

**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 SUPPLEMENT TO THE NINTH REPORT TO  
THE COURT  
February 23, 2010**

**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

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

**INTRODUCTION**

1. The Applicants have brought a motion returnable on February 24, 2010 for an Order extending the existing stay of proceedings to April 9, 2010.
2. The Monitor filed its Ninth Report on February 22, 2010 in respect of this motion, but this report did not include information on the Applicants recent actual cash flows or its forecast cash flow for the period of the Stay extension being sought.
3. The purpose of this, the Monitor's supplement to the Ninth Report (the "**Ninth Report Supplement**"), is to provide the Court with information pertaining to:
  - a) The Applicants' actual receipts and disbursements for the eleven week period from November 16, 2009 to January 31, 2010 (the "**Period**"), including a variance analysis of actual cash flows as compared to forecast cash flows;

- b) The Applicants' cash flow forecast for the ten week period from February 1, 2010 to April 9, 2010 (the **"10 Week CFF"**); and
  - c) The Monitor's Analysis and Recommendations.
4. 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 nine prior reports, the affidavit of J. Peter Gordon sworn February 20, 2010 (the **"February Gordon Affidavit"**), and as defined in the Claims Process Order.
5. 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.
6. 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. ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE ELEVEN WEEK PERIOD FROM NOVEMBER 16, 2009 TO JANUARY 31, 2010**
7. As shown in the table below, the Applicants' actual net cash flow for the eleven week period from November 16, 2009 to January 31, 2010 was a net outflow of \$6.3 million (after receipt of the Government of New Brunswick (**"GNB"**) DIP Financing), which was \$3.7 million higher than the forecast.

Comparison of Combined Forecast to Actual Cash Flow For the Period from November 16, 2009 to January 31, 2010			
(US \$000)	Actual	Forecast	Variance
			Fav/(Unfav)
<b>Total Receipts</b>	125,272	127,916	(2,644)
<b>Disbursements:</b>			
Raw Material Costs	70,995	71,095	100
Productions Overhead Costs	8,939	9,042	103
Selling, General & Admin Costs	12,175	12,216	41
Employee Costs	34,258	33,565	(693)
Pre-filing Debt Interest & Other Bank Charges	156	137	(19)
DIP Interest & Fees	583	531	(53)
Capital Expenditures - Plaster Rock	1,413	1,128	(285)
Capital Expenditures - Other	1,476	1,486	10
Other	2,309	2,257	(52)
<b>Total Disbursements</b>	132,305	131,457	(848)
<b>Net Cash Flow before GNB DIP Financing</b>	(7,033)	(3,541)	(3,492)
<b>GNB DIP Financing Advances</b>	762	998	(236)
<b>Net Cash Flow after GNB DIP Financing</b>	(6,271)	(2,542)	(3,729)
Opening Cash	2,368	2,368	-
Net BAM/CIT DIP Loan Advances/(Repayments)	6,545	1,574	4,971
<b>Ending Total Cash</b>	2,642	1,400	1,242

8. Detailed explanations for each of the above variances are provided in Appendix “A”, but in summary, the principal reasons for the variances are:
- The \$2.6 million shortfall in receipts, as compared to the forecast, was primarily due to the delayed resumption of operations at the Plaster Rock mill, slower accounts receivable collections at the Madawaska and Gorham paper mills and a timing delay in the receipt of GST and HST refunds; and
  - The \$0.8 million unfavourable variance in disbursements was primarily due to higher maintenance costs at the Edmundston mill, higher employee costs in paper operations, a slower than forecast resumption of credit terms, and an increase in raw material costs at the Gorham mill, which was required to meet higher production levels. The increase in these disbursements was partially offset by lower disbursements at the Plaster Rock mill, as a result of a delay in resuming full operations, reduced spending at the Masardis, Maine mill due to reduced kiln drying and reduced finished goods production and lower than forecasted payments in respect of pre-filing liabilities.

