed Claim; provided, for greater certainty, that the hearing on the Disputed Claim and all such determinations made therein and in connection therewith, including procedural or evidentiary matters, shall be made in accordance with applicable common law in the Province of Ontario.

44. **THIS COURT ORDERS** that the Claims Officer may, at any time, engage such advisors as it deems necessary or appropriate to inquire into and report on any questions of fact, opinion or law relating to the hearing of a Disputed Claim.

**Appeal of Claims Officer Determination**

45. **THIS COURT ORDERS** that the Applicants, the Monitor or the Creditor may, at his/her/its/their own expense, appeal the Claims Officer's determination of a Disputed Claim to this Court within ten (10) calendar days of notification of the Claims Officer's determination of such Creditor's Claim by serving upon the Applicants or the Creditor, as applicable, and the Monitor and filing with this Court a notice of motion returnable on a date to be fixed by this Court as soon as practicable. If an appeal is not filed within such period in strict accordance with this Order, then the Claims Officer's determination shall, subject to further order of this Court, be final and binding in all respects, with no further right of appeal.

46. **THIS COURT ORDERS** that any appeal of the Claims Officer's determination of a Disputed Claim shall be limited to an appeal for distribution purposes only.

47. **THIS COURT ORDERS** that, notwithstanding paragraph 45 and 46 hereof, findings of fact made by a Claims Officer in respect of a Disputed Claim shall be final and binding and shall not be subject to review on appeal to this Court, unless the Court determines

that said findings of fact made by the Claims Officer constitute a palpable and overriding error.

**Set-Off**

48. **THIS COURT ORDERS** that the Applicants may set-off (whether by way of legal, equitable or contractual set-off) against payments or other distributions to be made pursuant to a Plan to any Creditor, any claims of any nature whatsoever that any of the Applicants may have against such Creditor, however, neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Applicants of any such claim that the Applicants may have against such Creditor.

**Transfer of Claims**

49. **THIS COURT ORDERS** that if, after filing a Proof of Claim, the holder of a Claim transfers or assigns the whole of such Claim to another Person, neither the Monitor nor the Applicants shall be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the Monitor in writing and thereafter such transferee or assignee shall for the purposes hereof constitute the "Creditor" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Claims Order prior to receipt and acknowledgment by the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any defences and rights of set-off to which an Applicant may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claim assigned or transferred to it against or on

account or in reduction of any amounts owing by such Person to any of the Applicants. No transfer or assignment shall be received for voting purposes unless such transfer shall have been received by the Monitor at least ten (10) Business Days prior to the date fixed by the Court for voting upon a Plan.

50. **THIS COURT ORDERS** that if, after filing a Proof of Claim, the holder or subsequent holder of the whole of a Claim who has been acknowledged by the Monitor as the Creditor in respect of the Claim, transfers or assigns the whole of such Claim to more than one Person or part of such Claim to another Person or Persons, such transfer or assignment shall not create separate Claims and such Claim shall continue to constitute and be dealt with as a single Claim. Notwithstanding such transfer or assignment, the Applicants and the Monitor shall, in each such case, not be bound to recognize or acknowledge any such transfer or assignment and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and only to and with the Person last holding such Claim in whole as the Creditor in respect of such Claim, provided that such Creditor may, by notice in writing to the Monitor in accordance with paragraph 51, direct the subsequent dealings in respect of such Claim, but only as a whole. In such event, such transferee or assignee of the Claim shall be bound by any notices given or steps taken in respect of the whole of such Claim in accordance with this Claims Order.

**Service and Notice**

51. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, Proofs of Claim and Dispute Notices) to be given under this Claims Order by a Creditor to the Monitor shall be in writing in the form provided for in this Claims Order and will be sufficiently given only if delivered by regular mail, prepaid registered mail,

courier, personal delivery, electronic communication or facsimile transmission addressed to:

**By Registered Mail or Courier:**

PricewaterhouseCoopers Inc.  
Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.  
Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: mona.law@ca.pwc.com

Any such notice or other communication delivered by a Creditor shall be deemed to be received upon actual receipt by the Monitor thereof during normal business hours on a Business Day or, if delivered outside of normal business hours, on the next Business Day.

