

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

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

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO FRASER PAPERS INC./PAPIERS FRASER
INC., FPS CANADA INC., FRASER PAPERS HOLDINGS INC., FRASER TIMBER
LIMITED, FRASER PAPERS LIMITED and FRASER N.H. LLC**

Applicants

**AMENDED CONSOLIDATED PLAN OF COMPROMISE AND
ARRANGEMENT**

**PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)**

concerning, affecting and involving

**FRASER PAPERS INC./PAPIERS FRASER INC., FPS CANADA INC.,
FRASER PAPERS HOLDINGS INC., FRASER TIMBER LIMITED,
FRASER PAPERS LIMITED and FRASER N.H. LLC**

~~November 29, 2010~~

January 27, 2011

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AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

ARTICLE I INTERPRETATION

1.01 Definitions

In the Plan (including the Schedules hereto), unless otherwise stated or unless the subject matter or context otherwise requires:

“Administration Charge” means the charge in favour of the Monitor, counsel to the Monitor and the Applicants' Canadian and U.S. counsel granted pursuant to paragraph 35 of the Initial Order, as more particularly set out therein, as amended and extended to include the Claims Officers;

“Affected Claim” means any Claim that is not an Unaffected Claim;

“Affected Creditor” means any Person having an Affected Claim and includes the transferee or assignee of a transferred or assigned Affected Claim who is recognized as an Affected Creditor by the Applicants and the Monitor in accordance with the Claims Order;

“Aggregate Implementation Payment Amount” has the meaning ascribed to it in Section 4.04 herein;

“Applicable Law” means in respect of any Person, property, transaction, event or other matter, any law, statute, regulation, code, ordinance, principle of common law or equity, municipal by-law, treaty or order, domestic or foreign, applicable to that Person, property, transaction, event or other matter and all applicable requirements, requests, official directives, rules, consents, approvals, authorizations, guidelines, and policies, in each case, having the force of law, of any Governmental Authority having or purporting to have the authority over that Person, property, transaction, event or other matter and regarded by such Governmental Authority as requiring compliance;

“Applicants” means, collectively, Fraser Papers Inc./Papiers Fraser Inc., FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited and Fraser N.H. LLC;

“BAM” means Brookfield Asset Management Inc.;

“Brookfield US” means Brookfield ~~(US)~~ Corporation;

“Business Day” means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;

“**Cash**” includes legal tender, cheque, draft or funds received through electronic transfer;

“**CCAA**” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in effect as of the date of the Initial Order;

“**CCAA Charges**” means, collectively, the Administration Charge, the DIP Lender’s Charge, the Directors’ Charge and the Inter-Company Charge, in each case as defined in the Initial Order;

“**CCAA Proceedings**” means the proceedings under the CCAA commenced by the Applicants pursuant to the Initial Order;

“**CDN \$**” means Canadian dollars;

“**Chapter 15 Claims Order**” means an order issued by the U.S. Court dated August 5, 2009 within the Chapter 15 Proceedings recognizing and giving full force and effect to the Claims Order;

“**Chapter 15 Proceedings**” means the proceedings commenced by the Applicants on June 18, 2009 in the U.S. Court under Chapter 15 of the United States Bankruptcy Code Case No. 09-12123 (KJC) in which the CCAA Proceedings were recognized as a foreign main proceeding;

“**Claim**” means:

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

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

“**Claims Officers**” means John D. Ground, Andrew Diamond and such other Persons as may be designated by the Applicants, acceptable to the Monitor and approved by the Court for the purpose of resolving Unresolved Claims in accordance with the Claims Order;

“Claims Order” means the Order of the Court dated July 15, 2009 and recognized in the U.S. Court by the Chapter 15 Claims Order, as such Order may be amended, restated or varied by subsequent Order of the Court from time to time;

“Claims Process” means the Claims Process for determining the validity of Claims for voting and distribution purposes as set out in the Claims Order;

“Common Shares” means two million, four hundred and one thousand nine hundred and sixty (2,401,960) common shares of Twin Rivers issued to Fraser pursuant to a Share Certificate dated April 28, 2010 representing a 49% interest in the capital stock of Twin Rivers and having a notional value of \$24 million as at April 28, 2010;

“Continuing Obligations” has the meaning ascribed to it in the Transaction Agreement;

“Court” means the Ontario Superior Court of Justice (Commercial List);

“Creditor” means any Person having a Claim and includes, without limitation, the transferee or assignee of a Claim or a trustee, liquidator, receiver, receiver and manager, or other Person acting on behalf of such Person;

“Creditor Trust” means the trust to be formed on or before the Plan Implementation Date which shall hold any Promissory Notes, Common Shares and any Cash for the benefit of all Affected Creditors with Proven Distribution Claims other than the NB Hourly Claim and the NB Salaried Claim and except those that are resident in the U.S. pursuant to the creditor trust agreements in the proposed form ~~attached hereto as Schedule “A” and as to be~~ confirmed by the Trust Order;

~~“Creditor Trust Entitlement” means the Creditor Trust Member’s respective interest in any Cash to be distributed under the Creditor Trust determined by reference to the final allocation of the Distribution Pool contemplated herein;~~ **“Trusts”** means, collectively, the Creditor Trust and the U.S. Creditor Trust;

~~“Creditor Trust Member” means an Affected Creditor having a Proven Distribution Claim other than the NB Hourly Claim and the NB Salaried Claim;~~

“DIP Lender” means, collectively, BAM and Brookfield US;

