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

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

MONITOR'S FIFTH REPORT TO THE COURT

October 20, 2009

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

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

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

INTRODUCTION

1. On June 18, 2009, Fraser Papers Inc. (**"FPI"**), FPS Canada Inc. (**"FPSC"**), Fraser Papers Holdings Inc. (**"Fraser Holdings"**), Fraser Timber Ltd., Fraser Papers Limited and Fraser N.H. LLC (collectively, the **"Fraser Group"** or the **"Applicants"**) made an application under the *Companies' Creditors Arrangement Act* (the **"CCAA"**) and an initial order (the **"Initial Order"**) was granted by the Honourable Mr. Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) granting, *inter alia*, a stay of proceedings in respect of the Applicants until July 17, 2009 (the **"Stay Period"**) and appointing PricewaterhouseCoopers Inc. as monitor (the **"Monitor"**). The proceedings commenced by the Applicants under the CCAA will be referred to herein as the **"CCAA Proceedings"**.

2. On June 19, 2009, the Applicants sought and obtained recognition and provisional relief in an ancillary proceeding pursuant to Chapter 15 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

3. On June 26, 2009, the Applicants also sought and were granted an Order stating that the Applicants shall not make past service contributions or special payments to fund any going concern unfunded liability or solvency deficiency of the Pension Plans during the Stay Period. The Monitor filed its second report on June 25, 2009 to provide the Court with pertinent information with respect to the Applicants' pension plans.

4. On July 15, 2009, the Applicants sought and were granted an Order of the Honourable Madame Justice Pepall, extending the Stay Period to October 16, 2009. In addition, amendments to the DIP financing term sheets between Brookfield Asset Management ("**BAM**") and the Applicants and CIT Business Credit Canada Inc. ("**CIT**") and the Applicants, and an amendment to the existing credit facility with GNB, were also authorized. A Claims Process Order and amendments to the Initial Order, both as described in the Monitor's Third Report, were also approved on July 15, 2009.

5. On September 8, 2009, motions were brought by several different parties seeking to act as representatives for or for the appointment of representative counsel in respect of various groups of current and former employees.

6. By Endorsement dated September 17, 2009 (the "Representative Party Endorsement"), the Honourable Justice Pepall appointed Davies Ward Phillips and Vineberg LLP ("Davies") as representative counsel for all employees and former employees not already represented by counsel, with Davies' fees being paid by the Applicants. At the same time, existing counsel for the Communication, Electrical and Paperworkers Union (the "CEP") and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "USW") were confirmed as representing all former members of their respective unions. The CEP's request that its fees be paid by the Applicants was denied. The USW's original request for funding was withdrawn prior to the return of the motion.

7. On October 1, 2009, the CEP served a Notice of Motion for Leave to Appeal the decision of the Honourable Justice Pepall denying funding, as reflected in the Representative Party Endorsement.

8. As of October 20, 2009 no formal Orders have been issued in respect of the Representative Party Endorsement. We understand that the draft forms of Order relating to Davies and the USW have been settled, but that the form of Order relating to the CEP remains unsettled and resulted in the parties' attendance before Madam Justice Pepall on October 9, 2009. The Monitor understands, however, that there is no uncertainty with respect to the groups of employees and retirees that each of Davies, the CEP and the USW represent, such that each of Davies, the CEP and the USW are representing those parties as set out in the Representative Party Endorsement.

9. Also on September 8, 2009, the Applicants sought and obtained an Order amending the Initial Order, including in respect of the advances secured by the CIT DIP charge, all as described in the Monitor's Fourth Report.

10. The extension of the stay of proceedings approved by the Court on July 15, 2009 was due to expire on October 15, 2009. On October 9, 2009, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay Period by eight days to October 23, 2009. This short extension was purely an administrative matter to accommodate the court schedule and does not reflect any concerns regarding the progress of the restructuring.

11. The purpose of this, the Monitor's fifth report (the "**Fifth Report**"), is to provide the Court with information pertaining to:

    a) The current status of the Applicants' operations;

    b) The Applicants' receipts and disbursements for the period from June 29 to October 4, 2009 (the **"Period"**), including a variance analysis of actual cash flows as compared to forecast cash flows;

    c) The Applicants' cash flow forecast for the nine week period from October 5 to December 6, 2009 (the "**9 Week CFF**");

    d) The status of the Claims Process;

e) Updates on various employee related matters;

f) The status of Chapter 15 proceedings;

g) The Applicants' restructuring efforts; and

h) The Applicants' request for an extension of the Stay of Proceedings.

12. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. Dollars. Capitalized terms used herein not otherwise defined are as defined in the Initial Order, the Monitor's First, Second, Third and Fourth Reports, in the affidavits of J. Peter Gordon sworn June 17, 2009, July 10, 2009 and October 19, 2009 (the **"October 19 Gordon Affidavit"**), and as defined in the Claims Process Order.

13. The Monitor has based this report, in part, on information it has obtained from the Applicants but has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this Report.

14. Some of the information referred to in this report consists of forecast and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed. Future-oriented financial information referred to in this report was prepared by the Applicants based on Management's estimates and assumptions. Readers are cautioned that, since these projections are based upon assumptions about future events and conditions, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

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

15. In general, since July 15, 2009, the Applicants' operations have continued in the normal course, as forecast. Fraser Papers continues to sell product to its customers and has received the necessary support from its suppliers to procure required manufacturing materials and services. Updates with respect to each specific operation are detailed below:

Madawaska and Gorham Paper Mills

16. The Company's two paper mills in Madawaska, Maine and Gorham, New Hampshire operated in the normal course, notwithstanding the challenging market conditions in the North American paper industry. Paper shipments from the two mills from July to September, 2009 (**"Q3 2009"**) were in line with 2008 levels but, as in 2008, market related downtime had to be taken to match paper production with customer orders.

Edmundston Operations

17. As noted in the Monitor's Fourth Report, the Edmundston sulphite mill restarted pulp production in late August, 2009, after the unions ratified a new collective agreement which included wage and benefit reductions to allow the mill to be more competitive (as described in more detail below). The Monitor understands that the ramp up of production at the mill has gone as planned and that the mill is now running at approximately 90% of operating capacity.

18. During the shutdown of the Edmundston sulphite mill the Applicants purchased market pulp to meet the production needs of the Madawaska paper mill, but incurred substantial fixed costs related to the sulphite mill closure, as discussed in more detail below.

19. The groundwood pulp mill and CoGen Facility were shut for scheduled maintenance in June, 2009 and have operated at planned levels since their restart late June, 2009.

20. The Edmundston operations (including the groundwood pulp mill and CoGen Facility) have been allocated $23.2 million of credits ($33.1 million for the Applicants overall) from the Canadian Government's $1 billion Pulp and Paper Green Transformation Plan which is designed to improve the environmental performance and energy efficiency of the Canadian pulp and paper industry (as expanded in more detail in paragraph 58.h).

Masardis Lumber Mill

21. The Masardis lumber mill, which had been operating at the time of the Initial Order, was shut down in early August once its log inventory had been fully consumed. Two key requirements for its re-start were: (i) the re-start of the Edmundston sulphite mill, which uses the Masardis lumber mill's by-product chips as a raw material; and (ii) favourable payment terms from log suppliers as the Applicants do not have sufficient working capital to fund their working capital needs. During August, the Monitor understands the Applicants secured sufficient log supply on favourable payment terms which, when coupled with the re-start of the Edmundston sulphite mill, enabled the Company to re-open the Masardis lumber mill in late August, 2009.

Plaster Rock Lumber Mill

22. As detailed in the prior Monitor's reports, the Government of New Brunswick ("**GNB**") provided the Applicants with DIP financing of up to CAD$9.0 million to fund the completion of the Plaster Rock lumber mill modernization project. As of October 20, 2009, the Monitor understands that the Applicants have substantially completed the construction and plan to complete testing and equipment tie-ins over the next few weeks. The Applicants estimate that the final cost of the modernization project will be approximately $17.0 million, or $0.6 million lower than originally budgeted. As of October 16, 2009, the Applicant's have utilized CAD$5.3 of the CAD$9.0 million GNB DIP facility that can only be used to fund the modernization project.

23. The Applicants current 9 Week CFF contemplates a restart of the Plaster Rock lumber mill in mid-November, 2009.

24. The Applicants' other two lumber mills are not expected to re-start until there is a significant increase in demand and/or pricing for lumber, which will likely only occur once there is a significant increase in US residential construction activity.

Thurso Pulp Mill

25. As detailed in the October 19 Gordon Affidavit, the Applicants operate a pulp mill in Thurso Quebec (the **"Thurso Mill"**) that was indefinitely shutdown in June 2009, prior to the CCAA Filing, due to poor market conditions and significant losses. The current market price for pulp remains below the cash break even point for the Thurso mill and, as a result, the mill remains closed.

26. Since the shutdown, the Applicants have continued to seek solutions in an effort to restart the mill. To date, the Monitor understands that the Applicants:

    a) have reached agreement with the Ministry of Economic Development, Innovation and Export of the Quebec Government (the **"MEDIE"**) on October 6, 2009, to reimburse the Applicants' cost to maintain the Thurso pulp mill from October 6, 2009 until February 1, 2010. During this period, the Applicants will work with the MEDIE to identify a strategic partner and develop a business plan that would enable a re-start of the mill;

    b) were successful in obtaining a revised collective bargaining agreement (the **"New Thurso CBA"**) with the unionized work force, which would reduce the future operating costs. It is the intention to seek ratification of the New Thurso CBA once the Applicants develop a business plan that would see a restart of the mill; and

    c) have been allocated $9.9 million of credits (in addition to $23.2 million of credits allocated to the Edmundston operations) from the Canadian Government's $1 billion Pulp and Paper Green Transformation Plan which is designed to improve the environmental performance and energy efficiency of the Canadian pulp and paper industry (as expanded in more detail in paragraph 58.h).

B. RECEIPTS AND DISBURSEMENTS FOR THE PERIOD FROM JUNE 29 TO OCTOBER 4, 2009

27. The Applicants' actual net cash flow for the 14 week period from June 29 to October 4, 2009 exceeded the forecasted cash flow included in the Monitor's Third Report to the Court (the **"Third Report Forecast"**) by approximately $11.0 million, as summarized below.

28. Notwithstanding this positive variance, the Monitor notes that there was still a net cash out flow of $3.2 million (after receipt of the GNB DIP Financing) during the period which, as noted in the October 19 Gordon Affidavit, is due to a combination of difficult market conditions, the protracted Edmundston sulphite mill shutdown, the carrying costs of the shutdown at other mills, the impact of the high employee costs (many of which have now been lowered, as a result of agreements reached between the Applicants and the respective employee groups), market-related downtime being taken and restructuring related costs.

For the Period from June 29, 2009 to October 4, 2009			
$000	**Actual** [N1]	**Forecast** [N1]	**Variance**
			Fav/(Unfav)
Total Receipts	149,235	136,585	12,650
Disbursements:			
Raw Material Costs	67,646	71,514	3,868
Productions Overhead Costs	16,916	17,100	184
Selling, General & Admin Costs	18,726	18,116	(610)
Employee Costs	33,721	32,939	(782)
Pre-filing Debt Interest & Other Bank Charges	806	1,268	461
DIP Interest & Fees	890	1,384	494
Capital Expenditures - Plaster Rock	5,694	5,918	224
Capital Expenditures - Other	1,147	1,488	342
Other	11,571	6,344	(5,227)
Total Disbursements	157,118	156,072	(1,046)
Net Cash Flow before GNB DIP Financing	(7,883)	(19,487)	11,604
GNB DIP Financing Advances	4,669	5,237	(568)
Net Cash Flow after GNB DIP Financing	**(3,214)**	**(14,250)**	**11,036**
Opening Cash	9,109	7,369	1,740
Net BAM/CIT DIP Loan Advances/(Repayments)	(491)	8,352	(8,843)
Ending Total Cash	5,404	1,471	3,933
N1 - Certain forecast and actual disbursements have been recategorized for comparative purposes.			