9. As of January 31, 2010, the actual CIT DIP Financing usage was \$3.4 million, the actual BAM DIP Financing usage was \$5.0 million and the actual GNB DIP Financing usage was \$6.4 million. The \$5.0 million higher than forecast use of the combined CIT and BAM DIP Financing during the Period, reflects the \$3.7 million negative cash flow variance, discussed above, and the actual closing net cash balance being \$1.3 million greater than forecast. GNB DIP Financing usage at January 31, 2010 was \$0.2 million favourable to the forecast, due to timing differences.
  10. The net remaining DIP Financing availability as at January 31, 2010, excluding the GNB DIP Financing, was \$22.9 million, comprised of \$7.9 million and \$15.0 million of availability from CIT Business Credit Canada Inc. (“CIT”) and Brookfield Asset Management Inc. (“BAM”), respectively.
- B. APPLICANTS’ CASH FLOW FORECAST FOR THE 10 WEEK PERIOD FROM FEBRUARY 1, 2010 TO APRIL 9, 2010**
11. The 10 Week CFF, prepared by the Applicants, covers the period from February 1, 2010 to April 9, 2010, and is attached hereto as Appendix “B”.
  12. The 10 Week CFF forecasts that the Applicants will incur a net cash flow outflow from operations of approximately \$3.9 million during the Period (net of receipt of \$0.2 million of GNB DIP Financing), comprised of total receipts of approximately \$119.0 million and total disbursements of approximately \$123.0 million, which is to be funded by cash on hand as of February 1, 2010 and intermittent usage of the DIP Financing throughout the 10 week period.
  13. In addition, the 10 Week CFF assumes that the sale of the speciality paper business (“SPB”) closes in the week commencing March 29, 2010 (as discussed in more detail in the Monitor’s Ninth Report) and the \$35 million of cash proceeds from this sale are used to repay certain debt, as detailed below.

14. Significant matters of note with respect to the 10 Week CFF include:

- a) The repayment of \$53.4 million in debt upon the closing of the sale of the SPB, comprises:
  - i) The entire \$25.0 million CIBC pre-petition loan;
  - ii) The entire \$17.3 million pre-petition CIT revolving credit facility; and
  - iii) The entire CIT DIP Facility balance, forecast to be \$11.1 million at the date of closing.
- b) No proceeds from asset dispositions or sales, other than the SPB sale, are included in the 10 Week CFF. To the extent any net proceeds are received, these will enhance the liquidity position of the Applicants;
- c) Improved revenue and profitability for the SPB resulting from a forecasted improvement in paper pricing, an increase in seasonal demand for specialty paper products, and a reduction in market downtime as compared to recent months;
- d) Collection of \$1.4 million of GST and HST refunds, which were delayed due to processing issues at CRA;
- e) Net cash outflows of \$1.8 million, primarily due to the costs associated with care and maintenance of the Applicant's non-operating locations, 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) \$1.8 million of capital expenditures related to maintenance capital expenditures at the operating facilities (\$1.2 million) and payments associated with the completion of the Plaster Rock modernization project (\$0.6 million); and
- g) \$3.0 million of CCAA related restructuring costs, including \$1.0 million of BAM's third party expense reimbursements, pursuant to the SPB asset purchase

agreement (“**APA**”) and BAM’s requirement to increase the expense reimbursement cap from \$1 million to \$1.5 million as a result of extending the termination date of the APA, all as detailed in the Monitor’s Ninth Report (note, approximately \$0.5 million of BAM’s third party costs in connection with the APA have already been reimbursed to date).

15. Based on the cash on hand as at February 1, 2009 and the forecast DIP Financing availability, the Applicants appear to have sufficient liquidity to fund the forecast net cash outflow during the period covered by the 10 Week CFF.

