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 SIXTH REPORT TO THE COURT
December 8, 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

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

INTRODUCTION

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

   a) Overview of the current status of the Applicants' Operations;

   b) The Applicants' receipts and disbursements for the six week period from October 5 to November 15, 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 fifteen week period from November 16, 2009 to February 26, 2010 (the **"15 Week CFF"**);

   d) The status of the Claims Process;

   e) The Applicants' restructuring efforts;

f) The proposed speciality paper business transaction;

g) The proposed Bid Process;

h) The Residual Assets; and

i) The Monitor's Analysis and Recommendations.

2. A historical overview of the Applicants' proceedings and a summary of the previous Orders granted by this Honourable Court is set out at Appendix "A" hereto.

3. 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 Appendix "A" hereto, the Initial Order, the Monitor's five prior reports, in the affidavit of J. Peter Gordon sworn December 3, 2009 (the **"December Gordon Affidavit"**) or October 19, 2009 (the "**October Gordon Affidavit**"), and as defined in the Claims Process Order.

4. 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.

5. 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

6. Since October 5, 2009, the Applicants have maintained operations in the normal course, with customers continuing to support the Applicants. However, market conditions remain difficult. Suppliers have continued to provide goods and services and certain key suppliers have recently extended payment terms.

7. Combined revenues for the Applicants' two paper mills in Madawaska, Maine and Gorham, New Hampshire were slightly below the forecasted revenue used in the cash flow forecast included in the Monitor's Fifth Report, largely due to unplanned market downtime being taken at Gorham, and a mechanical issue at the Edmundston sulphite mill which impacted the Madawaska paper mill. In addition, as forecast, the CoGen Facility was shutdown for seven days during October, 2009 for an annual maintenance outage. As a result, the Edmundston groundwood and sulphite mills required eight and sixteen days of downtime, respectively.

8. As noted in the December Gordon Affidavit, the Plaster Rock lumber mill re-started in mid-November, after completion of the modernization program and after a supply of saw logs was obtained.

9. The Masardis lumber mill has continued to generate positive cash flow since re-opening in late August, 2009. Production is at approximately 85% of capacity, which is in line with the forecast and at an appropriate level to meet customer demand.

10. As forecast, the Juniper, New Brunswick and Ashland, Maine lumber mills and the Thurso, Quebec pulp mill did not operate during the Period due to poor market conditions.

B. RECEIPTS AND DISBURSEMENTS FOR THE SIX WEEK PERIOD FROM OCTOBER 5 TO NOVEMBER 15, 2009

11. As shown in the table below, the Applicants' actual net cash flow for the six week period from October 5 to November 15, 2009 was a net outflow of $4.7 million (after receipt of

the Government of New Brunswick ("**GNB**") DIP Financing), which was largely as forecast.

12. As explained in the Monitor's Fifth Report, the negative net cash flow was primarily due to a combination of difficult market conditions necessitating market downtime being taken, the carrying costs of the shutdown mills, restructuring related costs and the planned maintenance shutdown as noted above.

Comparison of Forecast to Actual Cash Flow For the Period from October 5 to November 15, 2009			
$000	**Actual**	**Forecast**	**Variance Fav/(Unfav)**
Total Receipts	58,882	63,573	(4,691)
Disbursements:			
Raw Material Costs	38,089	39,042	953
Productions Overhead Costs	5,789	4,049	(1,740)
Selling, General & Admin Costs	5,128	5,803	675
Employee Costs	13,349	15,973	2,624
Pre-filing Debt Interest & Other Bank Charges	88	75	(13)
DIP Interest & Fees	162	361	199
Capital Expenditures - Plaster Rock	584	967	383
Capital Expenditures - Other	854	1,313	459
Other	512	1,328	816
Total Disbursements	64,555	68,911	4,356
Net Cash Flow before GNB DIP Financing	(5,673)	(5,338)	(335)
GNB DIP Financing Advances	978	856	122
Net Cash Flow after GNB DIP Financing	(4,695)	(4,482)	(213)
Opening Cash	5,754	5,404	350
Net BAM/CIT DIP Loan Advances/(Repayments)	1,309	478	831
Ending Total Cash	2,368	1,400	968

13. Detailed explanations for each of the above variances are provided in Appendix B, but in summary, the principal reasons for the variances are:

a) The $4.7 million unfavourable receipts variance is primarily due to GST refunds for the period from June to September, 2009 that were forecast for collection during this period, but have been delayed pending completion of a CRA audit that was recently commenced; and

b) The $4.4 million favourable variance in disbursements is primarily due to lower labour costs, as a result of higher than forecasted production downtime at the Edmundston and Madawaska mills, a two week deferral of log inventory purchases at the Plaster Rock mill and lower than forecasted payments in respect of pre-filing liabilities, partially offset by the costs of dealing with a number of operational issues at the Edmundston CoGen Facility and earlier than forecast payment of costs associated with the planned maintenance shutdown at the Edmundston CoGen Facility.

14. As of November 15, 2009, the CIT (as defined below) DIP Financing usage was $1.3 million, the BAM (as also defined below) DIP Financing usage was nil and the GNB DIP Financing usage was $5.6 million. Total DIP Financing availability as at November 15, 2009, excluding the GNB DIP Financing, was $21.8 million, comprised of $1.8 million and $20.0 million of availability from CIT Business Credit Canada Inc. ("CIT") and Brookfield Asset Management Inc. ("BAM"), respectively.

C. APPLICANTS' CASH FLOW FORECAST FOR THE PERIOD FROM NOVEMBER 16, 2009 TO FEBRUARY 28, 2010

15. The 15 Week CFF, prepared by the Applicants, covers the period from November 16, 2009 to February 26, 2010, and is attached hereto as Appendix C.

16. The 15 Week CFF forecasts that the Applicants will incur a cash flow outflow of approximately $0.1 million during the period (net of receipt of $1.0 million of GNB DIP Financing), comprised of total receipts of $179.1 million and total disbursements of $180.2 million, which is to be funded by cash on hand as of November 16, 2009 and intermittent usage of the DIP Financing throughout the 15 week period.