29. Detailed explanations for each of the above variances are provided in Appendix A, but in summary, the principal reasons the cash flow has been better than forecast is:

a) The $12.7 million favourable receipts variance is primarily due to higher collections due to better than forecast sales at certain mills, coupled with receipt of amounts collected on behalf of other Brookfield companies (which were not forecast);

b) The $1.0 million unfavourable variance in disbursements is primarily due to increased purchases related to higher than forecast sales at certain of the mills and repayment of the monies received on behalf of other Brookfield companies (as noted above, which were also not forecast) offset by lower disbursements due to extended downtime at the Edmundston pulp mill, general deferral of expenditures where possible, lower than anticipated sales at the Madawaska paper mill and lower than expected payments in respect of pre-filing liabilities.

30. The Applicants were able to repay the $491,000 of DIP Financing utilized as at June 28, 2009 during the Period, and the actual DIP Financing utilized at October 4, 2009 was nil.

C. APPLICANTS' CASH FLOW FORECAST FOR THE PERIOD FROM OCTOBER 5, 2009 TO DECEMBER 6, 2009

31. The Applicants have prepared a revised and extended cash flow forecast for the period of October 5 to December 6, 2009, a copy of which is attached hereto as Appendix B.

32. The 9 Week CFF forecasts that the Applicants will incur a net negative cash flow of approximately $14.4 million during the period, comprised of total receipts of $93.2 million and total disbursements of $107.6 million, which is to be funded by the $5.4 million of cash on hand as at October 5, 2009 and utilization of $10.4 million of DIP Financing (inclusive of $0.9 million of DIP funding from the GNB to fund the Plaster Rock plant modernization project).

33. Significant factors contributing to the negative cash flow of $14.4 million include:

a) Forecasted cash operating losses of $5.5 million, primarily due to a maintenance outage at the Edmundston CoGen Facility, anticipated market related downtime and the costs associated with care and maintenance at the Applicants' non-operating facilities;

b) $5.6 million increase in working capital requirements, primarily due to an increase in wood inventory related to the re-opening of the Plaster Rock mill and a seasonal inventory buildup;

c) $2.8 million of capital expenditures related to the completion of the Plaster Rock modernization project ($1.0 million) and maintenance capital expenditures at the operating facilities ($1.8 million); and

d) $1.2 million of CCAA related restructuring costs.

34. The principal assumptions utilized in the 9 week CFF include:

a) Mills – the Edmundston, Madawaska, Gorham and Masardis mills remain open, the Plaster Rock mill is assumed to re-start operations in mid-November 2009 (conditional upon securing an adequate supply of wood and a favourable Canadian dollar exchange rate), and the Juniper, Thurso and Ashland mills are expected to remain closed;

b) Receipts - accounts receivable collections have been estimated based on revenue forecasts and historic collections experience;

c) Disbursements – Disbursements include payments of certain pre-filing amounts and post-filing amounts are forecast to be paid on reduced credit terms;

d) Pricing and other assumptions – Pulp and energy costs are forecasted to increase, however, no other significant changes in input prices (e.g. paper, lumber, or biomass prices);

e) Pension Obligations – current service costs have been forecast to be paid in the normal course of operations. Pursuant to the June 26 Order, no payments on account of past service contributions or special payments to fund any going concern unfunded liability or solvency deficiency of the pension plans during the Stay Period have been forecast;

f) Interest payments – interest and fees are paid on the CIT and CIBC pre-filing loans and the DIP Loans (based on the CIT and GNB DIP Loan Financing Agreements); and

g) Restructuring costs – professional fees associated with the CCAA Proceedings relating to Applicants' US and Canadian legal counsel, the Monitor and its legal counsel and Davies have been included based on estimates of amounts expected to be incurred during the period.

35. Based on the cash on hand as at October 5, 2009, coupled with the forecast availability under the DIP Financing, the Applicants appear to have sufficient liquidity to fund the net cash outflow during the 9 Week CFF period.

D. STATUS OF THE CLAIMS PROCESS

36. The Monitor has previously reported the following actions taken in accordance with the Claims Process Order:

a) On August 7, 2009, the Monitor sent Proofs of Claim Document Packages by regular mail to all Known Creditors for completion and submission to the Monitor and to other creditors upon request. To date, the Monitor has sent in excess of 1,800 Proof of Claim Document Packages to vendors and 220 Proof of Claim Document Packages to employees;

b) The Monitor has and continues to send copies of the Proof of Claim Document Package to each Creditor with a Restructuring Claim that has arisen as soon as practicable. To date, the Monitor and the Applicants have sent six Proof of Restructuring Claim Document Packages to creditors;

c) The Monitor caused a Notice to Creditors to be published on or before August 12, 2009, in each of (a) the national edition of The Globe and Mail; and (b) The Wall Street Journal (U.S. Edition), calling for claims against the Applicants in order to identify Unknown Creditors. On August 11, 2009, the Monitor also caused a Notice to Creditors to be published in each of the following local newspapers: (a) Telegraph Journal; (b) Bangor Daily News; (c) Berlin Daily Sun; and (d) Le Droit, calling for claims against the Applicants in order to identify Unknown Creditors;

d) On August 11, 2009, copies of the Notice to Creditors, the Proof of Claim Document Package and the Claims Process Order were posted online at the Monitor's Website at www.pwc.com/car-fraserpapers.

37. Pursuant to paragraph 21 of the Claims Process Order, Proof of Claims were required to be filed by Creditors by the Claims Bar Date of September 30, 2009 or such later date as may be ordered by this Court, failing which, any Claims of such Creditors would be forever barred and extinguished.

38. As noted in the October 19, 2009 Gordon Affidavit, in September the Applicants agreed to an extension of the Claims Bar Date from September 30, 2009 to October 23, 2009 for claims filed on behalf of employee and retiree groups represented by Davies. In order to ensure that all Proof of Claims filed by or on behalf of employees and retirees (whether individually, or by a representative on their behalf) are treated equally, the Applicants and the Monitor agreed to extend the Claims Bar Date to October 23, 2009 for all employee and retiree claims.

39. On October 16, 2009 Davies requested a further extension of the Claims Bar Date and the Applicants and the Monitor have now agreed to a further extension to October 30, 2009. As mentioned above, in order to ensure all Proof of Claims filed by or on behalf of employees and retirees are treated equally, the Applicants propose that the Claims Bar Date for all employees and retiree claims be extended to October 30, 2009. The Monitor

is of the view that that the extended Claims Bar Date to October 30, 2009 for all employee and retiree claims is appropriate in the circumstances.

40. The Applicants and the Monitor also agreed to extend the Claims Bar Date to October 19, 2009 for certain tax authorities to allow sufficient time to assess the quantum of their claims.

Non-Employee Related Creditor Claims

41. As of 5pm on September 30, 2009, the Claims Bar Date, the Monitor had received 996 Proof of Claims totalling $146.2 million from creditors (including claims filed by lenders, but excluding employee related claims and restructuring claims). The Monitor, in coordination with the Applicants, is in the process of reviewing the Proof of Claims filed.

42. As of close of business on October 16, 2009, 7 claims totalling $75 million from CIBC and BAM were accepted, including $50 million of contingent claims related to BAM's secured guarantee of CIT's and CIBC's pre-filing loans of $25.0 million each. 890 claims from other creditors totalling $28.4 million were accepted for voting and distribution purposes. Notices of Revision or Disallowance (the **"Notices of Revision"**) totalling $1.2 million were issued to creditors for claims allowed in full or in part, of which 25 relate to claims disallowed in full. This excludes Notices of Revision for Proof of Claims filed against the wrong entity and subsequently allowed against another entity.

43. As of October 16, 2009, 1 claimant has filed a notice disputing their Notice of Revision. The notice of dispute is against 2 entities totalling $0.6 million, which the Monitor is currently reviewing.

44. As of close of business on October 16, 2009 74 Proof of Claims totalling $41.6 million are still under review. For Proof of Claims subject to the September 30, 2009 Claims Bar Date, Notices of Revision must be issued no later than October 23, 2009.

45. As of the date of this Report, the Monitor has received 12 proofs of claim filed after the Claims Bar Date in the approximate amount of $0.1 million. The Monitor intends to issue Notices of Revision in respect of same by October 23, 2009.

Employee Claims

46. As of October 16, 2009 the Monitor had received 106 employee related Proofs of Claims totalling $185.5 million. The Monitor, in conjunction with the Applicants, is in the process of reviewing the employee Proofs of Claim and has until November 23, 2009 (assuming the requested extension of the Claims Bar Date and date by which Notice of Revision is granted) to accept or issue Notices of Disallowance in respect of same. Details on these claims have been forwarded to Davies to ensure there is no double counting of claims.

Restructuring Claims

47. Pursuant to paragraph 22 of the Claims Process Order, Restructuring Proof of Claims are required to be filed by Creditors by the date which is the earlier of thirty calendar days after the event giving rise to the Restructuring Claim or seven days prior to the date fixed by the Court for voting upon a Plan.

48. As of October 16, 2009, the Monitor had received 28 completed Restructuring proofs of claim with a value totalling $27.1 million. To date, the Monitor has reviewed and disallowed 23 proofs of claim totalling $0.3 million.

Modifications to the Claims Order

49. The Applicants are seeking a number of modifications to the Claims Order. These modifications are not substantive in nature, and clarify a number of dates in respect of Proofs of Claim, Notices of Disallowance and Restructuring Claims.

E. EMPLOYEE MATTERS

Representative Counsel

50. As discussed above, the Representative Party Endorsement was issued on September 17, 2009.

51. The Monitor understands that information requested by Davies and counsel for the CEP is being provided by the Applicants on a timely basis, to enable Proofs of Claim for their respective constituencies to be filed by October 30, 2009.

52. The Applicants continue to have discussions with Davies regarding their role as representative counsel and CCAA matters relating to the employees represented by Davies. The monitor has participated in several discussions with the Applicants and Davies relating to Davies' fees and Davies' ongoing appointment as representative counsel.

Employee Incentive Program

53. Senior management has developed and implemented a Key Employee Incentive Program (the "**KEIP**") in order to provide recognition and incentive to motivate key employees critical to the Applicant's restructuring process. KEIPs are not uncommon in CCAA proceedings and paragraph 8(c) of the Initial Order specifically authorizes the payment of same.

54. A list of 34 employees was established by senior management. The total potential dollar value to be paid out under the KEIP is less than $0.5 million. Each participant in the KEIP must achieve specific performance related criteria during the period from June 1 to December 1, 2009 in order to receive payment. The Monitor is satisfied that the KEIP developed by the Applicants is appropriate in the circumstances.

F. STATUS OF CHAPTER 15 PROCEEDINGS

55. On August 3, 2009, the U.S. Court granted a motion recognizing the July 15, 2009 Amended and Restated CCAA Order authorizing amendments to the DIP financing term

sheets between BAM and the Applicants and CIT and the Applicants. An amendment to the existing credit facility with the GNB was also authorized.

56. On August 5, 2009, the U.S. Court granted a motion recognizing the Canadian Claims Process Order approved by this Honourable Court on July 15, 2009.