“DIP Lender’s Charge” means the charge in favour of the DIP Lender granted pursuant to paragraph 40 of the Initial Order, as more particularly set out therein;

“Directors” means, collectively, those individuals who are or were previously directors or officers of any one or more of the Applicants and **“Director”** means, individually, any one of them;

“Directors’ Charge” means the charge in favour of the Directors created under paragraph 25 of the Initial Order, as more particularly set out therein;

“Distribution Pool” means the Promissory Notes, the Common Shares and any Cash available to the Affected Creditors with Proven Distribution Claims pursuant to and in accordance with the

Plan, which shall be held from and after the Plan Implementation Date in trust for the benefit of the Affected Creditors in one of the Trusts or in the Reserve all as more particularly described herein;

“Encumbrance” means any interest, charge, lien, claim, mortgage, lease, sublease, hypothecation, deed of trust, pledge, security interest, option, right of use or possession, right of first offer or first refusal, right of way, easement, servitude, restrictive covenant, encroachment, encumbrance, or other restriction or limitation of any kind howsoever erected or arising;

“Equity Interests” has the meaning ascribed to it in the Transaction Agreement;

“Filing Date” means June 18, 2009;

“Final Determination Date” means a date not more than seven business (7) days after all Unresolved Claims have been finally determined for distribution purposes pursuant to the Claims Order;

“FPHI” means Fraser Papers Holdings Inc.;

“FPHI Shares” has the meaning ascribed to it in the Transaction Agreement;

“Fraser” means Fraser Papers Inc./Papiers Fraser Inc., a corporation governed by the *Canada Business Corporations Act*;

“Government Priority Claims” means all Claims that fall within Section 18.2 of the CCAA;

“Governmental Authority” means any domestic or foreign government, including any federal, provincial, state, territorial or municipal government, and any government department, body, ministry, agency, tribunal, commission, board, court, bureau or other authority exercising or purporting to exercise executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government;

“Implementation Payment” has the meaning ascribed to it in Section 4.04 herein;

“Implementation Payment Date” means a date not more than seven (7) days after the Plan Implementation Date or such other date as may reasonably be determined by the Applicants in consultation with the Monitor after the Plan Implementation Date;

“Included Property” has the meaning ascribed to it in the Transaction Agreement;

“Initial Order” means the Order of the Court dated June 18, 2009, as amended, extended, restated or varied by subsequent Order of the Court from time to time;

“Inter-Company Claim” means a Claim of an Applicant against one or more of the other Applicants;

“Meeting” means the meeting of Affected Creditors to be called and held pursuant to the Meeting Order for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment of such meeting;

“Meeting Order” means an Order to be obtained in the CCAA Proceedings establishing the terms and procedure for calling the Meeting of Affected Creditors to vote on the Plan and setting the date of the Plan Sanction Hearing, as same may be amended, modified, supplemented, restated or varied by the Court from time to time;

“Monitor” means PricewaterhouseCoopers Inc., in its capacity as Court-Appointed Monitor pursuant to the Initial Order;

“NB Hourly Claim” means the Claim filed by Morneau Sobeco Limited Partnership (now Morneau Shepell Inc.) in its capacity as Administrator of the NB Hourly Plan in respect of the windup deficit of the NB Hourly Plan as of March 31, ~~2010 when such Claim becomes~~ 2010, which has been accepted as a Proven Distribution Claim in the amount of \$110,139,269;

“NB Hourly Plan” means the Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc., New Brunswick Registration #0251264;

“NB Hourly Trust” means the trust created by the NB Hourly Trust Agreement;

“NB Hourly Trust Agreement” means the declaration and agreement of trust made as of April 28, 2010 between Fraser as settler of the trust, Communications, Energy and Paperworkers Union of Canada as the union, and Doris Lavoie, Jean Clavette and Mario Theriault collectively as trustees, as same may be amended from time to time in accordance with its terms;

“NB Salaried Claim” means the Claim filed by Morneau Sobeco Limited Partnership (now Morneau Shepell Inc.) in its capacity as Administrator of the NB Salaried Plan in respect of the windup deficit of the NB Salaried Plan as of March 31, ~~2010 when such Claim becomes~~ 2010, which has been accepted as a Proven Distribution Claim in the amount of \$24,257,074;

“NB Salaried Plan” means the Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc., New Brunswick Registration #0251256;

“NB Salaried Trust” means the trust created by the NB Salaried Trust Agreement;

“NB Salaried Trust Agreement” means the declaration and agreement of trust made as of December 2, 2010 between Fraser as settler of the trust, and Don Corey, Rino Girard and Mark Fitzherbert collectively as trustees, as same may be amended from time to time in accordance with its terms;

“Non-Released Claims” has the meaning given to that term in Section 9.01 herein;

“Non-Released Parties” has the meaning given to that term in Section 9.01 herein;

“Order” means any order of the Court in the CCAA Proceedings;

“Permitted Encumbrance” has the meaning ascribed to it in the Transaction Agreement;

“Person” means any individual, corporation, limited or unlimited liability company, general or limited partnership, income fund, association, trust, pension fund, union, unincorporated organization, joint venture, government or any agency, regulatory body or instrumentality thereof, legal personal representative or litigation guardian, pension plan administrator, or any other entity howsoever designated or constituted;

“Plan” means this plan of compromise and arrangement filed by the Applicants pursuant to the CCAA, including the Schedules hereto, as same may be amended, varied or supplemented hereinafter and from time to time in accordance with the terms hereof;