17. Significant factors reflected in the 15 Week CFF include:

a) The sale of the specialty paper business (as detailed later in this report) is assumed to not occur within the 15 week period;

b) Improved revenue and profitability for East Paper Operations resulting from a forecasted increase in sales (due to a recent increase in customer orders and seasonal demand for specialty paper products), coupled with a reduction in market downtime as compared to recent months;

c) Collection of $4.4 million of GST refunds, currently being held pending completion of a CRA audit;

d) An assumed increase in credit being provided by suppliers of approximately $8.3 million, as a result of stabilization of the business and release of the Stalking Horse Bid (as defined below). The Monitor understands that agreements have already been reached with suppliers in respect of half of this amount and management is confident that agreements can soon be reached with a sufficient number of other suppliers;

e) Forecasted cash operating losses of $2.0 million, primarily due to the costs associated with care and maintenance of the Applicant's non-operating entities and operating losses at the Gorham paper mill reflecting a decline in demand in for commodity grade papers, combined with an increase in energy costs;

f) $3.1 million of capital expenditures related to final payments associated with the completion of the Plaster Rock modernization project ($1.1 million) and maintenance capital expenditures at the operating facilities ($2.1 million);

g) $1.9 million of CCAA related restructuring costs;

h) $1.8 million of vacation pay owing to Thurso employees is being paid in accordance with the Applicants' normal payment policies; and

i) $0.5 million of incentive payments to key employees, pursuant to the KEIP discussed in the Monitor's Fifth Report to the Court.

18. Based on the cash on hand as at November 16, 2009 and the forecast DIP Financing availability, the Applicants appear to have sufficient liquidity to fund the forecast net cash outflow during the 15 Week CFF period.

19. During the CCAA proceedings, the Applicants have been operating on a cash negative basis. The 15 Week CFF shows that the Applicants will operate on a slight cash negative basis, notwithstanding the restructuring activities that have been undertaken. As a result, and due to the significant cost of the CCAA proceedings, it remains important that the restructuring continues to advance on an expedited basis.

D. STATUS OF THE CLAIMS PROCESS

20. Set out in the table below is a summary of the claims received as well as the status of the Monitor's review of same, as of the close of business on November 27, 2009:

Proof of Claims Summary As At November 27, 2009

($000's)	Received	Pre-Filing Claims Received	Restructuring Claims Received	Total Claims Received	Disallowed / Revised		Allowed (b)(f)		Dispute Notices Issued		Notes
	(#)	($)	($)	($)	(#)	($)	(#)	($)	(#)	($)	
Secured											
Lenders	7	76,090	-	76,090	6	50,000	1	26,090	-	-	(a)
Liens / Others	42	7,317	8	7,325	29	842	13	6,483	7	253	
Employee Claims	17	63,958	869	64,827	17	64,827	-	-	-	-	
Pension Claims	1	-	3,083	3,083	1	3,083	-	-	-	-	
Sub - Total	67	147,365	3,960	151,325	53	118,752	14	32,573	7	253	
Unsecured											
Lenders	1	25,000	-	25,000	-	-	1	25,000	-	-	
Trade	950	37,518	27,118	64,636	239	32,750	943	31,885	25	30,807	
Employee Claims	121	366,498	4,451	370,949	103	214,982	23	5,230	1	10	(b)
Pension Claims	14	446,371	178,857	625,228	10	495,405	4	129,823	-	-	
Sub - Total	1,086	875,387	210,426	1,085,813	352	743,137	971	191,938	26	30,817	
Total	**1,153**	**1,022,752**	**214,386**	**1,237,138**	**405**	**861,889**	**985**	**224,511**	**33**	**31,070**	(c) (d) (e) & (f)
Director & Officer Claims	10	-	-	238	10	238	-	-			
Dispute Notices still under Review									**12**	**29,915**	
Unsecured Claims still under Review							**4**	**150,700**			(b)

Notes:

(a) Allowed Secured Lender claims excludes the Brookfield Asset Management secured guarantee of $50MM provided to CIT and CIBC as it is currently included in the claims of those two lenders.

(b) Allowed/Disallowed Unsecured Employee Claims excludes 4 claims still under review totalling $150.7MM.

(c) Notices of Revision or Disallowances were issued to a total of 405 creditors, for claims disallowed in full or in part or claims filed against the wrong entity (45 claims were disallowed in full)

(d) The total allowed claims of 985 does not include 13 contingent claims, to be valued if accepted for voting and distribution purposes.

(e) In addition to the above, 49 claims totalling $1.7m were received subsequent to the Claims Bar Date, all of which were disallowed in full.

(f) Any liabilities assumed by a purchaser of the SPB,or discharged as a result of such a transaction, will have to be removed from the Allowed Claims amounts.

21. It is important to note that the allowed amounts in the table above exclude the following:

a) CIT's pre-filing secured debt totalling approximately $56 million (CIT was not required to file a proof of claim pursuant to the Initial Order and Claims Process Order);

b) a claim in respect of the US defined benefit pension plan. A proof of claim was filed by the Pension Benefit Guaranty Corp in the amount of $89 million, but it was disallowed as it was calculated using an incorrect date. The Monitor expects the claim to be refiled using the correct date;

c) claims in respect of the employees' other post employment benefits ("**OPEBs**") and supplemental employee retirement plans ("**SERP**") totalling $150.7 million have been filed, but these are still under review and hence are not included in the admitted totals;

d) any balances in respect of DIP Financing provided by the DIP Lenders;

e) Restructuring Claims (as defined in the Claims Process Order) related to future events/restructuring that may be undertaken by the Applicants; and

f) claims currently shown as disallowed, which have been appealed and will likely be adjudicated by the claims officer and which may result in additional material claims that will be allowed.

22. The high number of disallowed claims in the table above is primarily due to numerous claims being filed against the wrong Applicant entity.

23. The Monitor notes that, based on the current claims admitted to date, employee and pension deficit claims collectively represent approximately 70% of the total unsecured claims of the Applicants, which percentage is likely to increase once certain disputed claims and other outstanding matters are resolved.

E. APPLICANTS' RESTRUCTURING EFFORTS

24. Since the date of the Monitor's Fifth Report, management of the Applicants has been principally focused on a proposed transaction for the sale, and continuation as a going concern, of the Applicants' specialty paper business.