G. RESTRUCTURING EFFORTS

57. The Applicants continue to diligently pursue the restructuring of their operations and financial structure, with a view to establishing a sustainable and profitable specialty-papers business, focused on the Edmundston, New Brunswick, Madawaska, Maine.

58. Details are provided in the October 19 Gordon Affidavit but, in summary, the Applicants have made progress with the following initiatives to date:

a) On August 11, 2009, the Applicants reached a new three year CBA with the unionized employees of the Edmundston pulp mill, including agreement on the following significant matters:

i. Cost reductions in wages and benefits of approximately 4% as compared to the rates in the previous CBA, with agreed increases of 2% in each of years two and three, subject to positive pre-tax earnings after capital expenditures;

ii. Permanent reduction of 42 full time positions;

iii. Replacement of the current defined benefit pension benefit with a defined contribution pension benefit for future services, effective November 1, 2009; and

iv. A reduction in vacation pay from 2.4% to 2.0%.

b) The Applicants have completed a review of material contracts and have repudiated six contracts, with the consent of the Monitor, which should support the Applicants' efforts to improve the competitiveness of their business.

c) As discussed in paragraph 22, the Plaster Rock lumber mill modernization project is substantially complete, and management anticipates completing testing and equipment tie-ins over the next few weeks. The Applicants' 9 Week CFF contemplates a restart of the Plaster Rock lumber mill in mid-November, 2009.

d) On October 15, 2009, the Applicants reached a new four year CBA with the unionized employees at the Plaster Rock lumber mill, which includes the following key terms:

   i. A wage reduction of approximately 4% in the first of the agreement, as compared to the previous CBA, followed by increases of 0.5%, 1% and 2% in the three subsequent years, combined with a profit-sharing formula; and

   ii. Replacement of the current defined benefit pension benefit with a defined contribution benefit for future services, effective November 1, 2009.

e) On September 15, 2009, approximately 250 letters were issued to non-union salaried employees advising them that effective November 1, 2009, their pension benefits will be earned as a defined contribution rather than under the existing defined benefit arrangements (a copy of the letters issued are included in Appendix C).

f) In late September, 2009, the Applicants provided letters to retirees and active salaried employees in respect of changes to the existing post-retirement programs. The amendments are designed to rationalize the coverage from multiple plans to one common plan in each of Canada and the U.S., and to reflect benefit coverage provided by government plans. The Applicants expect that the amendments, effective November 1, 2009 for U.S. retirees and January 1, 2010 for Canadian retirees, will significantly reduce the unfunded liability (estimated at $46.8 million as of December 31, 2008) and future funding requirements.

g) With respect to the Applicants' efforts to replace defined benefit pension benefits with defined contribution pension benefits, the Applicants have notified the pension plan regulatory authorities and all current employees affected.

h) The Applicants applied to the federal Government's $1 billion Pulp and Paper Green Transformation Plan and on October 13, 2009 they were advised that they have been allocated C$33.1 million in credits. The program is designed to improve the environmental performance and energy efficiency of the Canadian pulp and paper industry, The Applicants will receive funds as a reimbursement of qualifying capital projects completed by March 31, 2012. The Company is developing plans for a number of projects and expects to submit them for approval in the coming weeks.

59. However, as outlined in the October 19 Gordon Affidavit, prior to a restructuring plan being finalized, a number of key matters still have to be resolved, including:

a) Negotiating new collective bargaining agreements for the Madawaska paper mill unionized employees to improve the cost competitiveness of the mill;

b) Renegotiating certain provisions of the long term "Power Sale Agreement" with NB Power covering sales of electricity from the CoGen facility to NB Power;

c) Reaching agreement with the beneficiaries of the Applicants' defined benefit pension plans to ensure that historic pension obligations can be addressed in a manner that does not negatively impact the opportunity for a specialty papers business to be preserved; and

d) Obtaining "exit" financing, from the existing or new senior lenders and restructuring the Applicants' existing secured debt to support a restructuring.

60. The Monitor notes that there is considerable uncertainty as to whether all of the above can be achieved in the short time available (i.e. the Applicants' significant negative cash flow forecast means that satisfactory arrangements in respect of all of the outstanding

matters must be achieved in the near term, failing which any restructuring could be jeopardized).

H. REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

61. The Initial Order provided for a stay of proceedings until July 17, 2009. The stay of proceedings was subsequently extended by further orders of this Court until October 23, 2009. As noted in the materials filed with this Court, the Applicants have filed a motion to extend the Stay Period to and including December 4, 2009.

62. The extension of the Stay Period to December 4, 2009 will allow the Applicants to continue to develop the framework for a successful restructuring, particularly in respect of the principal outstanding matters noted above, and will also allow the Applicants to further advance the processing of creditor claims.

63. As described earlier in this report, the Applicants have prepared an updated weekly cash flow forecast for the 9 week period ending December 6, 2009, which indicates that the Applicants will have sufficient liquidity to sustain ordinary course operations through the proposed extension of the Stay Period.

64. The Monitor is not aware of any material adverse changes to the Applicants' operations in Canada or the U.S. not otherwise detailed in this or prior reports, since the commencement of the Stay Period on June 18, 2009.

65. Based on the foregoing, it is the Monitor's view that the Applicants have acted in good faith and with diligence in their efforts to develop a restructuring plan for the benefit of all stakeholders. The Monitor is also of the view that an extension of the Stay Period to December 4, 2009 is in the best interest of all stakeholders.

66. As noted above, the Monitor is of the view that the modifications to the Claims Order are appropriate in the circumstances.

67. Accordingly, the Monitor respectively recommends that this Honourable Court approve the extension of the stay period to December 4, 2009, as well as the modifications to the Claims Order.

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

Dated at Toronto, this 20th day of October 2009.

PricewaterhouseCoopers Inc.
in its capacity as Monitor of
Fraser Papers Inc. et al

John McKenna

John McKenna
Senior Vice President

Appendix A

Variances between Cash Flow Forecast and actual R&D

A Comparison of the Initial Forecast to the actual Receipts and Disbursements for the Period of June 29 to October 4, 2009 (the **"Period"**) is shown below:

For the Period from June 29, 2009 to October 4, 2009			
$000	**Actual [N1]**	**Forecast [N1]**	**Variance Fav/(Unfav)**
Total Receipts	149,235	136,585	12,650
Disbursements:			
Raw Material Costs	67,646	71,514	3,868
Productions Overhead Costs	16,916	17,100	184
Selling, General & Admin Costs	18,726	18,116	(610)
Employee Costs	33,721	32,939	(782)
Pre-filing Debt Interest & Other Bank Charges	806	1,268	461
DIP Interest & Fees	890	1,384	494
Capital Expenditures - Plaster Rock	5,694	5,918	224
Capital Expenditures - Other	1,147	1,488	342
Other	11,571	6,344	(5,227)
Total Disbursements	157,118	156,072	(1,046)
Net Cash Flow before GNB DIP Financing	(7,883)	(19,487)	11,604
GNB DIP Financing Advances	4,669	5,237	(568)
Net Cash Flow after GNB DIP Financing	(3,214)	(14,250)	11,036
Opening Cash	9,109	7,369	1,740
Net BAM/CIT DIP Loan Advances/(Repayments)	(491)	8,352	(8,843)
Ending Total Cash	5,404	1,471	3,933
N1 - Certain forecast and actual disbursements have been recategorized for comparative purposes.			

Set out below are explanations for the significant variances summarized in the table above.

RECEIPTS

A $12.6 million favourable variance with respect to cash receipts due to the following:

i. A positive timing variance of $8.4 million related to collections managed on behalf of Katahdin Paper Company LLC (**"Katahdin"**) as well as Brookfield Asset Management Inc. (**"Brookfield"**) for whom the Applicants perform credit and collection services. These funds were re-directed and disbursed to the intended recipients during the period (these disbursements are shown in the "other" disbursement line);

ii. A $4.8 million favourable permanent variance in the collection of trade accounts receivable primarily due to lower downtime and the resulting increase in sales at Gorham (16 machine weeks less downtime) and Masardis (3 weeks less downtime), partially offset by 4 machine weeks of additional downtime and lower associated sales at the Madawaska paper mill.

iii. A favourable temporary variance of approximately $0.4 million relating to better than expected collections in the last week of the Period; and

iv. An unfavourable temporary variance of approximately $1 million due to July, 2009 GST refunds that have been delayed pending a CRA audit.

DISBURSEMENTS

Raw Material Costs

A favourable variance of approximately $3.9 million in Raw Material Costs as a result of the following:

i. A favourable permanent variance of approximately $1.9 million related to the extended outage at the Edmundston sulphite mill, coupled with lower production at the Madawaska paper mill;

ii. A net favourable permanent variance of approximately $1.4 million related to lower than forecast pre-filing payments offset by increased purchases due lower downtime at Gorham (16 machine weeks less downtime) and Masardis (3 weeks less downtime);

iii. A favourable temporary variance of approximately $0.6 million in vendor payments which reversed in the following week.

Production Overhead Costs

A favourable variance of approximately $0.2 million in Production Overhead Costs primarily due to:

i. An unfavourable temporary variance of approximately $0.6 million related to payments made during the last week of the Period but forecasted in the following week;

ii. An unfavourable permanent variance of approximately $0.4 million due to higher production volumes at Gorham and Masardis, for the reasons as noted above; and

iii. A favourable permanent variance of approximately $1.3 million due to the delayed re-start of the Edmundston sulphite mill.

Selling, General & Administration ("SG&A")

An unfavourable variance of approximately $0.6 million in SG&A costs is primarily due to the following:

i. An unfavourable permanent variance of approximately $0.9 million relating to higher than forecast restructuring costs; and

ii. A favourable net variance of approximately $0.3 million due to lower pre-filing payments offset by increased disbursements due to the better than forecast sales at Gorham and Masardis and under budgeted shipping and freight charges.

Employee Costs

An unfavourable variance of approximately $0.8 million in Employee Costs is primarily due to the following:

i. An unfavourable permanent variance of approximately $0.7 million for the Gorham and Masardis mills, due to increased/earlier activity as noted above, resulting in increased employee time;

ii. An unfavourable permanent variance of approximately $0.5 million related to certain salary costs incurred in the first week of the reporting Period but forecasted in the week prior; and

iii. A favourable permanent variance of approximately $0.4 million related to lower employee costs associated with the Thurso mill shutdown.

Pre-filing Debt Interest & Other Bank Charges

A favourable $0.5 million temporary variance resulting from forecasted Pre-filing Debt Interest and Other Bank Charges paid after the Period.

DIP Interest & Fees

A favourable permanent variance of approximately $0.5 million relating to forecasted DIP interest that was not incurred, as the Applicants borrowed nominal amounts during the Period versus forecasted borrowings of up to $7.0 million.

Capital Expenditures – Plaster Rock

A favourable temporary variance of approximately $0.2 million due to the timing of capital payments made after the Period towards the Plaster Rock modernization project.

Capital Expenditures – Other

A favourable variance of approximately $0.3 million due to a temporary deferral of certain capital expenditures.

Other Disbursements

An unfavourable variance of approximately $5.2 million in Other Disbursements due primarily to the following:

i. An unfavourable temporary variance of approximately $9.6 million related to amounts paid by Fraser Papers to Brookfield and Katahdin, as detailed above, $1.2 million of which was collected prior to the Period;

ii. A favourable permanent variance of approximately $4.4 million related to lower costs associated with the later than forecast re-start of the Edmundston sulphite mill and a reduction in the replenishment of spare parts inventory.