52. **THIS COURT ORDERS** that if, during any period in which notices or other communications are being given pursuant to this Claims Order, a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary mail and then not received shall not, absent further order of this Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery, or facsimile transmission in accordance with this Claims Order.

**Miscellaneous**

53. **THIS COURT ORDERS** that notwithstanding any other provision of this Claims Order, the solicitation by the Monitor or the Applicants of Proofs of Claim, and the filing by any

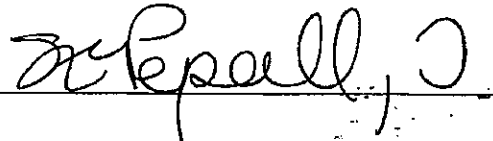
Person of any Proof of Claim shall not, for that reason only, grant any Person any standing or rights under any proposed Plan or constitute that Person as a Creditor for any purposes whatsoever.

54. **THIS COURT ORDERS** that nothing in this Claims Order shall constitute or be deemed to constitute an allocation or assignment of Claims or Excluded Claims by the Applicants into particular classes for the purposes of a Plan and, for greater certainty, the treatment of Claims and the classes of creditors for voting and distribution purposes shall be subject to the terms of any proposed Plan or further order of this Court.
55. **THIS COURT ORDERS** that if any Plan filed by the Applicants is not approved and the Applicants enter into any Other Insolvency Proceeding, the claims process established by this Claims Order may, at the option of the Applicants, constitute and be deemed to be the complete and final claims process for any such Other Insolvency Proceedings; subject to approval of this Claims Order and the claims process established herein and conducted hereunder by further Order of this Court and supplemental Order of the U.S. Court entered in connection with those Other Insolvency Proceedings.

**Effect, Recognition, Assistance**

56. **THIS COURT ORDERS** that the Applicants, the Monitor and the Claims Officer may, from time to time, apply to this Court for advice and directions in connection with any matter or thing relating to this Claims Order.
57. **THIS COURT ORDERS** that this Claims Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.

58. **THIS COURT ORDERS AND REQUESTS** the aid, recognition and assistance of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states or other subdivisions of the United States, including the U.S. court presiding over the Chapter 15 Proceedings, and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this order. Each of the Applicants and the Monitor shall be at liberty, and are hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such other steps, in Canada or in the United States, as may be necessary or advisable to give effect to this Order and any other Order granted by this Court.



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

JUL 15 2009

PER / PAR:



## SCHEDULE 'A'

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### NOTICE TO CREDITORS AND OTHERS OF FILING CLAIMS AS AGAINST:

**FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC.,  
FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER N.H. LLC**  
(collectively, the "CCAA Parties") and **THEIR FORMER AND CURRENT OFFICERS  
AND DIRECTORS** (collectively, the "Directors")

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### RE: NOTICE OF CLAIMS PROCESS, CLAIMS BAR DATE and RESTRUCTURING CLAIMS BAR DATE

**PLEASE TAKE NOTICE** that this notice is being published pursuant to an Order of the Superior Court of Justice of Ontario made July 15, 2009 (the "Claims Order"). The Court has ordered that the Court-appointed Monitor of the CCAA Parties, PricewaterhouseCoopers Inc. (the "Monitor"), send Proof of Claim Document Packages to the Known Creditors of the CCAA Parties as part of the Court-approved claims process (the "Claims Process"). All capitalized terms shall have the meaning given to those terms in the Claims Order.

The Claims Order, the Proof of Claim Document Package, additional Proofs of Claim and related materials may be accessed from the Monitor's web site at [www.pwc.com/car-fraserpapers](http://www.pwc.com/car-fraserpapers).

Please take notice that any person who believes that they have a Claim against any of the CCAA Parties or their former and/or current Directors that existed as at the date of the Initial Order must send a Proof of Claim to the Monitor to be received **before 5:00 p.m. (Eastern Standard Time) on September 30, 2009 (the "Claims Bar Date")**. Any person who believes that they have a Restructuring Claim against any of the CCAA Parties and/or Directors arising out of the restructuring, repudiation or termination after June 18, 2009 of any contract, lease or other agreement, whether oral or written, by any of the Applicants must send a Proof of Claim to the Monitor to be received **before 5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or seven (7) calendar days prior to the date fixed by the Court for voting upon a Plan (the "Restructuring Claims Bar Date")**.