“Plan Implementation Date” means the Business Day on which the conditions precedent to implementation of the Plan have been satisfied, fulfilled or waived, as applicable, and the Monitor has completed and filed its certificate with the Court in accordance with Section 7.03 of the Plan;

“Plan Sanction Hearing” means the Court hearing at which the Applicants’ motion for the Sanction Order will be heard;

“Plan Sponsor” means BAM or such other Person or Person as it may designate on or prior to the Closing Date (as defined in the Transaction Agreement), in its capacity as Purchaser and Plan Sponsor under the Transaction Agreement;

“Post-Filing Claims” means any indebtedness, liability or obligation of any kind that arises after the Filing Date from or in respect of: (a) any executory contract or unexpired lease that has not been terminated or repudiated by an Applicant; (b) the supply of services, delivery of goods, or monies advanced to any of the Applicants on or after the Filing Date; (c) all amounts to be remitted to a tax authority pursuant to paragraph 9 of the Initial Order during the period from the Filing Date to, but excluding, the Plan Implementation Date; provided that “Post Filing Claim” shall not include any Restructuring Claim;

“Prior Repayments” has the meaning given to that term in Section 4.04 herein;

“Pro Rata Share” means, in respect of any Affected Creditor of the Unsecured Creditor Class, on the Plan Implementation Date and the Final Determination Date, as applicable, the ratio determined on the date by the following formula:

$$\text{Pro Rata Share} = \frac{\text{Proven Distribution Claim of Affected Creditor in Unsecured Creditor Class} - \text{the Implementation Payment received by that Affected Creditor}}{\text{Aggregate amount of Proven Distribution Claims of all Affected Creditors in Unsecured Creditor Class} + \text{the Unresolved Claims of Affected Creditors in Unsecured Creditor Class} - \text{the cumulative amount of all Implementation Payments ;}}$$

“Promissory Notes” means, collectively, a Promissory Note in the principal amount of U.S. \$30 million from Twin Rivers in favour of Fraser dated April 28, 2010 and a Promissory Note in the

principal amount of U.S. \$10 million from Twin Rivers in favour of Fraser dated April 28, 2010 as may be adjusted in accordance with the Twin Rivers APA;

“Proof of Claim” means the form to be completed and filed by a Creditor setting forth its purported Claim in accordance with the Claims Order;

“Proven Distribution Claim” means an Affected Claim in respect of which a Proof of Claim has been or is deemed to have been filed in a proper and timely manner in accordance with the Claims Order and which has been accepted or finally determined for distribution purposes in accordance with the Claims Order;

“Proven Voting Claim” means an Affected Claim in respect of which a Proof of Claim has been or is deemed to have been filed in a proper and timely manner in accordance with the Claims Order and which has been accepted for voting purposes in accordance with the Claims Order;

“Purchased Companies” has the meaning ascribed to it in the Transaction Agreement;

“Released Claims” has the meaning given to that term in Section 9.01 herein;

“Released Parties” has the meaning given to that term in Section 9.01 herein;

“Representative Counsel” means Davies Ward Philips & Vineberg LLP appointed as counsel to the Fraser Papers’ Committee of Salaried Employees and Retirees pursuant to the Order of the Court dated September 17, 2009, as amended, extended, restated or varied by subsequent Order of the Court from time to time.

“Required Majority” means a majority in number of Affected Creditors who represent at least two-thirds in value of the Proven Voting Claims of Affected Creditors who actually vote on the resolution approving the Plan (in person, by proxy or by ballot) at the Meeting;

“Reserve” has the meaning given to that term in Section 4.09 herein;

“Restructuring Claim” means any right of any Person against one or more of the Applicants in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, repudiation or termination after the Filing Date of any contract, lease or other agreement whether written or oral, provided however, a **“Restructuring Claim”** shall not include an Unaffected Claim;

“Restructuring Claims Bar Date” means 5:00 p.m. (Eastern Standard Time) on the date which is the earlier of thirty (30) calendar days after the event giving rise to the Restructuring Claim or fourteen (14) calendar days after the Plan Implementation Date;

“Sanction Order” means an Order made by the Court under the CCAA to, among other things, sanction, authorize and approve the Plan, in a form and substance satisfactory to the Plan Sponsor, acting reasonably, as such Order may be amended by the Court from time to time;

“Sanction Recognition Order” means the order to be sought from the U.S. Court recognizing and giving effect to the Sanction Order in the Chapter 15 Proceedings including, without limitation, enforcing the Plan;

“Secured Claim” means the portion of a Claim that is: (i) secured by security validly charging or encumbering property or assets of any of the Applicants (including statutory and possessory liens that create security interests) up to the value of such collateral; (ii) duly and properly perfected in accordance with the relevant legislation in the appropriate jurisdiction as of the Filing Date or subsequently in accordance with the Initial Order; and (iii) not an Unaffected Claim;

“Secured Creditor” means any Creditor holding a Secured Claim;

“Share Certificate” means the share certificate of Twin Rivers issued to Fraser dated April 28, 2010 evidencing the issuance of the Common Shares to Fraser;

“Substantive Consolidation Order” means the Order of the Court dated November 3, 2010 authorizing and directing the Applicants to prepare the Plan on the basis of substantive consolidation of all of the Applicants, as recognized and approved by the order of the U.S. Court dated November 3, 2010;

“Taxes” means any and all taxes, duties, fees, pending assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind whatsoever (including any Claims by Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any Province or Territory of Canada, the Canada Revenue Agency and any similar revenue or taxing authority, including any municipality, of any Province or Territory of Canada), including all interest, penalties, fines and additions with respect to such amounts;