Other

Since the filing date, the Applicants have made disbursements in connection with pre-filing liabilities totalling $1.6 million.

Opening Cash Balances

The actual opening balance of cash on June 29, 2009 was $9.1 million, as compared to a forecast balance of $7.4 million. The favourable variance of $1.7 million relates to post-filing disbursements that were double counted in the previous cash flow forecast and subsequently reversed, thereby resulting in an increase to the opening cash book balance.

<u>Appendix B</u>

9 Week Cash Flow Forecast

Fraser Paper Inc Consolidated
Combined 9 Week Cash Flow Forecast
USD (in 000's)

Week #	1	2	3	4	5	6	7	8	9		
Week Beginning	**5-Oct**	**12-Oct**	**19-Oct**	**26-Oct**	**2-Nov**	**9-Nov**	**16-Nov**	**23-Nov**	**30-Nov**	**9 Week**	
Receipts											
Collection of Trade Accounts Receivable	9,447	10,117	9,469	9,469	9,469	9,664	9,658	9,658	9,658	86,609	Note 1
Collection of Other Accounts Receivable	24	3,715	423	49	67	1,661	534	49	67	6,587	Note 2
Total Receipts	9,471	13,832	9,892	9,518	9,536	11,324	10,192	9,707	9,725	93,196	
Disbursements:											
Raw Material Costs	7,025	4,688	6,795	6,665	7,120	6,749	8,146	6,941	8,920	63,050	Note 3
Production Overhead Costs	546	592	643	819	743	706	761	764	659	6,234	Note 4
Selling, General & Admin Costs	931	1,167	911	972	911	911	949	949	1,017	8,719	Note 5
Employee Costs	1,736	3,290	1,914	3,717	1,906	3,410	2,061	3,628	2,716	24,379	Note 6
Pre-filing Debt Interest & Other Bank Charges	12	12	12	12	12	12	12	12	12	112	Note 7
DIP Interest & Fees	15	250	15	52	15	15	15	17	57	450	Note 8
Capital Expenditures - Plaster Rock	227	129	105	92	414	-	-	-	-	967	Note 9
Capital Expenditures - Other	235	235	235	235	187	187	187	187	110	1,796	Note 10
Other	351	238	162	33	305	238	54	475	39	1,896	Note 11
Total Disbursements	11,079	10,602	10,791	12,597	11,615	12,229	12,187	12,975	13,530	107,603	
Net Cash Inflow/(Outflow)	**(1,607)**	**3,230**	**(899)**	**(3,079)**	**(2,079)**	**(904)**	**(1,995)**	**(3,268)**	**(3,805)**	**(14,407)**	
Gov't of NB Capital Funding	201	114	93	81	366	-	-	-	-	856	Note 12
Cash Flow After Gov't of NB Capital Funding	**(1,406)**	**3,344**	**(806)**	**(2,998)**	**(1,712)**	**(904)**	**(1,995)**	**(3,268)**	**(3,805)**	**(13,551)**	
Opening Cash Balance	5,404	3,998	7,342	6,536	3,538	1,826	1,400	1,400	1,400	5,404	
DIP Funding	-	-	-	-	-	478	1,995	3,268	3,805	9,547	Note 13
Closing Cash Balance	**3,998**	**7,342**	**6,536**	**3,538**	**1,826**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	
Cumulative DIP Draws excluding Gov't of NB	-	-	-	-	-	478	2,473	5,742	9,547	9,547	

This Cash Flow Forecast must be read in conjunction with the Notes and Assumptions attached hereto and the Monitor's 5th Report dated October 20, 2009.

Fraser Papers Inc. and Subsidiaries
Unaudited Combined 9 Week Cash Flow
Notes and Assumptions

1 Collection of Third Party Trade Accounts Receivables consist of receipts from the Paper and Lumber operations. The timing of receipt is based on historical collection patterns.

2 Collection of Other Accounts Receivable is comprised of a quarterly management fee paid by Katahdin Paper Company LLC ("Katahdin"), an affiliate of BAM, in return for Fraser Papers managing Katahdin's facilities, as well as the collection of GST.

3 Raw Material Costs represent materials required for production, primarily fibre and chemicals costs. The raw material disbursements are based on historical costs and expected required purchases throughout the 9 week period, and arrangements that have been negotiated with suppliers.

4 Production Overhead Costs primarily represent supplies and consumables, repairs and maintenance and property taxes. These costs are based on forecast production levels, historical costs incurred on a mill level and expected costs based on the forecast operations of each of the mills and arrangements that have been negotiated with suppliers. In October, the Madawaska paper mill has been projected to shutdown for a week and the Edmunston Pulp operation for two weeks. In mid-November, Plaster Rock is expected to recommence operations.

5 Selling, General and Admin costs primarily represent shipping and freight, general and admin fees and insurance payments. Costs are based on historical expenses, adjusted for known changes in these disbursement levels, the amount of credit being provided by suppliers and arrangements that have been negotiated with these suppliers.

6 Employee Costs represent salaries, wages, vacation pay, current service pension contributions and other post-employment benefits. Hourly payroll, salary costs and benefits are based on the forecast headcount at each mill. No amounts are forecast to be paid in respect of past service costs.

7 Pre-filing interest charges are in respect of the CIT and CIBC pre-filing debt.

8 DIP Interest and Fees are based on the DIP Loan Financing Agreements of BAM, CIT and the Province of New Brunswick.

9 Plastic Rock Capital Expenditures represent the forecasted costs to complete the Plaster Rock modernization project.

10 Capital Expenditures Other - primarily represent forecast maintenance cap-ex at the operating facilities.

11 Other expenses primarily represent regular general and administrative costs pertaining to each mill, as well as professional fees in respect of the CCAA Process.

12 Government of NB Capital Funding represents funding received in respect of the Plaster Rock lumbermill's modernization project (note, funding received excludes sales taxes).

13 DIP Funding represent advances received by the Applicants pursuant to the DIP Loan Financing Agreements with BAM and CIT.

14 The Consolidated 9 Week Cash Flow is denominated in USD. A US$/C$ exchange rate of $0.92 has been assumed throughout the 9 Week Cash Flow Forecast.

<u>Appendix C</u>

Letters from Applicants to active employees participating in DB benefit plan

FraserPapers

Date: September 15, 2009

To: Juniper Employees

Participating Member's of the Juniper Component of the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (Registration Number 0251256)

Cc: Superintendent of Pensions

From: Bernie LeBlanc and Bill Peterson

Subject: Notice of Amendment to Pension Plan

You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company wishes to advise you of amendments it is making to the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (the "Plan"). Your pension benefits will, effective November 1, 2009, be earned under a new defined contribution provision of the Plan (the "DC Provision"), rather than under the existing defined benefit arrangements (the "DB Provision"). You are receiving this letter to provide details about the amendment to the Plan and information about the new DC Provision that will apply to you.

Effective Date

The changes detailed in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The Plan will be amended to cease all future benefit accruals under the current DB Provision. As of November 1, 2009, you will not earn any additional credited service and pension benefit under the DB Provision.

Earnings after October 31, 2009 will not be used in determining your Pensionable Earnings or benefit entitlement under the DB Provision.

What Will Happen to Your Frozen Juniper Plan Benefit

At the time of your retirement, and subject to any reductions to the benefit resulting from the underfunding of the Plan, the accrued benefit under the DB Provision will be equal to the accrued benefit as determined on October 31, 2009. The Plan provides that your accrued benefit is equal to the sum of benefits earned each year that you were a member of the DB Provision. You will receive your annual pension statement shortly that will provide information regarding your December 31, 2008 accrued benefit.

Monthly benefit from DB Provision at age 65

For example and for illustrative purpose only, an employee that is age 50 with 25 years of credited service earning an annual salary of $50,000 as at October 31, 2009 will have an estimated monthly benefit of $1,124.80 at age 65 determined as follows:

A) Accrued monthly pension for the period January 1, 2009 to October 31, 2009:

- 1.25% x $41,666.67 ÷ 12 months = $43.40 plus

B) Accrued monthly pension as at December 31, 2008 from Annual Benefit Statement = $1,081.40

Note that if the employee retires before the age of 65 and elects to take their monthly benefit at that time, the benefit will be reduced to reflect the early retirement provisions of the Plan.

Please note that this sample calculation is provided in accordance with the Plan as it exists today. The Plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the Plan. There can be no certainty that pension regulators or the financial status of the plans in general will not require that payments to current or future pensioners be reduced. As of the date of this notice, the Superintendent of Pensions has ordered the Company to cease making commuted values transfers from the Plan.

Defined Contribution Plan Benefit

Pension benefits for service after October 31, 2009 will be earned under the new DC Provision of the Plan which is comparable to the plan which was made available to all Juniper employees who have joined the Company since December 31, 2004. Contributions under the DC Provision are as follows:

A) Fraser Papers will contribute to your account an amount equal to 3% of your Earnings including salary and bonus up to an annual earnings maximum of $225,000.

B) Employees are required to contribute an amount equal to 3% of your Earnings through payroll deduction.

You will be automatically enrolled in the DC Provision on November 1, 2009. Contributions will be invested in the Beutel Goodman Balanced Fund, the default account for the DC Provision. Once we have completed the set-up of your account, expected by mid-October, you can change your investment options by going online at **www.sunlife.ca/member,** calling Sun Life at **1-866-733-8612** or completing an enrollment form. Enrollment forms will be provided during the month of October.

If You Have Questions

If you have questions about the Plan amendments or wish to obtain further information about the DC Provision, please contact Bernie LeBlanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

If you would like to submit comments on the amendment you may send your comments to the Company and/or to the New Brunswick Superintendent of Pensions at the following address:

New Brunswick Superintendent of Pensions
Office of Pensions
Department of Justice and Consumer Affairs
Province of New Brunswick
PO Box 6000, Fredericton, NB
E3B 5H1

Bernard LeBlanc

Director, Pension Administration

Bill Peterson

Director, Human Resources

FraserPapers

Date: September 15, 2009

To: New Brunswick Salaried Employees

Participating member of the Pension Equity Plan Component of the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (Registration Number 0251256)

Cc: Superintendent of Pensions

From: Bernie LeBlanc and Bill Peterson

Subject: Notice of Amendment to Pension Plan

You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company wishes to advise you of amendments it is making to the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (the "Plan"). Your pension benefits will, effective November 1, 2009, be earned under a new defined contribution provision of the Plan (the "DC Provision"), rather than under the existing defined benefit arrangements (the "DB Provision"). You are receiving this letter to provide details about the amendment to the DB Plan and information about the new DC Provision that will apply to you.

Effective Date

The changes detailed in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The Plan will be amended to cease all future benefit accruals under the current DB Provision. As of November 1, 2009, you will not earn any additional credited service and pension credits under the Pension Equity Plan Component or be eligible to accrue under any other part of the DB Provision.

Earnings after October 31, 2009 will not be used in determining your Best 5 Year Average Earnings or benefit entitlement under the DB Provision.

What Will Happen to Your Frozen Pension Equity Plan Benefit

At the time of your retirement, and subject to any reductions to the benefit resulting from the underfunding of the Plan, the accrued benefit under the DB Provision will be determined according to your pensionable earnings as of October 31, 2009 multiplied by your credited service accumulated as at October 31, 2009.