25. As noted in the December Gordon Affidavit, the Applicants have continued to review their operations to effect necessary changes, including:

a) the Applicants have repudiated 2 additional contracts since the Monitor's Fifth Report to the Court, with the consent of the Monitor, which should support the Applicants' ongoing efforts to restructure the business;

b) the Applicants have continued to negotiate towards new collective bargaining agreements ("**CBAs**") with the two unions (USW and OPEIU) at the Madawaska paper mill. To date, these negotiations have not resulted in new CBAs. As noted in the October and December Gordon Affidavits, concluding new CBAs at the Madawaska paper mill is a significant condition precedent of the Stalking Horse Bid; and

c) Pursuant to amendments to the employee pension plans, from and after October 31, 2009, no further contributions are being made on a defined benefit basis to the pension plans, and all contributions for future service from and after November 1, 2009 are being made on a defined contribution basis.

26. As also noted in the Monitor's Fifth Report, the Applicants have been looking for solutions to restart the Thurso pulp mill, that was indefinitely closed in June 2009. Since the date of the Monitor's Fifth Report, the Monitor understands that the Ministry of Economic Development, Innovation and Export of the Quebec Government ("**MEDIE")**, in conjunction with the local management of the Thurso pulp mill and the Applicants, has been trying to identify strategic partners to facilitate a restart.

27. There are ongoing discussions related to the sale of the Thurso facility. The Applicants understand that MEDIE is actively soliciting possible investors. The Monitor notes, however, there are a number of requirements and conditions for a transaction to be successful, including financing and locating an operational strategic partner, and there is currently no certainty these can be satisfied.

F. THE PROPOSED SPECIALITY PAPER BUSINESS TRANSACTION

28. As explained in both the October Gordon Affidavit and the December Gordon Affidavit, and noted in the Monitor's Fifth Report, management of the Applicants has performed a thorough analysis of each of its operations and concluded that the operations of the Applicants which have the best chance of sustained profitability in the future is the speciality paper business ("**SPB**"), which comprises:

a) The two New Brunswick lumber mills, in Juniper and Plaster Rock;

b) The pulp mill in Edmundston, New Brunswick;

c) The paper mill in Madawaska, Maine; and

d) The corporate/sales office in Portland, Maine (collectively the "**SPB Locations**").

29. Management has concluded that the business and assets comprising the SPB must be separated from the Applicants' remaining operations/assets (the Residual Assets, as defined in Section H below), to refocus the company, enhance profitability and allow the SPB operations to be extricated from the overhang of the CCAA at the earliest possible time. The Applicants propose to sell the Residual Assets over time after the sale of the SPB has been completed, unless any potential bidder is interested in any such assets as part of the SPB transaction. The Monitor concurs that a separation of the SPB from the balance of the Applicants' business and a focused effort on the sale of the SPB is prudent in the circumstances.

30. The Applicants propose that the assets that comprise the SPB (the "**SPB Assets**") be sold to a new company ("**Newco**"). Newco would be incorporated by and initially capitalized by BAM.

31. The Applicants current majority owner and a secured creditor of the Applicants, BAM, is prepared to execute an asset purchase agreement (the "**Stalking Horse Bid**") that, if approved by the Court and subject to no higher and better offer being submitted (as described in the Stalking Horse Bid Process section below), would see the SPB Assets

sold to Newco for consideration totalling approximately US$185 million (the "**Newco Purchase Price**"). A key part of the transaction is that the creditors of the Applicants receive a 49% equity interest in Newco and a Promissory Note (as defined later) granted by Newco on terms outlined in the Stalking Horse Bid and summarized below.

32. The specific SPB Assets being acquired by Newco are set out in the Stalking Horse Bid, annexed to the Gordon December Affidavit, but can be summarized as all of the tangible and intangible assets located at or used in the SPB, with certain exceptions. Certain liabilities associated with the SPB are also being assumed.

33. The Applicants and BAM negotiated the terms of the Stalking Horse Bid. The Monitor was kept apprised of the terms and status of matters and the Monitor provided input on various matters related to the Stalking Horse Bid transaction and sales process..

34. The Monitor notes that the Newco Purchase Price of $185 million is largely based on management's forecast EBITDA for the SPB in 2012 (approximately $30 million) multiplied by an EBITDA multiple of 6.

35. BAM has advised the Monitor that:

    a) the Newco Purchase Price is based on a forecast SPB EBITDA for 2012, which is approximately $11 million higher than the forecast 2010 pro-forma SPB EBITDA of $19.5 million; and

    b) it is agreeable to the transaction being market tested, as detailed in the Bid Process section below.

36. The table below breaks down the different types of consideration being received in respect of the Stalking Horse Bid:

Analysis of Stalking Horse Bid Consideration to be paid for the Speciality Papers Business

		US$ million	US$ million
Gross consideration offered by Newco * ***			185.0
Less forecast Assumed Liabilities, assumed by Newco **			(47.6)
Total net consideration received by the Applicants * ** * **			**137.4**
Net consideration received by Applicants in the form of:			
1.	$35MM of cash (used to pay off portion of existing secured debt):		
	- CIT - portion of pre-filing secured loan	10.0	
	- CIBC pre-filing loan (guaranteed by BAM)	25.0	
			35.0
2	$35MM of Preferred Shares in Newco, to be given to GNB in return for release of existing GNB security		35.0
	Total consideration received by secured creditors		70.0
3	Promissory Note from Newco * ** ***	42.4	
4	49% Common Share equity interest in Newco, with a book value of $25MM	25.0	
	Total consideration received by unsecured & other creditors * ** ***		67.4
Total net consideration received by the Applicants * ** * **			**137.4**

Notes:

* Subject to revision up (if Closing Date Net Working Capital exceeds $54MM) or down (if Closing Date Net Working Capital is less than $54MM)

** Forecast balance, capped at $47.6MM

*** Subject to a $10MM holdback

37. As can be seen from the table above, the Stalking Horse Bid provides for a maximum of $47.6 million of the BAM Purchase Price to be satisfied by way of assumption of certain specified liabilities of the SPB (the "**SPB Assumed Liabilities**"). These are detailed in the Stalking Horse Bid, but can be summarized as:

a) the post-filing ordinary course third party accounts payable and other contractual commitments in respect of the SPB and operations at the SPB Locations, including outstanding property taxes related to the SPB facilities;

b) the accrued payroll and benefits of employees who accept the offer of employment from Newco, as well as the obligations related to their post retirement benefits. It is important to note that Newco is not assuming any obligations with respect to the Applicants' pension plans; and

c) the asset retirement obligations associated with the SPB operations.