“Transaction Agreement” means the Transaction Agreement among the Applicants and the Plan Sponsor dated November ~~26~~25, 2010 attached hereto as Schedule “~~B~~A”, as the same may be amended, restated and varied from time to time in accordance with the terms thereof;

“Terminated Pension Plans” means the NB Hourly Plan, the NB Salaried Plan, the Fraser Papers Inc. Defined Contribution Pension Plan, the Régime de retraite des salaires de Papiers Fraser Inc. Pates Thurso, the Régime de retraite des syndiques de Papiers Fraser Inc. Pates Thurso and the Pension Plan for Eligible Employees of Fraser Papers Limited;

“Trust Order” means an Order made by the Court within the CCAA Proceedings authorizing Fraser to settle the Creditor ~~Trust~~Trusts, approving the form and authorizing the execution of the ~~Trust Agreement~~creditor trust agreements and confirming the appointment of the ~~trustee~~trustees of each of the Creditor ~~Trust~~Trusts;

“Trusts” means, collectively, the Creditor ~~Trust~~Trusts, the NB Hourly Trust and the NB Salaried Trust;

“Twin Rivers” means Twin Rivers Paper Company Inc., a corporation governed by the *Business Corporations Act* (Ontario);

“**Twin Rivers APA**” means the asset purchase agreement between the Applicants and BAM and/or such other Person(s) as it may designate, namely Twin Rivers and Twin Rivers Paper Company LLC dated as of December 22, 2009, as amended;

“**Unaffected Claim**” has the meaning given to that term in Section 2.04 herein;

“**Unaffected Creditor**” means a Person who has an Unaffected Claim, but only in respect of such Unaffected Claim;

“**Unresolved Claim**” means an Affected Claim that was filed on a timely basis in accordance with the Claims Order but that is in dispute for voting and/or distribution purposes as at the date of the Meeting or as at the Plan Implementation Date, as the case may be, pursuant to the Claims Order;

“**Unsecured Creditor Class**” means a class of Persons consisting of all Affected Creditors with an Affected Claim;

“**U.S.**” means United States of America;

“**U.S. \$**” means U.S. dollars;

“**U.S. Court**” means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 15 Proceedings;

“**U.S. Creditor Trust**” means the U.S. trust to be formed on or before the Plan Implementation Date which shall hold any Promissory Notes, Common Shares and any Cash for the benefit of all Affected Creditors with Proven Distribution Claims other than the NB Hourly Claim and the NB Salaried Claim that are resident in the U.S. pursuant to the creditor trust agreements in the proposed form to be confirmed by the Trust Order;

“**U.S. Sale Order**” means the order to be sought from the U.S. Court recognizing and giving effect to the Vesting Order in the Chapter 15 Proceedings and approving such sale, in a form and substance satisfactory to the Plan Sponsor, acting reasonably;

“**Vesting Order**” means one or more Orders made by the Court under the CCAA as contemplated under the Plan and the Transaction Agreement to approve and give effect to the Transaction Agreement and the transactions contemplated therein and, among other things, (i) vesting the FPHI Shares in the Plan Sponsor free and clear of all Encumbrances, (ii) vesting the Included Property in the Purchased Companies free and clear of any and all Encumbrances except Permitted Encumbrances, and (iii) extinguishing and forever barring any and all liabilities, obligations and claims of the Purchased Companies other than the Continuing Obligations, in a form and substance satisfactory to the Plan Sponsor; and

“**Website**” means the website of the Monitor, www.pwc.com/car-fraserpapers.

1.02 Certain Rules of Interpretation

In the Plan:

- (a) the division of the Plan into Articles, Sections, subsections and clauses and the use of headings and a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the contents thereof;
- (b) the terms “the Plan”, “hereof”, “hereunder”, “herein” and similar expressions refer to the Plan and not to any particular Article, Section, subsection, clause or Schedule of or to the Plan;
- (c) words importing the singular include the plural and *vice versa* and words importing any gender include all genders;
- (d) where any reference is made to a Person, including but not limited to the Applicants, Directors, DIP Lender, Plan Sponsor and Monitor, such reference shall be deemed to include all officers, directors, affiliates, employees and agents of such Person;
- (e) the words “includes” and “including” and similar terms of inclusions shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation but rather shall mean “includes without limitation”, “including without limitation”, “includes but is not limited to” and “including but not limited to”, as applicable, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (f) the word “or” is not exclusive;
- (g) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (h) all references to the CCAA are references to the CCAA as it existed on the date of the Initial Order;
- (i) all accounting terms not otherwise defined herein shall have the meanings ascribed to them, from time to time, in accordance with the Canadian generally accepted accounting principles, including those prescribed by the Canadian Institute of Chartered Accountants;
- (j) unless otherwise indicated, all references to currency and to “\$” are U.S. dollars;
- (k) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day;

- (l) unless otherwise specified, the time periods within or following which any act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day; and
- (m) whenever any action is to be taken under the Plan on a day other than a Business Day, such action shall be taken on the next succeeding Business Day.

1.03 Currency Conversion

All Affected Claims dominated in a currency other than U.S. dollars shall, for the purposes of the Plan be converted to and shall constitute obligations in U.S. dollars, such calculation to be effected using the Bank of Canada noon spot rate on the Filing Date (exchange rate conversation on such date was: U.S. \$1.00 = CAD \$1.1273).