For example and illustrative purposes only, an employee that is age 50 with 28 years of credited service as at October 31, 2009 will have accumulated a 176% of pension credit or an annual benefit of 22.4% (28 years multiplied by 0.80% per year) of their five-year average earnings. If the employee has five-year average earnings of $70,000 as of October 31, 2009, the employee would be eligible to select one of the following benefits from the DB Provision:

Using the formulas in the plan, the calculated Monthly benefit from DB Provision at age 65 would be as follows:

The employee would receive a monthly payment of $1,306.67 at age 65 calculated as follows:

28 years x 0.80% x $70,000 ÷ 12 months = $1,306.67 per month.

Note that if the employee retires before the age of 65 and elects to take the monthly benefit at that time, the benefit will be reduced to reflect the early retirement provisions of the Plan.

Or using the formula in the Plan, the commuted value benefit would be

The employee would be able to elect to receive a commuted value payment of $123,200 instead of a monthly benefit (which must be transferred to a locked-in RRSP) as follows:

$70,000 X 176% (pension credit earned) = $123,200

Please note that these sample calculations are provided in accordance with the Plan as it exists today. The Plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the Plan. There can be no certainty that pension regulators or the financial status of the plans in general will not require that payments to current or future pensioners be reduced. As of the date of this notice the Superintendent of Pensions has ordered the Company to cease making commuted values transfers the Plan.

Defined Contribution Plan Benefit

Pension benefits for service after October 31, 2009 will be earned the new DC Provision which is comparable to the plan which was made available to all employees who have joined the Company since December 31, 2004. The contributions under DC Provisions are as follows:

A) Fraser Papers will contribute to your account an amount equal to 3% of your Earnings, which includes salary and bonus up to an annual earnings maximum of $225,000.

B) Employees have the option to make voluntary contributions up to 8% of your Earnings through payroll deduction.

C) Fraser Papers match 50% of any voluntary employee contributions, to an additional maximum contribution of 4% of Earnings.

In summary, the maximum Company contribution is 7% of Earnings (3% basic contribution + 4% matching contribution (50% of 8% Employee contribution). You will be responsible to ensure that your contributions and the Company matching contributions do not exceed the maximum contribution you are eligible to make in accordance with the *Income Tax Act*.

You will be automatically enrolled in the DC Provisions, on November 1, 2009 at an employee contribution rate of 8% of your earnings to benefit from the maximum Company match. Contributions will be invested in the Beutel Goodman Balanced Fund, the default account for the DC Provision. Contributions to the Flex Savings Program will cease effective November 1, 2009. Once we have completed the set-up of your account, expected by mid-October, you can change your contribution rate by contacting your local HR department and change your investment options by going online at **www.sunlife.ca/member,** calling Sun Life at **1-866-733-8612** or completing an enrollment form. Enrollment forms will be provided during the month of October. Your current user ID and password will not change.

Flex Savings Program

Effective November 1, 2009 the Company will no longer provide any matching contribution to either your Employee Profit Sharing Plan or to your RRSP.

If You Have Questions

If you have questions about the Plan amendments or wish to obtain further information about the DC Provision, please contact Bernie LeBlanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

If you would like to submit comments on the amendment you may send your comments to the Company and/or to the And/ or to the New Brunswick Superintendent of Pensions at the following address:

New Brunswick Superintendent of Pensions
Office of Pensions
Department of Justice and Consumer Affairs
Province of New Brunswick
PO Box 6000, Fredericton, NB
E3B 5H1

Bernard LeBlanc
Director, Pension Administration

Bill Peterson
Director, Human Resources

FraserPapers

Date : Le 15 septembre 2009

Destinataires : Employés salariés du Nouveau-Brunswick

Membre participant à la composante PEP du régime de retraite des employés salariés de Papiers Fraser au Nouveau-Brunswick (Numéro d'enregistrement 0251256)

C. c. : Surintendant des pensions

Expéditeurs : Bernie LeBlanc et Bill Peterson

Objet : Avis de modification du Régime de retraite

Vous êtes au courant que Papiers Fraser inc. et ses filiales (la « Société ») ont récemment demandé et obtenu la protection des tribunaux en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* au Canada et du chapitre 15 de la loi américaine sur la faillite aux États-Unis. La Société travaille sans relâche à l'élaboration d'un plan de restructuration qui en fera une entreprise de papiers à usages spéciaux plus forte et durable.

Ces efforts de restructuration comprennent une révision complète des régimes de retraite et d'avantages sociaux de la Société. La Société désire vous faire part des modifications qu'elle apporte au régime de retraite des employés salariés de Papiers Fraser au Nouveau-Brunswick (le « régime »). À compter du 1er novembre 2009, vos prestations de retraite seront accumulées en vertu d'une nouvelle disposition à cotisations déterminées du régime (la « disposition CD »), plutôt qu'en vertu de la disposition existante de prestations déterminées (la « disposition PD »). La présente a pour objet de fournir des détails sur les modifications apportées au régime et de l'information sur la nouvelle disposition CD qui vous concerne.

Date d'entrée en vigueur

Les changements présentés en détail dans cet avis entreront en vigueur le 1er novembre 2009.

Gel des prestations de retraite

Le régime sera modifié de manière à cesser toute accumulation future de prestations en vertu de la disposition actuelle PD. À compter du 1er novembre 2009, vous n'accumulerez pas de services crédités supplémentaires ni de crédits de pension en vertu de la composante du PEP et vous n'aurez pas la possibilité d'accumuler des services en vertu de toute autre partie de la disposition PD.

Après le 31 octobre 2009, les salaires payés ne serviront pas à déterminer vos gains moyens des cinq dernières années ni votre droit à prestations en vertu de la disposition PD.

Qu'adviendra-t-il de votre prestation du régime d'actions?

Au moment de votre retraite, et compte tenu de toute réduction de prestation découlant de la sous-capitalisation du régime, la prestation acquise vertu de la disposition PD sera déterminée selon vos gains au 31 octobre 2009, multiplié par vos services crédités accumulés au 31 octobre 2009.

À titre d'exemple seulement, un employé de 50 ans qui compte 28 ans de service au 31 octobre 2009 aura accumulé 176 % de crédit de pension ou une prestation annuelle de 22,4 % (28 ans multiplié par 0,80 % par année) de ses gains moyens sur cinq ans. Si l'employé a des gains moyens sur cinq ans de 70 000 $ au 31 octobre 2009, il serait admissible aux prestations suivantes en vertu de la disposition PD.

Prestation mensuelle prévue par la disposition PD comme décrit par le régime à l'âge de 65 ans

L'employé recevrait un paiement mensuel de 1 306,67 à l'âge de 65 ans, calculé comme suit :

28 ans x 0,80 % x 70 000 $ ÷ 12 mois = 1 306,67 $ par mois.

Il est à remarquer que si l'employé prend sa retraite avant l'âge de 65 ans et choisit de recevoir la prestation mensuelle à ce moment là, la prestation sera réduite en fonction des dispositions de retraite anticipée du régime.

Ou choisir une prestation à valeur capitalisée selon le texte du régime

L'employé a l'option de choisir à un paiement de valeur capitalisée de 123 200 $ au lieu d'une prestation mensuelle (qui doit être transféré en REER immobilisé) comme suit :

70 000 $ X 176 % (crédit de pension accumulé) = 123 200 $

Veuillez prendre note que ces échantillons de calculs sont fournis conformément au régime, tel qu'il existe aujourd'hui. Le régime est considérablement sous-capitalisé et ne dispose actuellement pas d'actifs suffisants pour satisfaire toutes les obligations de prestations accumulées du régime. Il n'est pas garanti que les organismes de réglementation des pensions ou l'état financier des régimes en général n'exigeront pas la réduction des paiements aux retraités actuels ou futurs. À la date de rédaction du présent avis, le surintendant des pensions a ordonné à la Société de cesser de faire des transferts de valeur capitalisée du régime.

Prestation du régime à cotisations déterminées

Les prestations de retraite pour les services rendus après le 31 octobre 2009 seront accumulées en vertu de la nouvelle disposition CD du régime qui est comparable au régime qui a été mis à la disposition de tous les employés qui se sont joints à la Société depuis le 31 décembre 2004. Les cotisations en vertu des dispositions CD sont les suivantes :

A) Papiers Fraser contribuera à votre compte un montant égal à 3 % de vos gains, qui comprennent le salaire et les primes jusqu'à un maximum annuel de 225 000 $.

B) Les employés ont la possibilité de verser des cotisations volontaires jusqu'à concurrence de 8 % de leurs gains, sous forme de retenue salariale.

C) Papiers Fraser versera une contrepartie de 50 % de toute cotisation volontaire d'un employé, jusqu'à concurrence d'une cotisation supplémentaire maximale de 4 % des gains.

En somme, la cotisation maximale de la Société est de 7 % des gains (cotisation de base de 3 % + cotisation de contrepartie de 4 % (50 % de 8 % de la cotisation de l'employé). Vous serez responsable de veiller à ce que vos cotisations et les cotisations de contrepartie de la Société ne dépassent pas la cotisation maximale à laquelle vous avez droit conformément à la *Loi de l'impôt sur le revenu*.

Vous serez automatiquement enregistré à la disposition CD, le 1er novembre 2009, à un taux de cotisation des employés de 8 % de vos gains afin de pouvoir bénéficier de la contrepartie maximale de la Société. Les cotisations seront investies dans le Fonds équilibré Beutel Goodman, le compte par défaut pour la disposition CD. Les cotisations au régime d'épargne Flex cesseront à compter du 1er novembre 2009. Une fois que nous aurons établi votre compte, ce qui est prévu vers la mi-octobre, vous pourrez modifier votre taux de cotisation si vous le désirez en communiquant avec votre service local des ressources humaines et modifier vos options d'investissement en ligne à **www.sunlife.ca/member,** ou en téléphonant à Sun Life au **1-866-733-8612,** ou en remplissant un formulaire d'enregistrement. Les formulaires seront fournis pendant le mois d'octobre. Votre numéro d'utilisateur et votre mot de passe actuels ne changeront pas.

Régime d'épargne Flex

À compter du 1er novembre 2009, la Société ne versera plus de cotisation de contrepartie à votre régime d'épargne Flex ou à votre REER.

Si vous avez des questions

Si vous avez des questions sur les modifications apportées au régime ou si vous désirez obtenir plus de renseignements sur la disposition CD, veuillez communiquer avec Bernie LeBlanc, directeur, Administration des pensions, au (203) 913-2987 ou avec Bill Peterson, directeur, Ressources humaines, au (207) 728-8271.

Si vous aimeriez soumettre vos commentaires sur les modifications, veuillez les transmettre à la Société et/ou au Surintendant des pensions du Nouveau-Brunswick à l'adresse suivante :

Surintendant des pensions
Bureau des pensions
Ministère de la Justice et de la Consommation
Province du Nouveau-Brunswick
Case postale 6000, Fredericton, NB
E3B 5H1

Bernard LeBlanc

Directeur, Administration des pensions

Bill Peterson

Directeur, Ressources humaines

FraserPapers

Date: September 15, 2009

To: New Brunswick Salaried Employees

Participating member of the FLEX Plan Component of the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (Registration Number 0251256)

Cc: Superintendent of Pensions

From: Bernie LeBlanc and Bill Peterson

Subject: Notice of Amendment to Pension Plan

You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company wishes to advise you of amendments it is making to the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (the "Plan") Your pension benefits will, effective November 1, 2009, be earned under a new defined contribution provision of the Plan (the "DC Provision"), rather than under the existing defined benefit arrangements (the "DB Provision"). You are receiving this letter to provide details about the amendment to the Plan and information about the new DC Provision that will apply to you.

Effective Date

The changes detailed in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The Plan will be amended to cease all future benefit accruals under the current DB Provision. As of November 1, 2009, you will not earn any additional credited service under the FLEX Plan Component or be eligible to accrue under any other part of the DB Provision.