38. As can be seen from the table above, the remaining creditors of the Applicants (the "**Remaining Creditor Group**") are to receive, subject to priority claims of the DIP Lenders, the Administrative Charge beneficiaries and the Directors and Officers charge beneficiaries:

a) A promissory note (the "**Promissory Note**") from Newco, with an estimated face value of $42.4 million, the principal terms of which are as follows:

i. The face value of the Promissory Note will be increased or decreased from $42.4 million depending on whether the actual Closing Date Net Working Capital is greater than or less than estimated net working capital at the closing date (of $54 million), which adjustment is expected to be finalized within 90 days of closing;

ii. $10 million of the Promissory Note is to be held back by Newco (the "**Holdback**") in respect of losses, costs or damages incurred by Newco in respect of representations and warranties provided by the Applicants to Newco, that prove to be invalid. The Holdback will be held until the earlier of (i) 12 months has elapsed and (ii) the Applicants obtain approval of a Plan of Arrangement (as defined below) that is acceptable to Newco;

iii. The Promissory Note is non-interest bearing and unsecured. The Monitor notes that $2.4 million of the value of the Promissory Note reflects the net present value of imputed interest at a rate of 1% being accrued until the maturity date (on a non-compounded basis), discounted back at a rate of 11%;

iv. The Promissory Note is to have a term of 10 years until maturity, with no scheduled or mandatory repayments of principal until maturity;

v. The Promissory Note will not have any restrictive or positive covenants with respect to Newco (i.e. there will be no change in control provisions, excess cash flow sweep, restrictions on dividends payable to either the preferred or common shares or restrictions on redemption of the preferred shares).

b) A 49% interest in the common shares of Newco (the "**Newco Common Shares**"), with a value ascribed by the Applicants at approximately $25 million, as set out in the December Gordon Affidavit.

39. The Monitor notes that a key transaction feature of the Stalking Horse Bid is the ability of the Remaining Creditor Group to share in any increase in value of the SPB over the longer term, through its 49% common share equity interest in Newco. In addition, the Promissory Note provides structural priority over both the preferred shares (being issued to GNB) and the common shares (being issued to BAM and the Applicants) in Newco. However, it should be noted that the ability to realize the book value of the Promissory Note and the ascribed value of the Newco Common Shares is wholly dependant on the future prospects of Newco, for which no assurance can be given at this time.

40. there is no assurance that any future recovery in the value of the SPB will result in an increase in the value of the Promissory Note or Newco Common Shares.

41. The Monitor notes that the Stalking Horse Bid requires the Applicants to provide Newco with an option to purchase all of the Cdn$9.9 million of credits in respect of the Canadian Federal government's Pulp and Paper Green Transformation Plan related to the Thurso pulp mill (the "**Thurso PPTGP Credits**"), in the event the Thurso assets are sold as a going concern and the Thurso PPTGP Credits are not purchased by that purchaser. If Newco exercises this option, the consideration received by the Applicants would be an additional promissory note with the face value of the Thurso PPTGP Credits transferred,

with substantially the same terms as the Promissory Note (i.e. maturity on the same date as the Promissory Note, no scheduled principal payments and non-interest bearing).

42. The Monitor also notes that, as of the date of this report, there are a number of outstanding documents to be drafted and agreed as between Newco and the Applicants, including:

a) Finalizing the specific contracts governing the terms of the Newco Common Shares (which will likely include governance, disclosure and other related matters usually included in a shareholder agreement), the terms of the Preferred Shares (being issued to GNB) and the terms of the Promissory Note;

b) Reaching agreement on and documenting a transitional services agreement for the provision of administrative services (e.g. payroll processing, IT support, transportation co-ordination, senior management) to the Applicants by Newco on a cost effective basis. The Applicants will need to develop appropriate systems and processes to administer the Residual Assets once the SPB Assets are sold;

c) Reaching agreement on and documenting a non-competition agreement between Newco and the Applicants in respect of the Applicants manufacturing, marketing or selling certain specified paper products or specified paper grades in North America for a period of five years; and

d) Reaching agreement on and documenting an agreement whereby Newco will outsource the production of certain products for a period of three years to the Applicants (the “Tolling Agreement”, as defined in the Stalking Horse Bid).

43. The Monitor intends to review these documents once drafted and report on its findings in a future report to this Honourable Court.

44. The Monitor notes that Article 10 of the Stalking Horse Bid lists a significant number of conditions precedent (the “**Conditions Precedent**”) which are required to be satisfied

before the Stalking Horse Bid can close, with some of the more significant Conditions Precedent including:

a) Finalizing the Newco credit agreement with CIT (the "**CIT Exit Facility**");

b) Obtaining new collective bargaining agreements with the US unions in respect of the unionized employees in Madawaska on such terms as may be acceptable to Newco;

c) Newco being satisfied, in its sole and absolute discretion, that it will have no liability or obligations whatsoever for any of the Applicants' existing pension plans. In this respect, the Monitor notes that:

   i. Newco requires that the Applicants obtain amended Canadian collective bargaining agreements with the Canadian unions such that Newco will have no liability in any respect in connection with the Applicants' existing pension plans;

   ii. Newco requires the unions for both the Canadian and US employees who are offered employment by Newco to confirm that neither Newco or the Applicants or any of their officers, directors and other personnel have any liabilities with respect to the Old Hourly FP Plan and US Pension Plan (both as defined in the Stalking Horse Bid); and

   iii. While the Applicants are working with the New Brunswick pension regulators and the Pension Benefit Guarantee Corp in the US to arrive at mutually acceptable solutions, under the Stalking Horse Bid, Newco has the option to require the Applicants' pension plans to be wound up on or before the closing date.

d) Negotiating a satisfactory resolution with respect to the existing C$22.9 million of letters of credit issued in favour of NB Power, which are part of the pre-filing CIT secured debt. The Monitor understands that there is insufficient availability in the

CIT Exit Facility to permit Newco to assume these letters of credit and provide Newco with sufficient liquidity to fund its ongoing operations;

e) Obtaining final approval/vesting orders from both this Honourable Court and the US Bankruptcy Court with respect to the assets being sold;

f) Reaching satisfactory arrangements with the Applicants' remaining secured creditors with respect to the repayment of existing secured debt not being assumed by Newco; and

g) Newco receiving confirmation from the Canadian Federal government that the PPGTP Credits in a minimum amount of C$23 million can be transferred and assigned to Newco on closing.