1.04 Interest

Interest shall not accrue or be paid on any Affected Claims after the Filing Date, and no Affected Claims shall be entitled to interest accruing after or on the Filing Date.

1.05 Schedules

The following are the Schedules to the Plan:

Schedule “A” – ~~Proposed Form of Creditor Trust Agreement; Schedule “B”~~ Transaction Agreement, without schedules;

Schedule “~~C~~B” – Promissory Notes; and

Schedule “~~D~~C” – Share Certificate.

ARTICLE II PURPOSE AND EFFECT OF PLAN

2.01 Purpose

The purpose of the Plan is to implement the consummation of the Transaction Agreement and to settle Affected Claims and effect a compromise and arrangement of all Affected Claims against the Applicants in a manner that provides consistent and equitable treatment among the Affected Creditors of the Applicants and allows for the orderly allocation of the Distribution Pool to the Affected Creditors. Affected Creditors with Proven Distribution Claims will be allocated their Pro Rata Share from the Distribution Pool. The Affected Creditors’ allocated assets of the Distribution Pool will be delivered to one of the Trusts, which have been or will be established on the Plan Implementation Date. The purpose of each of the Trusts is to hold, administer and (subject to the terms of the Common Shares and the Promissory Notes) realize upon the allocated assets of the Distribution Pool held by each trust, to facilitate a future distribution of Cash to the beneficiaries of each trust.

The Plan is presented to the Affected Creditors in the expectation that all Persons with an interest in the Applicants will derive a greater benefit from the implementation of the Plan, with the support of the DIP Lender and the creation and funding of the Creditor ~~Trust~~Trusts, than would result from a bankruptcy of the Applicants.

2.02 Substantively Consolidated Plan

The Plan is presented by the Applicants to the Affected Creditors on a substantively consolidated basis in accordance with the Substantive Consolidation Order for the sole purpose of permitting Affected Creditors having Proven Voting Claims to vote on the Plan and Affected Creditors having Proven Distribution Claims to receive distributions under the Plan in accordance with the terms hereof.

Affected Creditors under the substantively consolidated Plan will have one Claim for voting and distribution purposes against the Applicants and will not have individual Claims against each Applicant.

2.03 Affected Persons

The Plan will become effective on the Plan Implementation Date and shall be binding on and enure to the benefit of the Applicants, the Directors, the Plan Sponsor, the Affected Creditors and all other Persons named or referred to in, or subject to the Plan, in accordance with its terms but, subject to Article V herein as it relates only to the transactions contemplated under the Transaction Agreement, shall not affect Unaffected Creditors with respect to and to the extent of their Unaffected Claims.

2.04 Unaffected Claims

Subject to Article V herein as it relates only to the transactions contemplated under the Transaction Agreement, the Plan does not compromise or affect the following Claims and any rights that may exist in respect thereof (collectively, the “**Unaffected Claims**”):

- (a) Claims secured by the CCAA Charges other than in respect of the Inter-Company Charge;
- (b) Claims of the Directors pursuant to an indemnity from any Applicant which are not otherwise covered by the Directors’ Charge;
- (c) any Claim against any Director that cannot be compromised due to the provisions of Section 5.1(2) of the CCAA;
- (d) Government Priority Claims;
- (e) Secured Claims; and
- (f) Post-Filing Claims.

ARTICLE III

CLASSIFICATION OF CREDITORS AND PROCEDURAL MATTERS

3.01 Classes of Creditors

For the purposes of considering and voting on the Plan, the Affected Creditors shall constitute a single class, the “**Unsecured Creditor Class**”.

3.02 Claims Procedure

Creditors shall prove their Claims, vote in respect of the Plan and receive distributions provided for under and pursuant to the Plan in accordance with the Claims Order, the Meeting Order and the Plan, as applicable.

3.03 Claims Bar Date and Restructuring Claims Bar Date

Nothing in the Plan extends or shall be interpreted as extending or amending the Claims Bar Date or the Restructuring Claims Bar Date, or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Order, the Meeting Order, the Plan and/or the Sanction Order.

3.04 No Vote or Distribution in Respect of Unaffected Claims

Notwithstanding anything to the contrary herein, no Unaffected Creditor shall be entitled to vote or receive any distributions under the Plan in respect of such Unaffected Claim. Nothing in the Plan shall affect the Applicants’ rights and defences with respect to any Unaffected Claim.

3.05 Approval by Creditors

In order to be approved by the Affected Creditors, the Plan must receive an affirmative vote by the Required Majority.

3.06 Inter-Company Claims

Notwithstanding anything to the contrary herein, the Applicants shall not be entitled to vote in respect of the Plan and shall not receive any distributions pursuant to the Plan in respect of any Inter-Company Claims or otherwise.

3.07 Meeting of Creditors

The Meeting shall be held in accordance with the Meeting Order, the Claims Order and any further Order of the Court.

3.08 Voting

Each Affected Creditor who is entitled to vote at the Meeting, pursuant to and in accordance with the Meeting Order, shall be entitled to one vote equal to the dollar value of its Affected Claim determined as a Proven Voting Claim.

3.09 Voting of Unresolved Claims

Subject to Section 3.10, each Affected Creditor holding an Unresolved Claim shall be entitled to attend the Meeting and shall be entitled to one vote as such Meeting. The Monitor shall keep a separate record of votes cast by Affected Creditors holding Unresolved Claims and shall report to the Court with respect thereto at the Plan Sanction Hearing. The votes cast in respect of any Unresolved Claim shall not be counted for any purposes unless, until and only to the extent that such Unresolved Claim is finally determined to be a Proven Voting Claim in accordance with the Claims Order, the Meeting Order, the Plan and any further Order of the Court.