**Cash Flow Forecast if an Orderly Liquidation of the Applicants’ assets is commenced**

16. As outlined in the Monitor’s Ninth Report and the February Gordon Affidavit, in the event the Applicants have not reached an agreement in principle with the parties required to satisfy the key conditions precedent under the APA on or before February 24, 2010, the Applicants intend to seek an Order permitting them to commence an orderly liquidation of their property, assets and undertaking, managed by the Applicants existing management personnel under the supervision of the Monitor.
17. As detailed above, the 10 Week CFF assumes operations continue as normal and the SPB sale closes in the week commencing March 29, 2010 (i.e. there is no orderly liquidation). In the event an orderly liquidation is commenced, the Applicants intend to prepare a revised cash flow forecast for the Period that will reflect the Wind Down Plan (the “**Wind Down CFF**”).
18. The Monitor’s expectations are that, based on the Wind Down Plan as currently contemplated, the Applicants liquidity should still permit the orderly liquidation, subject to the net cash flows being generally consistent with the 10 Week CFF and adequate DIP Financing continuing to be available to the Applicants.
19. The Monitor proposes to file a report on the Wind Down CFF as soon as it becomes available.

**C. MONITOR'S ANALYSIS AND RECOMMENDATIONS**

20. Based on the foregoing, it appears that the Applicants' will have sufficient liquidity to sustain ordinary course operations throughout the Period if agreement is reached in principle with the parties required to satisfy the key conditions precedent under the APA on or before February 24, 2010. Accordingly, in this circumstance, for the reasons noted in the Monitor's Ninth Report to the Court and in view of the Applicants' forecast liquidity, the Monitor confirms its recommendation that the Court approve the extension of the Stay to April 9, 2010.
21. In the event an orderly liquidation is commenced, the Monitor still recommends the extension of the Stay to April 9, 2010 in order to preserve the ability to maximize value for all stakeholders. As noted above, the Monitor will file a report on the Wind Down CFF and an assessment of the Applicants' liquidity position once the forecast becomes available.

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

Dated at Toronto, this 23<sup>rd</sup> day of February, 2010.

**PricewaterhouseCoopers Inc.**

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

A handwritten signature in black ink that reads "John McKenna". The signature is written in a cursive, flowing style.

John McKenna  
Senior Vice President



**Appendix A**

**Variances between Cash Flow Forecast and Actual Cash Flows**

**For the Period November 16, 2009 to January 31, 2010**

A comparison of the forecast cash flow (as presented in the Monitor's Sixth Report) to the actual receipts and disbursements for the period from November 16, 2009 to January 31, 2010 (the "Period") is shown below:

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Productions Overhead Costs	8,939	9,042	103
Selling, General & Admin Costs	12,175	12,216	41
Employee Costs	34,258	33,565	(693)
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Capital Expenditures - Plaster Rock	1,413	1,128	(285)
Capital Expenditures - Other	1,476	1,486	10
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<b>Total Disbursements</b>	132,305	131,457	(848)
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<b>Ending Total Cash</b>	2,642	1,400	1,242

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

## RECEIPTS

A \$2.6 million unfavourable variance with respect to cash receipts principally due to the following:

- i. An unfavourable variance of approximately \$3.8 million in the collection of trade accounts receivable as a result of:
  - a. Lumber receipts were \$3.1 million lower than forecast, primarily due to lower sales at Plaster Rock caused by lower production volumes due to delays in the restart of the operations as compared to the cash flow forecast. The shortfall in

lumber shipments was partially offset by a \$25/Mfbm increase in the average selling price;

- b. East Paper receipts were \$0.7 million lower than expected during the period due to slower than forecast collections. There was a slight increase in DSO, due to a higher proportion of sales to customers with longer payment terms; and
  - c. Higher sales at the Gorham mill during the period did not translate into higher collections as the increased sales were attributed to paper products with longer payment terms.
- ii. A favourable variance of approximately \$1.2 million in the collection of other accounts receivable, principally due to:
  - a. \$1.7 million higher than forecasted receipts in respect of the Thurso mill resulting from finalizing the care and maintenance costs funding agreement with the Quebec government in December 2009, after the prior cash flow forecast was issued;
  - b. The Applicants collected \$1.2 million for a US tax refund that was not forecast to be received during the period; and
  - c. These favourable variances were partially offset by a delay in the receipt of \$1.7 million of GST credits, principally due to delays in the federal government receiving and processing various GST and HST returns.