45. It is clear from the foregoing that a number of counterparties (most notably the unions and employees) will have to make significant concessions/accommodations under the Stalking Horse Bid. At paragraph 28 of the October Gordon Affidavit, Mr. Gordon noted that any business emerging from this restructuring would likely be unable to support the Applicants significant pension deficits and funding obligations that exist today. As such, the Monitor considers it likely that a significant number of these Conditions Precedent may also be required by any other purchaser. As a result, the Monitor considers it unlikely that the Stalking Horse Bid or any other offer will close in the absence of the required concessions/accommodations being made. It should be noted that the unsecured creditors making these concessions may be able to participate in any increase in value of the SPB through their interest in the Promissory Note and Newco Common Shares.

46. The Monitor also notes that the offer of employment from Newco to the approximately 90 employees at the Juniper Mill (the "**Juniper Employees**", none of whom are members of a union) is conditional on the Juniper Mill restarting within twelve months of the Stalking Horse Bid closing, which will be very much dependant on market conditions for lumber over the next fifteen months. As such, the Juniper Employees may have

contingent claims in the CCAA proceedings for certain liabilities (e.g. severance and termination) until this decision is made.

47. The Applicants' plan of arrangement (the "**Plan of Arrangement**") will provide that the proceeds from the realizations of the Applicants' assets (i.e. proceeds from the sale of the SPB Assets and the Residual Assets) will be distributed among the Remaining Creditor Group. The Plan of Arrangement is expected to be developed in 2010, after the sale of the SPB closes.

48. In the interim, until a Plan of Arrangement is presented, it is important for all creditors to note that:

a) the Promissory Note, the Newco Common Shares and the Residual Assets are likely to be illiquid and, therefore, it may take some time for these assets to be converted into cash, with which to make a cash distribution to the Remaining Creditor Group;

b) the Promissory Note and the Newco Common Shares need to be allocated among the individual legal entities that comprise the Fraser Papers group of companies. It is likely that the sharing of these proceeds between the individual legal entities will be different and, as a result, recoveries for the creditors of each legal entity may vary; and

c) as noted above, not all of the outstanding DIP and pre-filing secured loans owing to BAM and CIT will be repaid on closing and, as a result, they will have priority to the proceeds of all realizations ahead of the Applicants' unsecured creditors.

49. The Stalking Horse Bid provides for payment of a $2 million fee (the "**Termination Fee**") payable to BAM, in the event the Stalking Horse Bid is terminated for any reason other than by mutual consent of the Applicants and Newco, or if Newco defaults on any of its representations, warranties, agreements or covenants prior to closing. The Monitor notes that the Termination Fee represents approximately 1.1% of the Newco Purchase Price, which is below current market rates, but is payable in a broad set of circumstances.

50. The Stalking Horse Bid also provides for reimbursement of up to $1 million of BAM's reasonable third party fees, costs and expenses incurred in connection with the Stalking Horse Bid (the "**Expense Reimbursement**"). The Monitor notes that the Expense Reimbursement is a mandatory payment to BAM, regardless of whether the Stalking Horse Bid is successful. The $1 million cap is increased to $1.5 million, in the event a Final Offer from a third party is accepted by the Applicants.

51. The Stalking Horse Bid document included in the motion material for the December 10, 2009 hearing had certain schedules redacted, as they contain confidential employee and other commercially sensitive data. Notwithstanding the redacted version filed with this Honourable Court, the Monitor has been provided with a full unredacted version of the Stalking Horse Bid, which will also be available to all interested parties once they have signed a confidentiality agreement.

G. THE PROPOSED BID PROCESS

52. The Monitor notes that, to date, no active marketing of the Applicants assets or operations has been performed during the CCAA proceedings. The Monitor also notes that, to date, it has not received any serious expressions of interest to invest in or acquire the Applicants and, to the knowledge of the Monitor, neither have the Applicants.

53. The Bid Process would provide a means of testing the market, gauging interest in the SPB and determining whether a more attractive transaction in respect of the SPB is available. In order to provide third parties with an opportunity to bid on the SPB Assets, the Applicants propose, and BAM has consented, to market the SPB Assets to third parties for a period of approximately 60 days (i.e. 41 days to submission of a LOI (a letter of intent, as defined below) and at least an additional 19 days for submission of a binding offer) with a view to determining whether a higher and better offer for the SPB Assets and business can be obtained.

54. Based on the current circumstances of the Applicants, the Monitor and Applicants have developed a protocol to manage the sales process (the "**Bid Process**", which will be

attached to the Order being sought in respect of the Stalking Horse Bid) that is designed to ensure that the marketing process is fair and reasonable and prospective interested parties have the ability to make a competing offer for the SPB. The Monitor will be fully involved in all aspects of the Bid Process.

55. The principal elements of the Bid Process are as follows:

a) The Bid Process is approved by this Honourable Court and the US Bankruptcy Court. At the same time, both courts are being asked to approve conditional vesting orders, which presume the Stalking Horse Bid is ultimately successful and proceeds to closing;

b) Soon after the Bid Process is approved by this Honourable Court, a teaser document is to be sent to all parties on an Interested Parties List (as defined in the Bid Process document) by the Monitor, which list has been developed by the Monitor and the Applicants;

c) Once a confidentiality agreement has been signed by any interested parties, they will receive a confidential information memorandum and access to an electronic data room. The data room is being populated by the Applicants with the assistance of the Monitor. They will also receive a copy of a template asset purchase agreement, which must form the basis for all offers, and a copy of the Bid Process document;

d) After preliminary due diligence has been conducted, interested parties are required to submit a non-binding LOI to the Monitor by 12pm EST on January 22, 2010;

e) The acceptability of any LOIs received is to be determined by the Applicants in consultation with the Monitor;

f) If no LOIs have been received and accepted by January 22, 2010, the Applicants intend to terminate the sales process and move to complete the Stalking Horse