3.10 Procedure for Valuing Voting Claims

The procedure for resolving Unresolved Claims for voting purposes shall be as set forth in the Claims Order, the Meeting Order, the CCAA and the Plan. The Applicants and the Monitor shall have the right to seek the assistance of the Court in valuing any Unresolved Claim in accordance with the Claims Order, the Meeting Order, the CCAA and the Plan, if required, to ascertain the result of any vote on the Plan.

ARTICLE IV TREATMENT OF CREDITORS

4.01 Compromise of Affected Claims

For the purposes of the Plan, Affected Creditors shall receive the treatment as provided in the Plan on account of their Affected Claims and on the Plan Implementation Date all Affected Claims shall be compromised, settled, released and otherwise affected in accordance with the terms of the Plan.

4.02 Unaffected Creditors

Subject to Article V herein as it relates only to the transactions contemplated under the Transaction Agreement, all Unaffected Claims shall be unaffected by the Plan.

4.03 Payment of Government Priority Claims

The Government Priority Claims shall be paid in full in Cash by the Applicants other than the Purchased Companies to Her Majesty in Right of Canada or the applicable province within six (6) months of the date of the Sanction Order, in accordance with the CCAA.

4.04 Implementation Payment

Subject to the Applicants having sufficient Cash available (the “**Aggregate Implementation Payment Amount**”) after repayment of all amounts owing to (i) the DIP Lender and secured under the DIP Lender’s Charge (including a reserve to conclude the CCAA Proceedings) and (ii) the Secured Creditors, (collectively, the “**Prior Repayments**”), a payment shall be made by the Applicants to each Affected Creditor with a Proven Distribution Claim in an amount equal to the lesser of: (i) the full amount of the Affected Creditor’s Proven Distribution Claim (if less than \$500.00); or (ii) \$500.00. If the Applicants have insufficient Cash to fund the Aggregate

Implementation Payment Amount in full after repaying the Prior Repayments, the Implementation Payment to each Affected Creditor with a Proven Distribution Claim shall be reduced on an equal basis to ensure that the Aggregate Implementation Payment Amount does not exceed the Cash available to the Applicants to make such payment. If the Cash available to the Applicants to fund a reduced Aggregate Implementation Payment Amount would result in an Implementation Payment of less than \$100.00 to each Affected Creditor with a Proven Distribution Claim, the Applicants shall not be required to incur the cost to make such distribution (such distribution made under this Section **4.04**, referred to as the “**Implementation Payment**”).

4.05 Delivery of Implementation Payment

The Implementation Payment to Affected Creditors with Proven Distribution Claims shall be made by prepaid ordinary mail by the Monitor as follows:

- (a) to the addresses set forth in the Proofs of Claim filed by such Affected Creditors in accordance with the Claims Order;
- (b) if applicable, to the addresses set forth in any written notices of address change delivered to the Monitor after the date on which any corresponding Proof of Claim was filed, provided such notice is received by the Monitor at least five (5) Business Days prior to the Plan Implementation Date; or
- (c) if applicable, and to the extent differing from the foregoing, to the address of such Affected Creditors’ respective legal representatives, in trust for such Affected Creditors.

4.06 Unclaimed Distributions

If any Person entitled to a Implementation Payment cannot be located on the Plan Implementation Date or at any time thereafter or otherwise fails to claim his Implementation Payment hereunder, then such Cash shall be segregated and set aside by the Monitor on behalf of such Person. If such Person is located within two (2) months of the Implementation Payment Date, such Cash shall be distributed to such Person by the Monitor. If such Person cannot be located within two (2) months of the Implementation Payment Date, any segregated Cash shall be added to the Reserve held by the Monitor in respect of Unresolved Claims and such Person shall be deemed to have released its Claim to such Cash and such portion of the Affected Creditors’ Claim shall be discharged and forever barred. Nothing contained in the Plan shall require the Monitor to take any steps to attempt to locate any Affected Creditor.

If any Implementation Payment is not negotiated or deposited by such Affected Creditor within the time period permitted by the Canadian Payment Association rules or other clearing rules applicable to Canadian bank accounts such that the item becomes stale-dated or otherwise not capable of being negotiated, the Applicant shall be under no obligation to re-issue a Implementation Payment to that Affected Creditor. In such event, the Affected Creditor shall be deemed to have released its interest in such Implementation Payment, and the amount of that Affected Creditor’s distribution shall be remitted to the Creditor ~~Trust~~Trusts.

4.07 Allocation of Distribution Pool to Affected Creditors and Delivery to the Trusts

On the Plan Implementation Date, the Monitor shall, after establishing the Reserve as contemplated in Section 4.09(2) herein, allocate to each Affected Creditor in the Unsecured Creditor Class with a Proven Distribution Claim its Pro Rata Share of assets remaining in the Distribution Pool, in full and final satisfaction, compromise, settlement, release and discharge of and exchange for each such Proven Distribution Claim. The Applicants, in consultation with the Monitor, shall deliver the allocated assets from the Distribution Pool in respect of the Affected Creditors with Proven Distribution Claims in the Unsecured Creditor Class in the manner contemplated in Section 4.08 herein as follows:

- (a) in respect of the NB Hourly Claim to the NB Hourly Trust;
- (b) in respect of the NB Salaried Claim to the NB Salaried Trust; and
- (c) in respect of all other Proven Distribution Claims to the Creditor ~~Trust~~Trusts in accordance with the terms of the Trust Order and the creditor trust agreements to be confirmed therein.