## **DISBURSEMENTS**

### **Raw Material Costs**

A net favourable variance of approximately \$0.1 million in Raw Material Costs as a result of:

- i. A permanent favourable variance of approximately \$3.4 million due to:
  - a. \$1.8 million lower than forecasted raw material purchases at Plaster Rock due to the delayed restart of the mill and lower wood costs on a per unit basis; and
  - b. Pre-petition payments, were \$1.1 million lower than forecast.
- ii. An unfavourable permanent variance of \$3.3 million, principally due to:
  - a. \$2.7 million higher than forecast raw material purchases at Gorham which were in response to stronger demand and production requirements; and
  - b. A stronger Canadian dollar relative to forecast resulted in a \$0.3 million increase in raw material costs due to higher input prices at the Company's Canadian operations.

### **Productions Overhead Costs**

A net favourable variance of \$0.1 million in Productions Overhead Costs primarily as a result of:

- i. Favourable permanent variances of \$3.1 million, principally due to:
  - a. \$2.3 million lower than forecasted disbursements at Plaster Rock due to the delayed start-up of the mill;

- b. Lower than forecasted spending at the Masardis mill (\$0.5 million) due to reduced kiln drying and finished goods production; and
  - c. \$0.2 million lower than forecasted care and maintenance costs at the Juniper mill.
- ii. Permanent unfavourable variances of approximately \$3.0 million, principally due to maintenance costs at East Papers being higher than forecast due, in no particular order, to (i) costs associated with an unforeseen repair of a tube leak, (ii) production issues at the pulp mill and steam plant, and (iii) higher spending on power generation caused partially by the production issues at the steam plant.

### **Selling, General & Administration (“SG&A”) Costs**

Net SG&A disbursements were largely in line with the forecast, however, lower spending (\$0.3 million) at Plaster Rock, resulting from the delayed restart of the mill was offset by higher spending at the Gorham mill due to an increased number of operating days needed to meet production requirements.

### **Employee Costs**

Employee costs were approximately \$0.7 million higher than forecast resulting from:

- i. An unfavourable permanent variance of \$2.1 million largely due to salary and benefit expenses at the Paper operations being higher than forecast, due to higher than forecast production and sales at the Gorham mill, and higher than forecast benefit costs at East Papers; partially offset by

- ii. A favourable permanent variance of \$1.4 million, primarily due to employee costs at the Plaster Rock mill being lower than forecast, due to the slower start up of the mill.

### **DIP Interest & Fees**

While DIP Interest & Fees disbursements were in line with forecast, the Applicants actually incurred \$0.2 million higher interest expense than forecast during the period due to higher DIP usage than forecast. However, due to a timing difference a large portion of the interest incurred during the Period has not yet been paid. The favourable variance created by the delay in the payment in interest was offset by BAM guarantee fees in respect of the CIBC and CIT pre-petition debt that were not included in the cash flow forecast.

### **Capital Expenditures – Plaster Rock**

Plaster Rock incurred approximately \$0.3 million in capital expenditures to refurbish a kiln that were not included in the forecast. As the capital expenditures were related to its modernization project, the Government of New Brunswick has agreed to fund the expenditures.

### **Other**

Other disbursements were largely in line with the forecast. In addition to restructuring related professional fees, Other disbursements include BAM's third party fees, costs and expenses incurred in connection with the Stalking Horse Bid. The Stalking Horse Bid provides for the mandatory reimbursement of up to \$1.0 million of BAM's reasonable third party fees, costs and expenses incurred in connection with the sale of the SPB. Subject to Court authorization, BAM

has also requested a \$0.5 million increase in this amount in view of the extended period under which negotiations have taken place.

### **Miscellaneous**

Since the filing date, the Applicants have made disbursements in connection with pre-filing liabilities totalling \$2.9 million.