Bid, if all the Conditions Precedent have been satisfied or waived. If the Conditions Precedent have not been satisfied or waived, the Applicants have advised the Monitor that they will re-attend before this Honourable Court to pursue an alternate strategy. The Monitor notes that in the December Gordon Affidavit, Mr. Gordon states "it is not anticipated that any of these alternatives would involve ongoing operations at any of the Applicants' facilities beyond the immediate term". The Monitor has not yet considered what alternatives would be available in this situation but notes that, without the support of all stakeholders, including the DIP Lenders, an orderly liquidation and/or piecemeal sale of certain parts of the operations would be most likely;

g) If an LOI has been received and is considered acceptable (a "**Qualifying LOI**"), additional detailed information will be provided and site visits permitted to enable more detailed due diligence to be performed by the potential purchasers;

h) Once its due diligence activities have been completed, a potential purchaser must submit a binding offer by 12pm EST on February 10, 2010 to the Monitor, along with a deposit (if the offer is accepted) in the amount of 10% of the offer price, a projected timeline to closing and a detailed listing of conditions precedent;

i) These offers will then be reviewed by the Applicants, in consultation with the Monitor, and:

i. Any offer received must result in a material increase in the net proceeds received by the Applicants, after deducting the BAM Termination Fee and Expense Reimbursement amounts (as described above);

ii. Offers that are not in a form substantially similar to the Stalking Horse Bid, have material closing conditions that are different from those of the Stalking Horse Bid, are unlikely to close by February 26, 2010, or require termination fees or expense reimbursements to the offerers will be rejected;

j) If any offers are acceptable (a "**Qualifying Bid**"), then all Qualifying Bids received will be circulated to all other potential purchasers who submitted Qualifying Bids including Newco. Each party (including Newco) will then have until 6pm EST on February 12, 2010 to submit their final best offer to the Monitor (the "**Final Offer**");

k) After review and negotiation, all Final Offers received will be submitted to the Applicants' Board of Directors, who shall have the exclusive decision making authority as to which offer to accept, if any. The Bid Process contemplates that the Applicants are not obliged to accept the highest or best offer if, in its opinion, the Stalking Horse Bid is superior and in the best interests of the Applicants' stakeholders; and

l) The accepted Final Offer will then be submitted for approval by the DIP Lenders, pre-filing secured lenders and then to both this Honourable Court and the US Bankruptcy Court for final approval, with closing of the sale to occur as soon as possible thereafter.

56. The Monitor notes that the proposed time-frame is condensed, particularly given the upcoming Christmas vacation period. However, with full cooperation of the Applicants during the proposed process period, including over the holiday period as necessary, particularly in respect of the provision of information to prospective purchasers, the Monitor believes that the deadlines proposed in the Bid Process are reasonable in the circumstances. The Monitor will report back to the court if facts or circumstances require the Applicants or the Monitor to re-evaluate the time periods or Bid Process based on facts or circumstances at that time.

H. RESIDUAL ASSETS

57. The Sale excludes the following operations and each operation's related assets (the "**Residual Assets**"):

a) The paper mill in Gorham, New Hampshire;

b) The two lumber mills in Ashland and Masardis, Maine;

c) The pulp mill in Thurso Quebec; and

d) Sundry assets that are not associated with, in whole or in part, with the SPB.

58. As noted in the Cash Flow Forecast section above, the Applicants have forecast to keep the Gorham paper mill and the Masardis lumber mill operating during the period to February 26, 2010. The Ashland lumber mill and Thurso pulp mill are not forecast to operate during this period of time.

59. As noted above, the Residual Assets will not be actively marketed until the Bid Process for the SPB is complete, unless any potential bidder is interested in any such assets as part of the SPB transaction.

60. The Monitor understands that, ultimately, all of the Residual Assets will be dealt with as part of the Plan of Arrangement, which will likely involve these assets:

a) being offered for sale and sold as a going concern (if a satisfactory offer is received); or

b) continuing to be operated in the event they are not sold and these operations generate positive cash flows; or

c) being shut down and liquidated, if the operations cannot be sold and are not, or have no reasonable prospect, of generating positive cash flow.

61. The Monitor understands that the remaining availability pursuant to the existing $20 million BAM DIP Facility, after closing of the sale of the SPB Assets, would be available to the Applicants to finance continuing operations and/or the sale/liquidation of the Residual Assets.

I. MONITOR’S ANALYSIS AND RECOMMENDATIONS

62. Based on the foregoing, the Monitor supports the approval of the Stalking Horse Bid and the Bid Process, subject to the Monitor’s ability to report back to this Honourable Court if facts and circumstances require any modification to the terms or timelines of the Bid Process .

63. It is important to note that this recommendation is based on:

a) the Monitor’s understanding and review of documents available to date. In addition to the conditions precedent required to be satisfied, there are a number of integral agreements required to be finalized (and reviewed by the Monitor) prior to the Stalking Horse Bid being effective. As such, the Monitor intends to review same and provide a further report to the Court on the results of its review once all of these documents have been finalized; and

b) the Applicants' employees and former employees (being the principal group of stakeholders in the Applicants' restructuring) will have an opportunity to provide input in the Applicants' process to maximize creditor recoveries. The Applicants have been in regular contact with the major stakeholder groups to outline the principal components of the Stalking Horse Bid. The Applicants have advised that, in conjunction with the Monitor, they intend to continue having dialogue with these groups throughout the Bid Process.

64. The Monitor is not aware of any material adverse changes to the Applicants’ operations in Canada or the US not otherwise detailed in this or prior reports, since the commencement of the Stay.

65. The Monitor is of the view that the Applicants are acting in good faith to maximize value for all stakeholders in the circumstances. The Applicants' 15 Week CFF indicates that they will have sufficient liquidity to sustain ordinary course operations through out the proposed extension of the Stay period. Accordingly, it is the Monitor's view that an extension of the Stay to February 26, 2010 is in the best interest of all stakeholders.

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

Dated at Toronto, this 8th day of December, 2009.

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

John McKenna
Senior Vice President

Appendix A

Historical Overview of the Applicants Proceedings and Summary of Previous Orders Granted

APPENDIX A

FRASER PAPERS INC. ET AL.

HISTORICAL OVERVIEW OF THE APPLICANTS PROCEEDINGS AND SUMMARY OF PREVIOUS ORDERS GRANTED

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 the Government of New Brunswick ("**GNB**"), were also authorized. A Claims Process 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. 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.

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 current and 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. Material by the CEP and the Applicants has been recently filed, but this motion in writing has not yet been determined by the Court of Appeal.

8. The extension of the stay of proceedings approved by the Court on July 15, 2009 was due to expire on October 16, 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 to permit the Applicants full motion and stay extension request, scheduled to be heard on October 22, 2009.