**PROOFS OF CLAIM MUST BE RECEIVED BY THE MONITOR BY THE CLAIMS BAR DATE OR THE RESTRUCTURING CLAIMS BAR DATE OR THE APPLICABLE CLAIM WILL BE FOREVER BARRED AND EXTINGUISHED, INCLUDING ANY CLAIM(S) AGAINST THE DIRECTORS.**

Reference should be made to the Claims Order for the complete definition of "Claim" and "Restructuring Claim" to which the Claims Process applies.

The Monitor can be contacted at the following address to request a Proof of Claim Document Package for any other notices or enquiries with respect to the Claims Process:

PricewaterhouseCoopers Inc.  
Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.  
Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: [mona.law@ca.pwc.com](mailto:mona.law@ca.pwc.com)

## SCHEDULE 'B'

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**INSTRUCTION LETTER  
FOR THE CLAIMS PROCEDURE FOR  
FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC.,  
FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER N.H. LLC  
(collectively, the "Applicants") and THEIR FORMER AND CURRENT OFFICERS AND  
DIRECTORS (collectively, the "Directors")**

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### CLAIMS PROCESS

By Order of the Honourable Madam Justice Pepall dated July 15, 2009 (as may be amended from time to time, the "Claims Order") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA"), PricewaterhouseCoopers Inc., in its capacity as Court-appointed Monitor of the Applicants, has been authorized to conduct a claims process (the "Claims Process"). A copy of the Claims Order can be obtained from the Monitor's website at [www.pwc.com/car-fraserpapers](http://www.pwc.com/car-fraserpapers).

This letter provides general instructions for completing the Proof of Claim form. As of the date of this instruction letter, there have been no proposed plans of arrangement or compromise pursuant to the CCAA. Capitalized terms not defined within this instruction letter shall have the meaning set out in the Claims Order. You should review the Claims Order carefully for all terms defined therein.

The Claims Process is intended for any Person with a Claim of any kind or nature whatsoever, including a Restructuring Claim, other than an Excluded Claim, against any or all of the Applicants and/or Directors arising on or prior to June 18, 2009, whether unliquidated, contingent or otherwise or arising out of the restructuring, repudiation or termination after June 18, 2009 of any contract, lease or other agreement, whether oral or written, by any of the Applicants .

All notices and inquiries with respect to the Claims Process should be directed to the Monitor by regular mail, prepaid registered mail, courier, personal delivery, electronic communication or facsimile transmission at the address below:

PricewaterhouseCoopers Inc., the Court-appointed Monitor of the Applicants

#### **By Registered Mail or Courier:**

PricewaterhouseCoopers Inc.  
Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.

Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: [mona.law@ca.pwc.com](mailto:mona.law@ca.pwc.com)

**FOR CREDITORS SUBMITTING A PROOF OF CLAIM FORM**

If you believe that you have a Claim against any or all of the Applicants and/or Directors you must file a Proof of Claim form with the Monitor. All Proofs of Claim for Claims arising prior to June 18, 2009 must be received by the Monitor **before 5:00 pm (Eastern Standard Time) on September 30, 2009 (the "Claims Bar Date")**, unless the Monitor and the Applicants agree in writing or the Court orders that the Proof of Claim be accepted after that date. All Proofs of Claim for Restructuring Claims arising out of the restructuring, repudiation or termination after June 18, 2009 of any contract, lease or other agreement, whether oral or written, by any of the Applicants must be received by the Monitor **before 5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or seven (7) calendar days prior to the date fixed by the Court for voting upon a Plan (the "Restructuring Claims Bar Date")**. If your claim is not received by the Claims Bar Date or Restructuring Claims Bar Date, it will be forever barred and extinguished and you will not be entitled to participate in any Plan.