Earnings after October 31, 2009 will not be used in determining your final 5 year average earnings or your benefit entitlement under the DB Provision.

What Will Happen to Your Frozen FLEX Plan Benefit

At the time of your retirement, and subject to any reductions to the benefit resulting from the underfunding of the Plan, the accrued benefit under the DB Provision will be equal to the accrued benefit as determined on October 31, 2009. Your accrued benefit is equal to the sum of benefits earned each year that you were a member of the DB Provision. You will receive your annual pension statement shortly that will provide information regarding your December 31, 2008 accrued benefit.

Using the formulas in the plan, the calculated Monthly benefit from DB Provision at age 65 would be as follows:

For example and for illustrative purpose only, an employee that is age 55 with 32 years of credited service earning an annual salary of $75,000 as at October 31, 2009 would receive an estimated monthly benefit of $2,489.97 at age 65 determined as follows:

A) Accrued monthly pension as at December 31, 2008 from Annual Benefit Statement = $2,416.67, plus

B) Accrued annual pension for the period January 1, 2009 to October 31, 2009:

- 1.2% x earnings up to the 2009 Canada Pension Plan's Yearly Maximum Pensionable Earnings (YMPE) ($46,300) ÷ 12 months = $46.30, plus

- 2% x excess earning above YMPE ($62,500 - $46,300) ÷ 12 months = $27.00.

FLEX members that met the 70 points criteria (age plus service as at January 1, 2000) will be eligible to receive a bridge supplement from age 61 to age 65 equal to $16 per year of service (to a maximum of 30 years) up to October 31, 2009.

Your October 31, 2009 FLEX account balance along with the subsidy will be available to you to enhance your pension benefit up to the maximum amount allowed by the Canada Revenue Agency regulations.

Effective November 1, 2009 FLEX members will no longer be allowed to make voluntary contributions to the DB Provision of the Plan. Interest will be credited to the FLEX account from November 1, 2009 to the retirement date in accordance to the minimum interest rate as required by pension regulations.

Note that if the employee retires before the age of 61 and elects to take their monthly benefit at that time, the benefit will be reduced to reflect the early retirement provisions of the Plan.

Please note that this sample calculation is provided in accordance with the Plan as it exists today. The Plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the Plan. There can be no certainty that pension regulators or the financial status of the plans in general will not require that payments to current or future pensioners be reduced. As of the date of this notice, the Superintendent of Pensions has ordered the Company to cease making commuted values transfers from the Plan.

Defined Contribution Plan Benefit

Pension benefits for service after October 31, 2009 will be earned the new DC Provision of the Plan which is comparable to the plan which has been made available to all employees who have joined the Company since December 31, 2004. Contributions under the DC Provision are as follows:

A) Fraser Papers contribute to your account an amount equal to 3% of your Earnings, which includes salary and bonus up to an annual maximum of $225,000.

B) Employees have the option to make contributions up to 8% of Earnings through payroll deduction.

C) Fraser Papers match 50% of any voluntary employee contributions, to an additional maximum contribution of 4% of Earnings.

In summary, the maximum Company contribution is 7% of Earnings (3% fixed basic contribution + 4% matching contribution (50% of 8% Employee contribution). You will be responsible to ensure that your contributions and the Company matching contributions do not exceed the maximum contribution you are eligible to make in accordance with the *Income Tax Act.*

You will be automatically enrolled in the DC Provision, on November 1, 2009 at an employee contribution rate of 8% of your Earnings to benefit from the maximum Company match. Contributions will be invested in the Beutel Goodman Balanced Fund, the default account for the DC Provision. Contributions to the Flex Savings Program will cease effective November 1, 2009. Once we have completed the set-up of your account, expected by mid-October, you can change your contribution rate by contacting your HR department and change your investment options by going online at **www.sunlife.ca/member,** calling Sun Life at **1-866-733-8612** or completing an enrollment form. Enrollment forms will be provided during the month of October. Your current user ID and password will not change.

Flex Savings Program

Effective November 1, 2009 the Company will no longer provide any matching contribution to your Employee Profit Sharing Plan or to your RRSP with Sun Life.

If You Have Questions

If you have questions about the Plan amendments or wish to obtain further information about the DC Provision, please contact Bernie LeBlanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

If you would like to submit comments on the amendment you may send your comments to the Company and/or to the New Brunswick Superintendent of Pensions at the following address:

New Brunswick Superintendent of Pensions
Office of Pensions
Department of Justice and Consumer Affairs
Province of New Brunswick
PO Box 6000, Fredericton, NB
E3B 5H1

Bernard LeBlanc
Director, Pension Administration

Bill Peterson
Director, Human Resources

FraserPapers

Date :	Le 15 septembre 2009
Destinataires :	Employés salariés du Nouveau- Brunswick
	Membre participant à la composante Flex du régime de retraite des employés salariés de Papiers Fraser inc. au Nouveau-Brunswick (Numéro d'enregistrement 0251256)
C. c. :	Surintendant des pensions
Expéditeur :	Bernie LeBlanc et Bill Peterson
Objet :	Avis de modification du régime de retraite

Vous êtes au courant que Papiers Fraser inc. et ses filiales (la « Société ») ont récemment demandé et obtenu la protection des tribunaux en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* au Canada et du chapitre 15 de la loi américaine sur la faillite aux États-Unis. La Société travaille sans relâche à l'élaboration d'un plan de restructuration qui en fera une entreprise de papiers à usages spéciaux plus forte et durable.

Ces efforts de restructuration comprennent une révision complète des régimes de retraite et d'avantages sociaux de la Société. La Société désire vous faire part des modifications qu'elle apporte au régime de retraite des employés salariés de Papiers Fraser au Nouveau-Brunswick (le « régime »). À compter du 1er novembre 2009, vos prestations de retraite seront accumulées en vertu d'une nouvelle disposition à cotisations déterminées du Régime (la « disposition CD »), plutôt qu'en vertu de la disposition existante de prestations déterminées (la « disposition PD »). La présente a pour objet de fournir des détails sur les modifications apportées au Régime et de l'information sur la nouvelle disposition CD qui vous concerne.

Date d'entrée en vigueur

Les changements présentés en détail dans cet avis entreront en vigueur le 1er novembre 2009.

Gel des prestations de retraite

Le régime sera modifié de manière à cesser toute accumulation future de prestations en vertu de la disposition actuelle PD. À compter du 1er novembre 2009, vous n'accumulerez pas de services crédités supplémentaires en vertu de la composante FLEX ou n'aurez pas la possibilité d'accumuler des services en vertu de toute autre partie de la disposition PD.

Les salaires payes après le 31 octobre 2009, ne serviront pas à déterminer vos salaires moyens des cinq dernières années ni votre droit à prestations en vertu de la disposition PD.

Qu'adviendra-t-il de votre prestation de régime FLEX?

Au moment de votre retraite, et sous réserve de toute réduction de prestation découlant de la sous-capitalisation du régime, la prestation acquise en vertu de la disposition PD sera égale à la prestation accumulée au 31 octobre 2009. Votre prestation acquise est égale à la somme des prestations accumulées chaque année pendant laquelle que vous étiez membre en vertu de la disposition PD. Vous recevrez sous peu votre relevé de pension annuel qui vous fournira des renseignements sur votre prestation acquise au 31 décembre 2008.

Prestation mensuelle selon la disposition PD comme décrit par le régime à l'âge de 65 ans

À titre d'exemple seulement, un employé de 55 ans qui compte 32 ans de services crédités et gagne un salaire annuel de 75 000 $ au 31 octobre 2009, aura une prestation mensuelle estimée de 2 489,97 $ à l'âge de 65 ans, déterminée comme suit :

A) Pension mensuelle accumulée au 31 décembre 2008, conformément au relevé annuel de prestations = 2 416,67 $, plus

B) Pension annuelle accumulée pour la période du 1er janvier 2009 au 31 octobre 2009 :

- 1,2 % x gains jusqu'au maximum des gains annuels ouvrant droit à pension du Régime de pensions du Canada (MGADP) (46 300 $) ÷ 12 mois = 46,30 $, plus
- 2 % x excédent de rémunération par rapport au MGADP (62 500 $ - 46 300 $) ÷ 12 mois = 27,00 $.

Les membres du régime FLEX qui satisfont aux critères de 70 points (âge plus service au 1er janvier 2000) auront droit de recevoir, entre 61 et 65 ans, une prestation de raccordement égale à 16 $ par année de service (jusqu'à un maximum de 30 ans) jusqu'au 31 octobre 2009.

Vous aurez accès à votre solde de compte FLEX au 31 octobre 2009, de même qu'à la subvention, pour améliorer votre prestation de retraite jusqu'au montant maximal permis suivant les règlements de Revenu Canada.

À compter du 1er novembre 2009, les membres du régime FLEX ne pourront plus verser des cotisations facultatives à la disposition PD du régime. L'intérêt sera crédité au compte FLEX à compter du 1er novembre 2009 jusqu'à la date de retraite, conformément au taux d'intérêt minimal requis par les règlements en matière de pensions.

Il est à remarquer que si l'employé prend sa retraite avant l'âge de 61 ans et choisit de recevoir la prestation mensuelle à ce moment-là, la prestation sera réduite suivant les dispositions de retraite anticipée du régime.

Veuillez prendre note que ces échantillons de calculs sont fournis conformément au régime, tel qu'il existe aujourd'hui. Le régime est considérablement sous-capitalisé et ne dispose pas actuellement d'actifs suffisants pour satisfaire toutes les obligations de prestations accumulées du Régime. Il n'est pas garanti que les organismes de réglementation des pensions ou l'état financier des régimes en général n'exigeront pas la réduction des paiements aux retraités actuels ou futurs. À la date de rédaction du présent avis, le surintendant des pensions a ordonné que la Société cesse de faire des transferts de valeur capitalisée du régime.

Prestation du régime à cotisations déterminées

Les prestations de retraite pour les services rendus après le 31 octobre 2009 seront accumulées en vertu de la nouvelle disposition CD du régime qui est comparable au régime qui a été mis à la disposition de tous les employés qui se sont joints à la Société depuis le 1 janvier 2005. Les cotisations en vertu des dispositions CD sont les suivantes :

A) Papiers Fraser contribuera à votre compte un montant égal à 3 % de vos gains, qui comprennent le salaire et les bonis jusqu'à un maximum annuel de 225 000 $.

B) Les employés ont la possibilité de verser des cotisations jusqu'à concurrence de 8 % de leurs gains, sous forme de retenue salariale.

C) Papiers Fraser versera une contrepartie de 50 % de toute cotisation volontaire d'un employé, jusqu'à concurrence d'une cotisation supplémentaire maximale de 4 % des gains.

En somme, la cotisation maximale de la Société est de 7 % des gains (cotisation de base de 3 % + cotisation de contrepartie de 4 % (50 % de 8 % de la cotisation de l'employé). Vous serez responsable de veiller à ce que vos cotisations et les cotisations de contrepartie de la Société ne dépassent pas la cotisation maximale à laquelle vous avez droit conformément à la *Loi de l'impôt sur le revenu.*

Vous serez automatiquement enregistré à la disposition CD, le 1er novembre 2009, à un taux de cotisation des employés de 8 % de vos gains afin de pouvoir bénéficier de la contrepartie maximale de la Société. Les cotisations seront investies dans le Fonds équilibré Beutel Goodman, le compte par défaut pour la disposition CD. Les cotisations au régime d'épargne Flex cesseront à compter du 1er novembre 2009. Une fois que nous aurons établi votre compte, ce qui est prévu pour la mi-octobre, vous pourrez modifier votre taux de cotisation si vous en désirez en communiquant avec votre service local des ressources humaines et modifier vos options d'investissement en ligne à **www.sunlife.ca/member,** ou en téléphonant à Sun Life au **1-866-733-8612**, ou en remplissant un formulaire d'enregistrement. Les formulaires seront fournis pendant le mois d'octobre. Votre numéro d'utilisateur et votre mot de passe actuels ne changeront pas.