9. On October 22, 2009, the Applicants sought and were granted an Order of the Honourable Madame Justice Pepall, extending the Stay Period to December 4, 2009. In addition, the Honourable Justice Pepall authorized a number of modifications to the Claims Order to clarify dates and timing in respect of Notices of Disallowance and Dispute Notices as well as an Amendment to the Davies' Representative Order to include representation of former (retired) members of the International Brotherhood of Electrical Workers **("IBEW")** and current and former members of the Office and Professional Employees International Union **("OPEIU")**.

10. On December 2, 2009, the Applicants sought and were granted an Order of the Honourable Justice Pepall extending the Stay Period by one week to December 11, 2009 to permit the bringing of this motion for an extension of the Stay Period to February 26, 2010, and to file the Stalking Horse Bid and obtain approval for the Bid Process. On the same date Justice Pepall issued an Order requiring one of the Applicants trade debtors to remit payment of a substantial outstanding amount, and denying such debtor's request for equitable set-off.

Appendix B

Variances between Cash Flow Forecast and Actual

A comparison of the forecast cash flow (as presented in the Monitor's Fifth Report) to the actual receipts and disbursements for the period from October 5 to November 15, 2009 (the **"Period"**) is shown below:

Comparison of Forecast to Actual Cash Flow For the Period from October 5 to November 15, 2009			
$000	**Actual**	**Forecast**	**Variance Fav/(Unfav)**
Total Receipts	58,882	63,573	(4,691)
Disbursements:			
Raw Material Costs	38,089	39,042	953
Productions Overhead Costs	5,789	4,049	(1,740)
Selling, General & Admin Costs	5,128	5,803	675
Employee Costs	13,349	15,973	2,624
Pre-filing Debt Interest & Other Bank Charges	88	75	(13)
DIP Interest & Fees	162	361	199
Capital Expenditures - Plaster Rock	584	967	383
Capital Expenditures - Other	854	1,313	459
Other	512	1,328	816
Total Disbursements	64,555	68,911	4,356
Net Cash Flow before GNB DIP Financing	(5,673)	(5,338)	(335)
GNB DIP Financing Advances	978	856	122
Net Cash Flow after GNB DIP Financing	(4,695)	(4,482)	(213)
Opening Cash	5,754	5,404	350
Net BAM/CIT DIP Loan Advances/(Repayments)	1,309	478	831
Ending Total Cash	2,368	1,400	968

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

RECEIPTS

A $4.7 million unfavourable variance with respect to cash receipts principally due to the following:

i. An unfavourable variance of approximately $5.2 million due to GST refunds for the period from June to September, 2009 that have been delayed pending completion of a CRA audit that was recently commenced;

ii. An unfavourable temporary variance of approximately $0.4 million due to delayed GST refunds on delayed inventory purchases at the Plaster Rock lumber mill;

iii. A $0.9 million favourable variance in the collection of trade accounts receivable, primarily due to faster than anticipated collections.

DISBURSEMENTS

Raw Material Costs

A favourable variance of approximately $1.0 million in Raw Material Costs as a result of:

i. Unfavourable permanent variances totalling $1.5 million due to (i) higher than forecast chemical usage during paper production as a result of processing lower quality pulp produced during the early stages of the Edmundston sulphite mill re-start, (ii) higher than forecast third-party pulp purchases due to lower than forecast internal pulp production resulting from unscheduled downtime due to operational issues and (iii) the impact of a stronger Canadian dollar compared to the US dollar;

ii. Offset by favourable variances of approximately $2.5 million related to lower than forecast pre-filing payments, a two week deferral of inventory purchases at the Plaster Rock mill and a conservative purchasing forecast for the Masardis mill, resulting in lower than forecast log purchase costs;

Productions Overhead Costs

An unfavourable variance of $1.7 million in Productions Overhead Costs primarily due to an unfavourable temporary variance of approximately $2.5 million resulting from the earlier than forecast payment of costs associated with the planned maintenance shutdown of the Edmundston CoGen Facility, offset by a favourable permanent variance of approximately $1.1 million due to the delayed start up at Plaster Rock mill ($0.8 million) and lower than projected payments for the Masardis mill due to a conservatively forecasted budget ($0.3 million).

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

The favourable temporary variance of approximately $0.7 million in SG&A costs is primarily related to Madawaska freight costs that were forecasted to be paid during the last week of the Period, but were actually paid in the subsequent week.

Employee Costs

A favourable variance of approximately $2.6 million is primarily due to:

i. A $1.7 million favourable permanent variance due to higher than forecasted production downtime at the Madawaska paper mill and Edmundston sulphite mill;
ii. A $0.9 million favourable timing variance with respect to Gorham Paper mill employee benefits which were forecasted during the Period but paid subsequently.

DIP Interest & Fees

A favourable temporary variance of approximately $0.2 million related to delayed payment of certain DIP Financing related fees.

Capital Expenditures – Plaster Rock

A favourable temporary variance of approximately $0.4 million, due to the delayed payment of certain expenditures in connection with the Plaster Rock modernization project.

Capital Expenditures – Other

A favourable permanent variance of approximately $0.5 million due to lower than forecasted capital expenditures, as management continues to defer all non-essential capital expenditures.

Other Disbursements

A favourable variance of approximately $0.8 million in Other Disbursements primarily due to timing differences with respect to restructuring related professional fees.

Other

Since the filing date, the Applicants have made disbursements in connection with pre-filing liabilities totalling $2.0 million.

Opening Cash Balances

The actual opening balance of cash on October 5, 2009 was $5.7 million as compared to the forecast balance of $5.4 million. The favourable variance of $0.3 million relates to correction of an error in the bank statements that resulted in an overstatement of disbursements in the prior reporting period.