All Claims are to be filed in the currency of the transactions. For the purposes of the Claims Process only (and without prejudice to the terms of any plan of arrangement or compromise) Claims in foreign currency will be converted to United States dollars at the Bank of Canada noon spot rate as at the Valuation Date (exchange rate conversion on such date was US\$1.00 = CAD\$1.1273).

Additional Proof of Claim forms can be obtained from the Monitor's website at [www.pwc.com/car-fraserpapers](http://www.pwc.com/car-fraserpapers) or by contacting the Monitor at 1-877-332-1688 or [fpmonitor@ca.pwc.com](mailto:fpmonitor@ca.pwc.com) and by providing the particulars as to your name, address, facsimile number, email address and contact person. Once the Monitor has this information, you will receive, as soon as practicable, additional Proof of Claim forms.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

## SCHEDULE 'C'

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### PROOF OF CLAIM

**FOR CREDITORS OF FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER N.H. LLC (Each an "Applicant" and collectively, the "Applicants") and THEIR FORMER AND CURRENT OFFICERS AND DIRECTORS (collectively, the "Directors")**

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Please read carefully the enclosed Instruction Letter for completing this Proof of Claim form. Capitalized terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Order of the Superior Court of Justice (Commercial List) dated July 15, 2009, as may be amended from time to time (the "Claims Order").

**1. PARTICULARS OF CREDITOR:**

(a) Full Legal Name of Creditor (include trade name, if different):

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(the "Creditor"). The full legal name should be the name of the Creditor of the Applicant(s), notwithstanding whether an assignment of a Claim, or a portion thereof, has occurred prior to or following June 18, 2009.

(b) Full Mailing Address of the Creditor:

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The mailing address should be the mailing address of the Creditor and not any assignee.

(c) Other Contact Information of the Creditor:

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Attention (Contact Person): \_\_\_\_\_

(d) Has the claim set out herein been sold, transferred or assigned by the Creditor to another party?

Yes       No

2. **PARTICULARS OF ASSIGNEE(S) (IF APPLICABLE)**

*If the Claim set out herein has been sold, transferred or assigned, complete the required information set out below. If there is more than one assignee, please attach a separate sheet that contains all of the required information set out below for each assignee.*

(a) Full Legal Name of Assignee:

\_\_\_\_\_  
\_\_\_\_\_

(b) Full Mailing Address of the Assignee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other Contact Information of the Assignee:

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Attention (Contact Person): \_\_\_\_\_

3. **PROOF OF CLAIM – CLAIM AGAINST THE APPLICANT(S)**

**THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:**

(a) That I:

am a Creditor of one or more of the Applicants; OR

am

\_\_\_\_\_  
(state position or title)

of

\_\_\_\_\_  
(name of Creditor)

- (b) That I have knowledge of all the circumstances connected with the Claim described and set out below;
- (c) The Applicant(s) was and still is indebted to the Creditor as follows (include all Claims that you assert against the Applicant(s). Claims should be filed in the currency of the transactions, with reference to the contractual rate of interest, if any, and such currency should be indicated as provided below in respect of the following Claim(s):

(complete using original currency and amount)

Applicant	(i) Amount of Claim Outstanding prior to June 18, 2009	(ii) Amount of Restructuring Claim	(iii) Total Claim (Sum of (i) and (ii))	Secured	Unsecured
<input type="checkbox"/> Fraser Papers Inc.	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> FPS Canada Inc.	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Fraser Papers Holdings Inc.	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Fraser Timber Ltd.	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Fraser Papers Limited	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Fraser N.H. LLC	\$ _____	\$ _____	\$ _____	<input type="checkbox"/>	<input type="checkbox"/>

*For the purposes of the Claims Order only (and without prejudice to the terms of any plan of arrangement or compromise), Claims will be converted to United States dollars at the Bank of Canada noon spot rate as at the Valuation Date. (The exchange rate conversion on such date was: US\$1.00 = CAD\$1.1273).*

**4. NATURE OF CLAIM – Complete ONLY if you are asserting a Secured Claim**

**(CHECK AND COMPLETE APPROPRIATE CATEGORY)**

Applicant: \_\_\_\_\_

Secured Claim of \$ \_\_\_\_\_  
(Original Currency and amount)

In respect of this debt, I hold security over the assets of the Applicant(s) valued at \$ \_\_\_\_\_,  
(Original Currency and amount)

the particulars of which security and value are attached to this Proof of Claim form.