<u>Programme d'épargne Flex</u>

À compter du 1er novembre 2009, la Société ne versera plus de cotisation de contrepartie à votre régime d'épargne Flex ou à votre REER auprès de Sun Life.

Si vous avez des questions

Si vous avez des questions sur les modifications du régime ou si vous désirez obtenir plus de renseignements sur la disposition CD, veuillez communiquer avec Bernard LeBlanc, directeur, Administration des régimes de retraite, au (203) 913-2987 ou avec Bill Peterson, directeur, ressources humaines, au (207) 728-8271.

Si vous aimeriez soumettre vos commentaires sur les modifications, veuillez les transmettre à la Société et/ou au Surintendant des pensions du Nouveau-Brunswick à l'adresse suivante :

Surintendant des pensions
Bureau des pensions
Ministère de la Justice et de la Consommation
Province du Nouveau-Brunswick
Case postale 6000, Fredericton, NB
E3B 5H1

Bernard LeBlanc
Directeur, Administration des pensions

Bill Peterson
Directeur, Ressources humaines

FraserPapers

Date: September 15, 2009

To: New Brunswick Non-Union Hourly-Paid Scalers & Clerk Employees

Participating member of Part 9 of the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (Registration Number 0251264)

Cc: Superintendent of Pensions

From: Bernie LeBlanc and Bill Peterson

Subject: Notice of Amendment to Pension Plan

You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company wishes to advise you of amendments it is making to the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (the "Plan"). Your pension benefits will, effective November 1, 2009, be earned under the Fraser Papers Inc. Defined Contribution Pension Plan (the "DC Plan"), rather than under the existing defined benefit arrangements (the "DB Provision"). You are receiving this letter to provide details about the amendment to the DB Plan and information about the new DC Plan that will apply to you.

Effective Date

The changes detailed in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The Plan will be amended to cease all future benefit accruals under the current DB Provision. As of November 1, 2009, you will not earn any additional credited service under Part 9 of the Pension Plan or be eligible to accrue under any other part of the DB Provision.

Earnings after October 31, 2009 will not be used in determining your Best 5 Year Average Earnings or benefit entitlement under the DB Provision.

What Will Happen to Your Frozen Plan Benefit

At the time of your retirement, and subject to any reductions to the benefit resulting from the underfunding of the Plan, the accrued benefit under the DB Provision will be equal to the accrued benefit as determined on October 31, 2009.

<u>Monthly benefit from DB Provision at age 65</u>

For example and for illustrative purpose only, an employee that is age 55 with 28 years of credited service with a 5 year final average earning (FAE) of $50,000 as at October 31, 2009 will have an estimated monthly benefit of $1,561.50 at age 65 determined as follows:

A) Accrued monthly pension as at October 31, 2009 is equal to the result of (a) minus (b):

(a) 1.65% x FAE ($50,000) x 28 years of credited service ÷ 12 months = $1,925.00, less

(b) 2009 maximum benefit payable under the Canada Pension Plan (CPP) ($10,905) x 14 (minimum of years of credited service or 14 years) ÷ 35 ÷ 12 months = $363.50

Bridge Benefit

Part 9 members with at least 20 years of Company service at retirement and retires prior to age 65 will be eligible to receive a bridge supplement payable till the earlier of age 65 or the death of the employee. The bridge supplement will be equal to $33 per year of credited service as at October 31, 2009 (maximum 30 years) and $16 per year of credited service as at October 31, 2009 (maximum 30 years) from age 60 to age 65.

A) Monthly bridge supplement from retirement date to age 60 = $33 x 28 years of service = $924.00

B) Monthly bridge supplement from age 60 to age 65 = $16 x 28 years of service = $448.00

Note that if the employee retires before the age of 58 and elects to take their monthly benefit at that time, the benefit including the bridge supplement will be reduced to reflect the early retirement provisions of the Plan. The bridge supplement will cease in the event an employee dies prior to attaining age 65.

Please note that these sample calculations are provided in accordance with the Plan as it exists today. The Plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the Plan. There can be no certainty that pension regulators or the financial status of the plans in general will not require that payments to current or future pensioners be reduced. As of the date of this notice the Superintendent of Pensions has ordered the Company to cease making commuted values transfers from the Plan.

Defined Contribution Pension Plan Benefit

Pension benefits for service after October 31, 2009 will earn the new DC Plan which is comparable to the plan which was made available to all non bargaining employees who have joined the Company since December 31, 2004. The contributions under the DC Plan are as follows:

A) Fraser Papers will contribute to your account an amount equal to 3% of your Earnings, which includes salary and bonus up to an annual earnings maximum of $225,000.

B) Employees have the option to make voluntary contributions up to 8% of your Earnings through payroll deduction.

C) Fraser Papers match 50% of any voluntary employee contributions, to an additional maximum contribution of 4% of Earnings.

In summary, the maximum Company contribution is 7% of Earnings (3% basic contribution + 4% matching contribution (50% of 8% Employee contribution). You will be responsible to ensure that your contributions and the Company matching contributions do not exceed the maximum contribution you are eligible to make in accordance with the *Income Tax Act*.

You will be automatically enrolled in the DC Plan on November 1, 2009 at an employee contribution rate of 8% of your earnings to benefit from the maximum Company match. Contributions will be invested in the Beutel Goodman Balanced Fund, the default account for the DC Plan. Once we have completed the set-up of your account, expected by mid-October, you can change your contribution rate by contacting your HR department and change your investment options by going online at **www.sunlife.ca/member,** calling Sun Life at **1-866-733-8612** or completing an enrollment form. Enrollment forms will be provided during the month of October. You will receive a user ID and password from Sun Life in the mail.

If You Have Questions

If you have questions about the Plan amendments or wish to obtain further information about the DC Plan provision, please contact Bernie LeBlanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

If you would like to submit comments on the amendment you may send your comments to the Company and/or to the New Brunswick Superintendent of Pensions at the following address:

New Brunswick Superintendent of Pensions
Office of Pensions
Department of Justice and Consumer Affairs
Province of New Brunswick
PO Box 6000, Fredericton, NB
E3B 5H1

Bernard A LeBlanc

Bernard LeBlanc

Director, Pension Administration

William Peterson

Bill Peterson

Director, Human Resources

FraserPapers

Date:	September 15, 2009
To:	US Salaried Employees Participating under the "PEP Plan" feature for the Eligible Employees of Fraser Papers Limited ("PEP Participants")
Cc:	
From:	Bernie LeBlanc and Bill Peterson
Subject:	**204(h) Notice** – Important Information for PEP Participants of the Pension Plan for the Eligible Employees of Fraser Papers Limited

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You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company has determined that it will continue to provide pension benefits to its employees. However, such benefits will now be earned under defined contribution plans rather than under the existing defined benefit arrangements. You are receiving this notice because you are a participant in the "PEP Plan" feature (Appendix C) of the Pension Plan for the Eligible Employees of Fraser Papers Limited, Plan No. 002 ("the DB Plan"). Such persons who previously participated in the Fraser Papers Limited Pension Equity Plan, are sometimes referred to in this notice as "PEP Participants". The notice provides details about the amendment to the DB Plan and the impact of the amendment on PEP Participants. The following information summarizes the changes made by the amendment and provides information about the new defined contribution plan.

Effective Date

The changes described in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The DB Plan will be amended to cease all future benefit accruals with respect to PEP Participants. As of November 1, 2009, you will not earn any additional credited service and pension credits under the PEP Plan feature of the DB Plan (Appendix C).

Your earnings used to determine your pension benefit at termination or retirement will be the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

Earnings after October 31, 2009 will not be used in determining your pension benefit entitlement under the DB Plan.

What Will Happen to Your Frozen Pension Equity Plan Benefit

At the time of your retirement or termination of employment, the accrued benefit under the Plan will be determined according to your service and earnings as described below as at October 31, 2009. The PEP Plan provides a lump sum or accrued benefit at age 65.The result of your calculation will become your accrued pension payable at age 65.

Current PEP Benefit Formula (i.e., formula prior to the freeze)

Pension Credits are earned each year according to a schedule based on your age and service on January 1 of the applicable year as follows:

Age + years of Service as at January 1 each year of Employment	Pension Credits
Up to 45	2
46 to 55	5
56 to 65	9
66 to 75	13
over 75	20

Your Account Balance is the sum of your annual Pension Credits, divided by 100, times your Average Annual Compensation.

Your minimum accrued benefit is an annuity based on your Account Balance projected to age 65, times a fraction, the numerator of which is your current service used for determining Pension Credits and the denominator of which is your projected service for Pension Credits at age 65.

The age 65 accrued benefit is the greater of a) the Account Balance as described above divided by 119 or b) the minimum Accrued Benefit as described above.

If you work until age 65, you will have earned the accrued pension benefit determined as described above without any recognition of future credited service or pension credit. The benefit will be based on the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

If an employee retires between age 55 and age 65, the age 65 benefit will be actuarially reduced to reflect the early retirement provisions of the plan.

Please note that these sample calculations are provided in accordance with the plan text as it exists today. This pension plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the plan. It is possible that pension regulators or the financial status of the plans in general will require that payments to current or future pensioners be reduced As of the date of this letter, the regulations of the Internal Revenue Services forbid the Company from paying out commuted values under the DB Plan while the Company is under creditor protection.

401(k) Retirement Savings Plan

In addition, the current 401(k) program under the Fraser Papers Limited 401(k) Retirement Savings Plan (the "401(k) Plan") in effect for current PEP Participants will change effective November 1, 2009. Currently, the Company matches 60% of employee contributions up to a maximum Company contribution of 3.6%.

Contributions for service after October 31, 2009 earned under the 401(k) Plan will be comparable to contributions under the plan which have been made available to all employees who have joined the Company after December 31, 2004. Benefits under the 401(k) Plan are as follows:

A) Fraser Papers will make a fixed basic contribution to your 401(k) account equal to 3% of your eligible compensation for each pay period up to an annual eligible compensation maximum of $225,000.

B) Employees have the option to make contributions up to 8% of earnings through payroll deduction.

C) Fraser Papers will make a matching contribution equal to 50% of the Employee contribution. The maximum Company matching contribution will be equal to 4% of earnings.

D) In summary, the maximum Company contribution is 7% of earnings (3% fixed basic contribution + 4% matching contribution (that is 50% of 8% Employee contribution).

Please review your contribution rate to determine if you are making at least an 8% contribution to your 401(k) Plan. Contribution changes must be made with Fidelity, the Trustee, prior to November 1, 2009 to benefit fully from the maximum Company match. If you have not selected your investment options, contributions will be invested in the Plan default investment option, the Fidelity Freedom Fund. You can change your contribution rate and investment options by going online at www.401k.com or calling Fidelity at **1-800-890-4015**.

Important Notice for US Employees Residing in Canada

Effective November 1, 2009 the 3% fixed basic contribution and matching contribution by the Company will only be contributed if you participate in the 401(k) Plan. The Company will no longer make any contribution to your personal RRSP or any other savings program in Canada. A new US-Canada tax treaty signed in 2008 allows Canadian residents to be exempt from Canadian income taxes on 401(k) contributions similar to Canadian employees making contributions to a Canadian Defined Contribution Plan.