Appendix C

15 Week Cash Flow Forecast

Fraser Paper Inc. et al.
Combined 15 Week Cash Flow Forecast
USD (in 000's)

Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	
Week Beginning	16-Nov	23-Nov	30-Nov	7-Dec	14-Dec	21-Dec	28-Dec	4-Jan	11-Jan	18-Jan	25-Jan	1-Feb	8-Feb	15-Feb	22-Feb	15 Week	Note 1
Receipts																	
Collection of Trade Accounts Receivable	9,441	9,791	11,154	11,154	11,493	11,493	10,462	10,462	11,132	10,664	10,664	12,236	12,236	12,160	12,160	166,701	Note 2
Collection of Other Accounts Receivable	50	50	1,478	165	50	5,789	50	189	1,589	548	50	68	2,073	323	-	12,470	Note 3
Total Receipts	9,490	9,840	12,632	11,319	11,543	17,282	10,512	10,650	12,721	11,213	10,714	12,304	14,309	12,483	12,160	179,171	
Disbursements:																	
Raw Material Costs	6,018	5,277	7,137	6,166	7,629	5,719	5,497	7,471	6,110	7,510	6,563	8,124	6,354	7,542	6,114	99,229	Note 4
Production Overhead Costs	1,049	865	760	726	789	693	922	659	779	772	1,028	723	778	772	897	12,212	Note 5
Selling, General & Admin Costs	1,083	1,083	1,121	1,052	1,031	1,031	1,094	1,031	1,272	1,177	1,240	1,177	1,177	1,101	1,164	16,835	Note 6
Employee Costs	1,825	3,354	4,629	2,523	3,253	2,534	3,514	2,600	2,952	2,811	3,568	2,794	2,839	3,072	2,802	45,073	Note 7
Pre-filing Debt Interest & Other Bank Charges	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	187	Note 8
DIP Interest & Fees	16	15	54	18	19	18	52	15	256	15	53	17	18	16	54	635	Note 9
Capital Expenditures - Plaster Rock	-	376	376	376	-	-	-	-	-	-	-	-	-	-	-	1,128	Note 10
Capital Expenditures - Other	189	189	111	111	111	111	111	138	138	138	138	138	138	138	138	2,039	Note 11
Other	55	485	40	312	243	323	104	234	243	55	160	234	243	131	34	2,899	Note 12
Total Disbursements	10,248	11,656	14,241	11,297	13,088	10,442	11,306	12,161	11,763	12,492	12,763	13,220	11,561	12,785	11,214	180,237	
Net Cash Inflow/(Outflow)	**(757)**	**(1,816)**	**(1,609)**	**22**	**(1,546)**	**6,840**	**(794)**	**(1,510)**	**958**	**(1,279)**	**(2,049)**	**(916)**	**2,747**	**(302)**	**945**	**(1,066)**	
GNB DIP Funding re Plaster Rock	-	333	333	333	-	-	-	-	-	-	-	-	-	-	-	998	Note 13
Cash Flow After received DIP Funding	**(757)**	**(1,483)**	**(1,276)**	**354**	**(1,546)**	**6,840**	**(794)**	**(1,510)**	**958**	**(1,279)**	**(2,049)**	**(916)**	**2,747**	**(302)**	**945**	**(68)**	
Opening Cash Balance	2,368	1,400	1,400	1,400	1,400	1,400	3,192	2,397	1,400	1,845	1,400	1,400	1,400	1,400	1,400	**2,368**	
DIP Funding Received / (Repaid)	(211)	1,483	1,276	(354)	1,546	(5,048)	-	513	(513)	834	2,049	916	(2,747)	302	(945)	(900)	Note 14
Closing Cash Balance	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**3,192**	**2,397**	**1,400**	**1,845**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	
Cumulative DIP Funding Usage (excl. GNB DIP)	1,098	2,581	3,857	3,503	5,048	-	-	513	-	834	2,883	3,800	1,052	1,354	409	409	
Cumulative GNB DIP Funding Usage	5,602	5,935	6,267	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	

This Cash Flow Forecast must be read in conjuction with the Notes and Assumptions attached hereto and the Monitor's 6th Report dated December 8, 2009.

Fraser Papers Inc. et al.
Combined 15 Week Cash Flow Forecast
Notes and Assumptions

1 Operational status – CFF is premised on the assumption that there is no sale of the Specialty Paper Business during the period. The Edmundston, Madawaska, Gorham, Masardis and Plaster Rock mills remain open and the Juniper, Thurso and Ashland mills are expected to remain closed. The Gorham paper mill is planning market downtime during the last week of December, 2009 for two of their three machines. No other significant market downtime is planned. There is no significant maintenance outages planned during the 15 week period.

2 Collection of Third Party Trade Accounts Receivables consist of cash receipts from the Paper and Lumber operations based on management's updated revenue forecasts. The timing of cash receipt is based historical collection patterns.

3 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 refunds. $4.6M of GST refunds for the period from June to September, 2009, which are currently being held back pending an audit by the CRA, are forecasted to be collected at the end of December, 2009.

4 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 15 week period, and arrangements that have been negotiated with suppliers. Disbursements include payments of certain pre-filing amounts. The CFF assumes no significant changes in input prices (e.g. chemicals, logs, purchased pulp or biomass prices). Inventory is forecasted to remain relatively flat during the 15 week period.

5 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.

6 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.

7 Employee Costs represent salaries, wages, vacation pay, pension contributions and other post-employment benefits. Hourly payroll, salary costs and benefits are based on the forecast headcount at each mill. The CFF includes a $1.8MM payment corresponding to vacation pay earned by Thurso employees from May 1,2008 to April 30, 2009 and a $0.5MM KEIP payment, as described in the Monitor's Fifth Report to the Court. The Applicants amended the pension benefits of the NB hourly, NB salaried and US non-bargaining employees from defined benefit to defined contribution plans effective November 1, 2009. Pension contributions in the CFF represent payments to fund the Applicants' new defined contribution plans and the remaining defined benefit plans.

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

9 DIP Interest and Fees are based on the DIP Loan Financing Agreements of BAM, CIT and GNB.

10 Plastic Rock Capital Expenditures represent disbursements with respect of outstanding payables related to the mill modernization project at the Applicants' Plaster Rock lumbermill.

11 Capital Expenditures Other - primarily represent forecast maintenance CAPEX at other operations.

12 Other expenses primarily represent regular general and administrative costs pertaining to each mill, as well as professional fees in respect of the CCAA Proceedings. Professional fees associated with the CCAA Proceedings relating to Applicants' US and Canadian legal counsel, the Monitor and its legal counsel, Davies, and the sales process have been included, based on estimates of amounts expected to be incurred during the period.

13 Government of NB DIP Funding represents funding received in respect of the Plaster Rock lumbermill's modernization project.

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

15 The Consolidated 15 Week Cash Flow is denominated in USD. A US$/C$ exchange rate of $0.94 has been assumed throughout the 15 Week Cash Flow Forecast.