Unsecured Claim of \$ \_\_\_\_\_  
(Original Currency and amount)

*(Give full particulars of the security, including the date on which the security was given the value which you ascribe to the assets charged by your security, the basis for such valuation and attach a copy of the security documents evidencing the security.)*

*(If you are asserting multiple secured claims, against one or more of the Applicants, please provide full details of your security against each of the Applicants)*

**5. PARTICULARS OF CLAIM**

Other than as already set out herein, the particulars of the undersigned's total Claim against the Applicant(s) are attached on a separate sheet.

*Provide all particulars of the Claim and supporting documentation that you feel will assist in the determination of your Claim. At a minimum, you are required to provide the invoice date, invoice number, the amount of each outstanding invoice and the related purchase order number. Further particulars may include the following if applicable: a description of the transaction(s) or agreement(s) giving rise to the Claim; contractual rate of interest (if applicable); name of any guarantor which has guaranteed the Claim; details of all credits, discounts, etc. claimed; description of the security if any, granted by the affected Applicant(s) to the Creditor, the estimated value of such security and the basis for such valuation; and the particulars of any Restructuring Claim.*

**6. PROOF OF CLAIM – CLAIMS AGAINST THE DIRECTOR(S)**

**THIS SECTION SHOULD ONLY BE COMPLETED BY A CREDITOR ASSERTING A CLAIM AGAINST THE DIRECTOR(S). A CREDITOR ASSERTING A CLAIM ONLY AGAINST THE APPLICANT(S) MUST NOT COMPLETE THIS SECTION.**

**THE UNDERSIGNED HEREBY CERTIFIES AS FOLLOWS:**

(a) That I:

am a Creditor of one or more of the Director(s); **OR**

am

\_\_\_\_\_ (state position or title)

of

\_\_\_\_\_ (name of Creditor)

(b) I assert a claim against the following Director(s) (please list below the individual Directors:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(c) That I have knowledge of all the circumstances connected with the Claim described and set out below;

(d) The Director(s) was and still is indebted to the Creditor as follows (include all Claims that you assert against the Director(s). Claims should be filed in the currency of the transactions, with reference to the contractual rate of interest, if any, and such currency should be indicated as provided below) in respect of a Claim arising on or prior to June 18, 2009:

\_\_\_\_\_ \$ \_\_\_\_\_  
(Original Currency)

(e) The Director(s) was and still is indebted to the Creditor as follows in respect of a Restructuring Claim arising on or after June 18, 2009:

\_\_\_\_\_ \$ \_\_\_\_\_

*For the purposes of the Claims Order only (and without prejudice to the terms of any plan of arrangement or compromise), Claims will be converted to United States dollars at the Bank of Canada noon spot rate as at the Valuation Date. (The exchange rate conversion on such date was: US\$1.00 = CAD\$1.1273).*

**7. NATURE OF CLAIM – Complete ONLY if you are asserting a Secured Claim against the Directors**

**(CHECK AND COMPLETE APPROPRIATE CATEGORY)**

Unsecured Claim of \_\_\_\_\_ \$ \_\_\_\_\_  
(Original Currency and amount)

Secured Claim of \_\_\_\_\_ \$ \_\_\_\_\_  
(Original Currency and amount)

In respect of this debt, I hold security over the assets of the Director(s) valued at  
\$ \_\_\_\_\_,  
(Original Currency and amount)

the particulars of which security and value are attached to this Proof of Claim form.

*(Give full particulars of the security, including the date on which the security was given the value which you ascribe to the assets charged by your security, the basis for such valuation and attach a copy of the security documents evidencing the security.)*

#### 8. PARTICULARS OF CLAIM

Other than as already set out herein, the particulars of the undersigned's total Claim against the Director(s) are attached on a separate sheet.