If you have questions about the changes to either the Pension Plan for the Eligible Employees of Fraser Papers Limited or to the 401(k) Plan, or both, or if you need copies of the Summary Plan Descriptions for these benefit plans, please contact Bernie Leblanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

Bernard LeBlanc
Director, Pension Administration

Bill Peterson
Director, Human Resources

About this notice

This notice provides information about the changes to the Plan and the impact that these changes will have on future benefits, as required by Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This notice also serves as a summary of material modification for the Plan amendment effective November 1, 2009 and modifies the terms of the summary plan description ("SPD") for the Plan that has been previously supplied to you. Therefore, you should read this notice in conjunction with your SPD. You should be sure to save this notice for future reference and share it with your family.

This notice is in no way a guarantee of continued employment or payment of benefits. Although every effort has been made to accurately report Plan provisions, in the event of a discrepancy between this notice and the actual Plan document, the terms of the actual Plan document always control. Further, the Company reserves the right to amend or terminate the Plan at any time to the extent permitted by law.

FraserPapers

Date: September 15, 2009

To: US Salaried Employees Participating under the "PEP Plan" feature for the Eligible Employees of Fraser Papers Limited ("PEP Participants")

Participant who transferred to Canada

Cc:

From: Bernie LeBlanc and Bill Peterson

Subject: **204(h) Notice** – Important Information for PEP Participants of the Pension Plan for the Eligible Employees of Fraser Papers Limited

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You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company has determined that it will continue to provide pension benefits to its employees. However, such benefits will now be earned under defined contribution plans rather than under the existing defined benefit arrangements. You are receiving this notice because you are a participant in the "PEP Plan" feature (Appendix C) of the Pension Plan for the Eligible Employees of Fraser Papers Limited, Plan No. 002 ("the DB Plan"). Such persons who previously participated in the Fraser Papers Limited Pension Equity Plan, are sometimes referred to in this notice as "PEP Participants". The notice provides details about the amendment to the DB Plan and the impact of the amendment on PEP Participants. The following information summarizes the changes made by the amendment and provides information about the new defined contribution plan.

Effective Date

The changes described in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The DB Plan will be amended to cease all future benefit accruals with respect to PEP Participants. As of November 1, 2009, you will not earn any additional credited service and pension credits under the PEP Plan feature of the DB Plan (Appendix C).

Your earnings used to determine your pension benefit at termination or retirement will be the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

Earnings after October 31, 2009 will not be used in determining your pension benefit entitlement under the DB Plan.

What Will Happen to Your Frozen Pension Equity Plan Benefit

At the time of your retirement or termination of employment, the accrued benefit under the Plan will be determined according to your service as at the date you transferred to Canada and earnings as described below. The PEP Plan provides a lump sum or accrued benefit at age 65.The result of your calculation will become your accrued pension payable at age 65.

Current PEP Benefit Formula (i.e., formula prior to the freeze)

Pension Credits are earned each year according to a schedule based on your age and service on January 1 of the applicable year as follows:

Age + years of Service as at January 1 each year of Employment	Pension Credits
Up to 45	2
46 to 55	5
56 to 65	9
66 to 75	13
over 75	20

Your Account Balance is the sum of your annual Pension Credits, divided by 100, times your Average Annual Compensation.

Your minimum accrued benefit is an annuity based on your Account Balance projected to age 65, times a fraction, the numerator of which is your current service used for determining Pension Credits and the denominator of which is your projected service for Pension Credits at age 65.

The age 65 accrued benefit is the greater of a) the Account Balance as described above divided by 119 or b) the minimum Accrued Benefit as described above.

If you work until age 65, you will have earned the accrued pension benefit determined as described above without any recognition of future credited service or pension credit. The benefit will be based on the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

If an employee retires between age 55 and age 65, the age 65 benefit will be actuarially reduced to reflect the early retirement provisions of the plan.

Please note that these sample calculations are provided in accordance with the plan text as it exists today. This pension plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the plan. It is possible that pension regulators or the financial status of the plans in general will require that payments to current or future pensioners be reduced As of the date of this letter, the regulations of the Internal Revenue Services forbid the Company from paying out commuted values under the DB Plan while the Company is under creditor protection.

401(k) Retirement Savings Plan

Since you are currently an employee of Fraser Papers Inc., the Canadian Employer, you will be receiving your DC benefit according to the plan provision of the Canadian Defined Contribution Plan. A separate letter is being sent to you from the Canadian Employer that will provide the required detail.

If you have questions about the changes to either the Pension Plan for the Eligible Employees of Fraser Papers Limited or if you need copies of the Summary Plan Descriptions for these benefit plans, please contact Bernie Leblanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

Bernard LeBlanc
Bernard LeBlanc
Director, Pension Administration

William Peterson
Bill Peterson
Director, Human Resources

About this notice

This notice provides information about the changes to the Plan and the impact that these changes will have on future benefits, as required by Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). This notice also serves as a summary of material modification for the Plan amendment effective November 1, 2009 and modifies the terms of the summary plan description ("SPD") for the Plan that has been previously supplied to you. Therefore, you should read this notice in conjunction with your SPD. You should be sure to save this notice for future reference and share it with your family.

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FraserPapers

Date: September 15, 2009

To: US Salaried Employees Participating under the "PEP Plan" feature for the Eligible Employees of Fraser Papers Limited ("PEP Participants")

Fraser Timber Limited participant who transferred to an Hourly position

Cc:

From: Bernie LeBlanc and Bill Peterson

Subject: **204(h) Notice** – Important Information for PEP Participants of the Pension Plan for the Eligible Employees of Fraser Papers Limited

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You are aware of the recent court filings whereby Fraser Papers Inc. and its subsidiaries (the "Company") have been granted protection from creditors under the Companies' Creditors Arrangements Act in Canada and Chapter 15 of the United States Bankruptcy Code in the United States. The Company is diligently working towards a plan which will see it restructured as a stronger, viable specialty papers business.

These restructuring efforts include a comprehensive review of the Company's pension and benefit plans. The Company has determined that it will continue to provide pension benefits to its employees. However, such benefits will now be earned under defined contribution plans rather than under the existing defined benefit arrangements. You are receiving this notice because you are a participant in the "PEP Plan" feature (Appendix C) of the Pension Plan for the Eligible Employees of Fraser Papers Limited, Plan No. 002 ("the DB Plan"). Such persons who previously participated in the Fraser Papers Limited Pension Equity Plan, are sometimes referred to in this notice as "PEP Participants". The notice provides details about the amendment to the DB Plan and the impact of the amendment on PEP Participants. The following information summarizes the changes made by the amendment and provides information about the new defined contribution plan.

Effective Date

The changes described in this notice will be effective as of November 1, 2009.

Freeze of Pension Benefits

The DB Plan will be amended to cease all future benefit accruals with respect to PEP Participants. As of November 1, 2009, you will not earn any additional credited service and pension credits under the PEP Plan feature of the DB Plan (Appendix C).

Your earnings used to determine your pension benefit at termination or retirement will be the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

Earnings after October 31, 2009 will not be used in determining your pension benefit entitlement under the DB Plan.

What Will Happen to Your Frozen Pension Equity Plan Benefit

At the time of your retirement or termination of employment, the accrued benefit under the Plan will be determined according to your service as at the date you transferred to an hourly paid position at Fraser Timber Limited and earnings as described below. The PEP Plan provides a lump sum or accrued benefit at age 65.The result of your calculation will become your accrued pension payable at age 65.

Current PEP Benefit Formula (i.e., formula prior to the freeze)

Pension Credits are earned each year according to a schedule based on your age and service on January 1 of the applicable year as follows:

Age + years of Service as at January 1 each year of Employment	Pension Credits
Up to 45	2
46 to 55	5
56 to 65	9
66 to 75	13
over 75	20

Your Account Balance is the sum of your annual Pension Credits, divided by 100, times your Average Annual Compensation.

Your minimum accrued benefit is an annuity based on your Account Balance projected to age 65, times a fraction, the numerator of which is your current service used for determining Pension Credits and the denominator of which is your projected service for Pension Credits at age 65.

The age 65 accrued benefit is the greater of a) the Account Balance as described above divided by 119 or b) the minimum Accrued Benefit as described above.

If you work until age 65, you will have earned the accrued pension benefit determined as described above without any recognition of future credited service or pension credit. The benefit will be based on the average of your best 5 consecutive years of earnings in the last 10 years up to October 31, 2009.

If an employee retires between age 55 and age 65, the age 65 benefit will be actuarially reduced to reflect the early retirement provisions of the plan.

Please note that these sample calculations are provided in accordance with the plan text as it exists today. This pension plan is significantly underfunded and currently does not have enough assets to meet all of the accrued benefit obligations of the plan. It is possible that pension regulators or the financial status of the plans in general will require that payments to current or future pensioners be reduced As of the date of this letter, the regulations of the Internal Revenue Services forbid the Company from paying out commuted values under the DB Plan while the Company is under creditor protection.

401(k) Retirement Savings Plan

Contributions for service after October 31, 2009 earned under the 401(k) Plan will continue at the same level that you are currently receiving. Benefits under the 401(k) Plan are as follows:

A) Employees have the option to make Pre-tax contributions up to 50% of earnings through payroll deduction.

B) Fraser Papers will make a matching contribution equal to 50% of the Employee Pre-tax contribution up to 5% of earnings. The maximum Company matching contribution will be equal to 2.5% of earnings.

Please review your contribution rate to determine if you are making at least 5% contribution to your 401(k) Plan. Contribution changes must be made with Fidelity, the Trustee, to benefit fully from the maximum Company match. If you have not selected your investment options, contributions will be invested in the Plan default investment option, the Fidelity Freedom Fund. You can change your contribution rate and investment options by going online at www.401k.com or calling Fidelity at **1-800-890-4015**.

If you have questions about the changes to either the Pension Plan for the Eligible Employees of Fraser Papers Limited or to the 401(k) Plan, or both, or if you need copies of the Summary Plan Descriptions for these benefit plans, please contact Bernie Leblanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

Bernard LeBlanc
Director, Pension Administration

Bill Peterson
Director, Human Resources

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FraserPapers

Date: September 15, 2009

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Fraser Papers Limited participant who transferred to an Hourly position

Cc:

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What Will Happen to Your Frozen Pension Equity Plan Benefit

At the time of your retirement or termination of employment, the accrued benefit under the Plan will be determined according to your service as at the date you transferred to an hourly paid position at Fraser Papers Limited and earnings as described below. The PEP Plan provides a lump sum or accrued benefit at age 65.The result of your calculation will become your accrued pension payable at age 65.

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401(k) Retirement Savings Plan

The Company contribution to your 401(k) plan is going to continue in accordance to the labor agreement.

Please review your contribution rate to determine if you are making at least the required contributions that allows you to receive the maximum Company match. If you have not selected your investment options, contributions will be invested in the Plan default investment option, the Fidelity Freedom Fund. You can change your contribution rate and investment options by going online at www.401k.com or calling Fidelity at **1-800-890-4015**.

If you have questions about the changes to either the Pension Plan for the Eligible Employees of Fraser Papers Limited or to the 401(k) Plan, or both, or if you need copies of the Summary Plan Descriptions for these benefit plans, please contact Bernie LeBlanc, Director Pension Administration at (203) 913-2987 or Bill Peterson, Director Human Resources at (207) 728-8271.

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