4.08 Delivery of Allocated Assets from Distribution Pool to the Trusts

On the Plan Implementation Date, upon being advised by the Monitor of the allocation of the Distribution Pool among the NB Hourly Trust, the NB Salaried Trust and the Creditor ~~Trust~~Trusts as contemplated in Section 4.07 herein, and establishing the amount of the Reserve as contemplated by Section 4.09 herein, the Applicants shall cause Twin Rivers to exchange the Share Certificate and the Promissory Notes for share certificates and promissory notes in the amount of the allocation in the name of the Trustee for each of the NB Hourly Trust, the NB Salaried Trust and the Creditor ~~Trust~~Trusts for the benefit of the beneficiaries of such Trusts and in the amount of the Reserve in the name of the Applicants. On the Final Determination Date, upon being advised by the Monitor of the allocation of the Reserve among the NB Hourly Trust, the NB Salaried Trust and the Creditor ~~Trust~~Trusts, the Applicants shall cause Twin Rivers to exchange the share certificates and promissory note in respect of the Reserve for share certificates and promissory notes in the amount of the allocation in the name of the Trustee for each of the NB Hourly Trust, the NB Salaried Trust and the Creditor ~~Trust~~Trusts for the benefit of the beneficiaries of the Trusts.

4.09 Unresolved Claims

(1) A Creditor holding an Unresolved Claim will not be entitled to receive an allocation, delivery or distribution under the Plan in respect thereof unless and until such Unresolved Claim becomes a Proven Distribution Claim.

(2) In the case of any Claim that is an Unresolved Claim on the Plan Implementation Date, the Applicants and the Monitor both acting reasonably (and subject to their rights to seek directions from the Court), will establish a reserve for such Unresolved Claims from the Distribution Pool and the Cash for the Implementation Payment (the “**Reserve**”). The Applicants and the Monitor shall continue to hold the Reserve for the benefit of the Affected

Creditors ultimately determined to have Proven Distribution Claims as of the Final Determination Date.

(3) If an Unresolved Claim is ultimately disallowed in whole or in part in accordance with the Claims Order after the Plan Implementation Date, any portion of the Reserve in respect of such Unresolved Claim will become available for allocation to the Affected Creditors with Proven Distribution Claims by making a further allocation to the Affected Creditors with Proven Distribution Claims in accordance with Section 4.07 herein of their Pro Rata Share of the Distribution Pool from the portion of the Reserve for such Unresolved Claims on the Final Determination Date and deliver it to the Trusts in accordance with Section 4.08 herein.

(4) On the Final Determination Date, the Monitor shall (i) allocate to the Affected Creditors with Unresolved Claims that become Proven Distribution Claims, their Pro Rata Share of the Distribution Pool from the Reserve and deliver it to the Creditor ~~Trust~~Trusts in accordance with Section 4.08 herein, (ii) pay the Implementation Payment to such Affected Creditor, and (iii) remit any remaining Cash in the Reserve to the Creditor ~~Trust~~Trusts.

4.10 Withholding Requirements

In connection with the Plan, any Implementation Payment made hereunder by the Applicants or the Monitor shall be made net of all applicable Taxes. Notwithstanding any other provision of the Plan, each Affected Creditor that is to receive an Implementation Payment pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any Governmental Authority (including income, withholding and other Tax obligations on account of such distribution). The Applicants and the Monitor, as necessary, shall be authorized to take any and all actions as may be necessary or appropriate to comply with such withholding and reporting requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Authority.

ARTICLE V TRANSACTION AGREEMENT

5.01 Incorporation of Transaction Agreement

The Plan is to be implemented, and all Court orders and other actions relating to this Plan are to be made or taken, in conjunction with the implementation of the transactions contemplated by the Transaction Agreement. The Plan shall be deemed to incorporate the terms and conditions of the Transaction Agreement as they relate to the Applicants and their respective: (a) property, assets and undertaking; and (b) debts, obligations, claims and liabilities of any kind whatsoever.

5.02 Included Property

For greater certainty, and notwithstanding any other provision of the Plan, upon implementation of the Plan and the Transaction Agreement all right, title and interest in and to: (a) the Included

Property shall be held by and vest in the Purchased Companies; and (b) the Equity Interests of FPHI shall be transferred to and vest in the Plan Sponsor; in each case free and clear of any and all charges, liens and encumbrances whatsoever.

5.03 Continuing Obligations & Release

For greater certainty, and notwithstanding any other provision of the Plan, upon implementation of the Plan and the Transaction Agreement: (a) the Purchased Companies shall have no debts, obligations, claims or liabilities whatsoever other than the Continuing Obligations; and (b) any and all debts, obligations, claims or liabilities of the Purchased Companies other than Continuing Obligations, whenever and howsoever incurred or arising, shall be deemed to have been released, waived, extinguished and forever barred as against the Purchased Companies, the Plan Sponsor, and the Plan Sponsor's Affiliates (as defined in the Transaction Agreement).

ARTICLE VI SANCTION ORDER AND VESTING ORDER

6.01 Application for Sanction Order and Vesting Order

A motion shall be brought by the Applicants seeking the Sanction Order and the Vesting Order that is to be heard by the Court as soon as reasonably practicable following the approval of the Plan by the Required Majority of the Affected Creditors.