*Provide all particulars of the Claim and supporting documentation that you feel will assist in the determination of your Claim, including the amount, description of transaction(s) and/or agreement(s) giving rise to the Claim, reasons for asserting the Claim against the Director(s) personally, name of any guarantor which has guaranteed the Claim, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Director(s) to the Creditor and estimated value of such security and the particulars of any Restructuring Claim.*

#### 9. FILING OF CLAIM

This Proof of Claim form must be received by the Monitor by no later than **5:00 p.m. (Eastern Standard Time) on September 30, 2009**, unless a Restructuring Claim is being asserted in which case the Proof of Claim form related to your Restructuring Claim only must be received by the Monitor by no later than **5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or seven (7) calendar days prior to the date fixed by the Court for voting upon a Plan (the "Restructuring Claims Bar Date")**, by either regular mail, prepaid registered mail, personal delivery, courier, electronic communication or facsimile transmission at the following address:

PricewaterhouseCoopers Inc., the Court-appointed Monitor of the Applicants

**By Registered Mail or Courier:**

PricewaterhouseCoopers Inc.

Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.,  
Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: [mona.law@ca.pwc.com](mailto:mona.law@ca.pwc.com)

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

Name of Creditor:

\_\_\_\_\_  
(Name)

Per: \_\_\_\_\_

Name:  
Title:  
(please print)

## SCHEDULE 'D'

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### NOTICE OF REVISION OR DISALLOWANCE FOR VOTING AND/OR DISTRIBUTION PURPOSES

FOR CREDITORS OF FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER N.H. LLC (Each an "Applicant" and collectively, the "Applicants") and THEIR FORMER AND CURRENT OFFICERS AND DIRECTORS (collectively, the "Directors")

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TO:

\_\_\_\_\_  
(Name of Creditor)

Capitalized terms not defined within this Notice of Revision or Disallowance shall have the meaning ascribed thereto in the order of the Ontario Superior Court of Justice (Commercial List) dated July 15, 2009 (the "Claims Order"). All dollar values contained herein are in United States dollars unless otherwise noted.

Pursuant to paragraph 34 of the Claims Order, PricewaterhouseCoopers Inc., in its capacity as Court-appointed Monitor of the Applicants, hereby gives you notice that the Monitor, with the assistance of the Applicants, has reviewed your Proof of Claim and has revised or disallowed your Claim. Subject to further dispute by you in accordance with the Claims Order, your Claim will be allowed or disallowed as follows:

(a) **Fraser Papers Inc.**

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$ _____	\$ _____	\$ _____
Secured Claim	\$ _____	\$ _____	\$ _____
Restructuring Claim	\$ _____	\$ _____	\$ _____

(b) FPS Canada Inc.

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

(c) Fraser Papers Holdings Inc.

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

(d) Fraser Timber Ltd.

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

(e) Fraser Papers Limited

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

(f) Fraser N.H. LLC

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

(g) Claim against Directors

	<u>Proof of Claim Amount</u>	<u>Amount Allowed by Monitor for:</u>	
		<u>Voting</u>	<u>Distribution</u>
Unsecured Claim	\$	\$	\$
Secured Claim	\$	\$	\$
Restructuring Claim	\$	\$	\$

REASON(S) FOR THE REVISION OR DISALLOWANCE

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**SERVICE OF DISPUTE NOTICES**

If you intend to dispute this Notice of Revision or Disallowance, you must deliver to the Monitor a Dispute Notice (in the form enclosed) by **5:00 p.m. (Eastern Standard Time) on November 6, 2009** either by regular mail, prepaid registered mail, personal delivery, courier, electronic communication or facsimile to the following address. In accordance with the Claims Order, notices are deemed to have been received on the date of actual receipt thereof during normal business hours on a Business Day or if delivered outside of normal business hours, on the next Business Day.