**Appendix B**

**10-week Cash Flow Forecast**

**For the Period February 1 to April 9, 2010**



**Fraser Paper Inc et al.**  
**Combined 10 Week Cash Flow Forecast**  
**USD (in 000's)**

Week #	1	2	3	4	5	6	7	8	9	10	Total	
Week Beginning	1-Feb	8-Feb	15-Feb	22-Feb	1-Mar	8-Mar	15-Mar	22-Mar	29-Mar	5-Apr	10 Weeks	Note 1
<b>Receipts</b>												
Collection of Trade Accounts Receivable	12,162	12,162	12,327	12,327	11,790	11,790	12,473	11,803	12,131	3,219	112,183	Note 2
Collection of Other Accounts Receivable	-	9	-	1,504	686	433	-	1,904	1,410	836	6,782	Note 3
<b>Total Receipts</b>	12,162	12,171	12,327	13,831	12,476	12,223	12,473	13,707	13,541	4,054	118,964	
<b>Disbursements:</b>												
Raw Material Costs	8,786	7,192	7,903	7,697	8,215	7,974	8,226	7,694	7,885	2,346	73,918	Note 4
Production Overhead Costs	857	619	607	682	925	621	647	643	618	331	6,549	Note 5
Selling, General & Admin Costs	1,151	1,151	1,107	1,107	1,107	1,107	1,120	1,271	1,120	216	10,455	Note 6
Employee Costs	3,647	1,955	3,534	1,955	3,777	1,981	3,560	1,981	3,672	372	26,435	Note 7
Pre-filing Debt Interest & Other Bank Charges	12	12	12	12	12	12	12	12	12	-	112	Note 8
DIP Interest & Fees	18	24	25	24	51	25	25	26	57	316	590	Note 9
Capital Expenditures - Plaster Rock	-	-	-	454	-	-	181	-	-	-	635	Note 10
Capital Expenditures - Other	130	132	140	123	130	132	140	123	130	10	1,190	Note 11
Other	-	59	329	118	371	125	447	118	1,246	351	3,162	Note 12
<b>Total Disbursements</b>	14,601	11,144	13,657	12,172	14,588	11,977	14,359	11,868	14,739	3,942	123,048	
<b>Net Cash Inflow/(Outflow)</b>	<b>(2,439)</b>	<b>1,027</b>	<b>(1,330)</b>	<b>1,659</b>	<b>(2,113)</b>	<b>245</b>	<b>(1,886)</b>	<b>1,839</b>	<b>(1,199)</b>	<b>113</b>	<b>(4,084)</b>	
GNB DIP Funding re Plaster Rock	-	-	-	-	-	-	161	-	-	-	161	Note 13
<b>Cash Flow After Government of NB Capital Funding</b>	<b>(2,439)</b>	<b>1,027</b>	<b>(1,330)</b>	<b>1,659</b>	<b>(2,113)</b>	<b>245</b>	<b>(1,725)</b>	<b>1,839</b>	<b>(1,199)</b>	<b>113</b>	<b>(3,923)</b>	
<b>Proceeds on Sale of Specialty Paper Business</b>	-	-	-	-	-	-	-	-	35,000	-	35,000	Note 14
<b>Opening Cash Balance</b>	<b>2,676</b>	<b>1,300</b>	<b>3,200</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,401</b>	<b>2,676</b>	
CIBC Pre-filing Debt Repayment	-	-	-	-	-	-	-	-	(25,000)	-	(25,000)	Note 15
CIT Pre-filing Debt Repayment	-	-	-	-	-	-	-	-	(17,300)	-	(17,300)	Note 16
CIT DIP Loan Repayment	-	-	-	-	-	-	-	-	(11,115)	-	(11,115)	Note 16
DIP Funding Received / (Repaid)	1,063	873	(470)	(1,659)	2,113	(245)	1,724	(1,839)	19,615	(113)	21,063	Note 17
<b>Closing Cash Balance</b>	<b>1,300</b>	<b>3,200</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>1,401</b>	<b>1,400</b>	<b>1,400</b>	
<b>Cummulative DIP Funding Usage (excl. GNB DIP)</b>	9,419	10,292	9,822	8,164	10,276	10,031	11,756	9,917	18,416	18,304	18,304	
<b>Cumulative GNB DIP Funding Usage</b>	6,364	6,364	6,364	6,364	6,364	6,364	6,525	6,525	-	-	-	Note 18