PricewaterhouseCoopers Inc., the Court-appointed Monitor of the Applicants

**By Registered Mail or Courier:**

PricewaterhouseCoopers Inc.  
Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.  
Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: [mona.law@ca.pwc.com](mailto:mona.law@ca.pwc.com)

**IF YOU FAIL TO FILE YOUR DISPUTE NOTICE BY 5:00 P.M. (EASTERN STANDARD TIME) ON NOVEMBER 6, 2009, THE VALUE OF YOUR CLAIM WILL BE DEEMED TO BE ACCEPTED AS FINAL AND BINDING AS SET OUT IN THIS NOTICE OF REVISION OR DISALLOWANCE.**

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

**SCHEDULE 'E'**

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**DISPUTE NOTICE**

**FOR VOTING AND/OR DISTRIBUTION PURPOSES  
FOR CREDITORS OF FRASER PAPERS INC., FPS CANADA INC., FRASER PAPERS  
HOLDINGS INC., FRASER TIMBER LTD., FRASER PAPERS LIMITED, FRASER  
N.H. LLC (Each an "Applicant" and collectively, the "Applicants") and THEIR FORMER  
AND CURRENT OFFICERS AND DIRECTORS (collectively, the "Directors")**

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Name of Applicant(s) and/or Directors against which a Claim is asserted:

\_\_\_\_\_

**1. Particulars of Creditor**

(a) Full Legal Name of Creditor (include trade name, if different):

\_\_\_\_\_

(the "Creditor").

(b) Full Mailing Address of the Creditor:

\_\_\_\_\_

\_\_\_\_\_

(c) Other Contact Information of the Creditor:

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Attention (Contact Person): \_\_\_\_\_

**2. Particulars of original Creditor from whom you acquired the Claim, if applicable:**

(a) Have you acquired this Claim by assignment? If yes, if not already provided, attach documents evidencing assignment.

Yes       No

(b) Full Legal Name of original creditor(s): \_\_\_\_\_

**3. Dispute of Revision or Disallowance of Claim for Voting and/or Distribution Purposes**

*For the purposes of the Claims Order only (and without prejudice to the terms of any plan of arrangement or compromise) claims in a foreign currency will be converted to United States dollars at the Bank of Canada noon spot rate as at the Valuation Date (exchange rate conversion on such date was: US\$1.00 = CAD\$1.1273).*

The Creditor hereby disagrees with the value of its Claim as set out in the Notice of Revision or Disallowance and asserts a Claim as follows:

	<b>Amount Allowed by Monitor for</b>			<b>Amount Claimed by Creditor for:</b>	
	<u><b>Voting</b></u>	<u><b>Distribution</b></u>		<u><b>Voting</b></u>	<u><b>Distribution</b></u>
Unsecured Claim	\$ _____	\$ _____	Unsecured Claim	\$ _____	\$ _____
Secured Claim	\$ _____	\$ _____	Secured Claim	\$ _____	\$ _____
Restructuring Claim	\$ _____	\$ _____	Restructuring Claim	\$ _____	\$ _____

**If you are Disputing a Claim against more than one of the Applicants, please complete a Dispute Notice for each disputed Claim.**

**REASON(S) FOR THE DISPUTE**

*(You must include a list of reasons as to why you are disputing your Claim as set out in the Notice of Revision or Disallowance.)*

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**SERVICE OF DISPUTE NOTICES**

If you intend to dispute the Notice of Revision or Disallowance, you must deliver to the Monitor this Dispute Notice by **5:00 p.m. (Eastern Standard Time) on November 6, 2009** either by regular mail, prepaid registered mail, personal service, courier, electronic communication or facsimile transmission to the following address. In accordance with the Claims Order, notices shall be deemed to be received upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day.

PricewaterhouseCoopers Inc., the Court-appointed Monitor of the Applicants

**By Registered Mail or Courier:**

PricewaterhouseCoopers Inc.  
Monitor of Fraser Papers Inc., FPS Canada Inc., Fraser Papers Holdings Inc.  
Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC  
77 King Street West  
P.O. Box 82, Suite 3000  
Royal Trust Tower, TD Centre  
Toronto, ON M5K 1G7

Attention: Ms. Mona Law  
Telephone: (416) 941-8383 ext. 14294  
Fax: (416) 814-3219  
Email: [mona.law@ca.pwc.com](mailto:mona.law@ca.pwc.com)

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

Name of Creditor:

\_\_\_\_\_  
(Name)

Witness

\_\_\_\_\_  
Per: Name:  
Title:  
(please print)

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

**CLAIMS ORDER**

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