**Fraser Papers Inc. et al.**  
**Combined 10 Week Cash Flow Forecast**  
**Notes and Assumptions**

- 1 Operational status – The cash flow forecast ("CFF") is premised on the assumption that the sale of the Specialty Paper Business ("SPB") will close during the week of March 29, 2010. Three of the SPB business locations (i.e. Madawaska, Edmundston and Plaster Rock) will remain open/operating until the closing and the Juniper location will remain closed. Two of the remaining locations (Gorham and Masardis) will continue to operate throughout the cash flow period and the two remaining locations (Thurso and Ashland) will remain closed. There is no significant market downtime or maintenance outages planned during the 10 week period. No proceeds from the sale or disposition of any assets are included in the 10 Week CFF.
- 2 Collection of Third Party Trade Accounts Receivables consists of cash receipts from the Paper and Lumber operations based on management's updated revenue forecasts. The timing of cash receipts is based upon historical and seasonal 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 monthly GST and HST refunds. In addition, HST and GST refunds totaling \$1.4 million for the period November 2009 to January 31, 2010 that have been submitted for processing and payment are forecasted to be collected at the end of March 2010.
- 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 10 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. pulp, log, or biomass prices). Inventory is forecasted to increase marginally (~3%) during the 10 week period due to a seasonal increase in printing paper sales.
- 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 pension contributions in the CFF are payments to the Applicants' new defined contribution pension 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 Capital Expenditures - Plastic Rock represents disbursements with respect to outstanding accounts payable from the mill modernization project at the Applicants' Plaster Rock lumber mill. The payments in the forecast represent the outstanding accounts payable related to the modernization project. The outstanding accounts payable are being paid in the normal course. The disbursements do not include the payment of any amounts owing under construction liens registered against Plaster Rock.
- 11 Capital Expenditures Other - primarily represent maintenance capital expenditures
- 12 Other expenses primarily represent the professional fees in respect of the CCAA Proceedings including the Applicants' US and Canadian legal counsel, the Monitor and its legal counsel, Davies- representative counsel for employees and former employees not otherwise represented. Expenses related to the sales process have been included, based on estimates of amounts expected to be incurred during the period. The Stalking Horse Bid provides for the mandatory reimbursement of up to \$1.0 million of BAM's reasonable third party fees, costs and expenses incurred in connection with the sale of the SPB. Subject to Court authorization, BAM has requested a \$0.5 million increase in this amount in view of the extended period under which negotiations have taken place. It is the Monitor's understanding that approximately \$0.5 million has been paid towards these fees. The remaining balance of \$1.0 million is forecast as a disbursement during the week of March 29, 2010.
- 13 Government of NB DIP Funding represents funding received in respect of the Plaster Rock lumber mill's modernization project. The DIP Funding is less than the disbursements during the CFF Period as some of the disbursements forecast for this CFF period were funded by GNB in a prior period.
- 14 Collection of Proceeds - Specialty Paper Business represents the cash proceeds from the closing of the sale of the SPB.
- 15 CIBC Repayment represents the repayment of an outstanding pre-filing loan to CIBC upon the closing of the sale of the SPB.
- 16 CIT Repayments represent the repayment of the outstanding balance of the pre-filing secured line of credit (\$17.3 million) and the DIP facility (\$11.1 million) to CIT upon the sale of the SPB.
- 17 DIP Funding represents advances received by the Applicants pursuant to the DIP Loan Financing Agreements with BAM and CIT. As noted above, the CIT DIP loan facility will be repaid concurrent with the sale of the SPB. The BAM DIP Financing Agreement will remain in place and be the sole source of DIP Financing after the SPB sale closes.
- 18 Pursuant to the SPB APA, the outstanding balance under the GNB DIP Facility will be converted to preferred shares of Newco upon the sale of the SPB.
- 19 The Consolidated 10 Week Cash Flow is denominated in USD. A US\$/C\$ exchange rate of \$0.94 has been assumed throughout the 10 Week Cash Flow Forecast.