6.02 Effect of Sanction Order and Vesting Order

In addition to approving and sanctioning the Plan, and subject to the discretion of the Court, the Sanction Order and Vesting Order shall, among other things and without limitation:

- (a) declare that (i) the Plan has been approved by the Required Majority of Affected Creditors in conformity with the CCAA; (ii) the Applicants have complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Applicants have not done nor purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) direct and authorize the Applicants and the Monitor to fulfill the obligations under the Plan, including to complete the transactions and distributions contemplated under the Plan free and clear of all Claims;
- (c) confirm the effect of the Claims Order, including, without limitation, the effect of the Claims Bar Date, the Restructuring Claims Bar Date and the releases, injunctions and prohibitions provided thereunder;
- (d) confirm the effect of the Meeting Order;
- (e) effective on the Plan Implementation Date, permanently stay all Claims and declare that the compromises effected hereby are approved, binding and effective as herein set out upon all Creditors and other Persons affected by the Plan;

- (f) effective on the Plan Implementation Date, declare that the compromises, releases and injunctions effected hereby are approved, binding and effective as of the Plan Implementation Date upon all Affected Creditors and all other Persons affected by the Plan and shall inure to the benefit of the Applicants, the Directors, the Plan Sponsor, the Monitor and all Persons affected by the Plan;
- (g) continue the stay of proceedings under the Initial Order until the CCAA Proceedings are terminated by Order of the Court;
- (h) effective on the Plan Implementation Date, declare that each of the Charges and the Unaffected Claims shall be terminated, discharged and released as against the FPHI Shares, the Purchased Companies and Included Property;
- (i) effective on the Plan Implementation Date, declare that all right, title and interest of the Applicants in and to the FPHI Shares shall vest in the Plan Sponsor free and clear of all Encumbrances;
- (j) effective on the Plan Implementation Date, declare that all right, title and interest of the Applicants (other than the Purchased Companies) in and to the Included Property shall vest in the Purchased Companies, free and clear of all Encumbrances (other than Permitted Encumbrances);
- (k) effective on the Plan Implementation Date, discharge and extinguish all Encumbrances (other than Permitted Encumbrances) on the Purchased Companies and the Included Property;
- (l) subject to Section 5.1(2) of the CCAA, effective on the Plan Implementation Date, stay any and all steps or proceedings, including, without limitation, administrative orders, declarations or assessments, commenced, taken or proceeded with against the Directors or that could have been commenced, taken or proceeded with against the Directors save for the stay of proceedings, and discharge the Directors from any liability arising as a result of their acting as a director and/or officer of any of the Applicants;
- (m) confirm the releases contemplated by Section **9.01** of the Plan;
- (n) effective on the Plan Implementation Date, permanently enjoin the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgments, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action released, discharged or terminated pursuant to the Plan;
- (o) confirm that the Monitor and the Applicants' advisors shall continue to have the benefit of the Administration Charge and the Directors shall continue to have the benefit of the Directors Charge, as provided in the Initial Order until such time as the CCAA Proceedings are terminated and all obligations secured thereby are paid in full; and

- (p) effective on the Plan Implementation Date, discharge the Inter-Company Charge and the DIP Lender Charge and, except as against the FPHL Shares and the Purchased Companies, continue the Administration Charge and the Directors' Charge until the CCAA Proceedings are terminated and all obligations secured thereby are paid in full.

ARTICLE VII CONDITIONS PRECEDENT

7.01 Conditions Precedent to Implementation of Plan

The implementation of the Plan is conditional upon the fulfilment, satisfaction or waiver by the Applicants, the Plan Sponsor and the DIP Lenders, as applicable, of the following conditions on or before the Plan Implementation Date:

- (a) the Plan being approved by the Required Majority;
- (b) the Plan terms being acceptable to the Plan Sponsor;
- (c) the Sanction Order and Vesting Order being issued by the Court on or before ~~January 13,~~February 10, 2011 or such later date as may be agreed by the Applicants and the Monitor;
- (d) the Sanction Recognition Order and the U.S. Sale Order being issued by the U.S. Court on or before ~~January 14,~~February 11, 2011 or such later date as may be agreed by the Applicants and the Monitor;
- (e) all applicable appeal periods in respect of the Sanction Order, the Sanction Recognition Order, the Vesting Order and the U.S. Sale Order having expired and any appeals therefrom having been finally disposed of by the applicable appellate tribunal;
- (f) the transactions, events and actions contemplated under the Transaction Agreement having been completed and the Applicants and the Plan Sponsor being in compliance with all of their obligations and agreements under the Transaction Agreement, the Plan, the Sanction Order, the Sanction Recognition Order, the Vesting Order and the U.S. Sale Order;
- (g) arrangements satisfactory to the Applicants and the DIP Lender having been made for the repayment of all amounts secured under the DIP Lender's Charge;
- (h) the resolution of Secured Claims on terms acceptable to the Applicants and the Monitor or pursuant to an Order of the Court;
- (i) the issuance of replacement Promissory Notes and the resolution and release of the holdback in accordance with the Twin Rivers APA;

- (j) the establishment and funding of the Creditor ~~Trust~~Trusts to hold the Promissory Notes and the Common Shares for the benefit of the Affected Creditors with Proven Distribution Claims (other than in respect of the NB Hourly Claim and the NB Salaried Claim) from and after the Plan Implementation Date as contemplated under ~~Schedule A hereto~~the Trust Order; and
- (k) the execution of releases satisfactory to the Applicants and the Directors by the administrators of the Terminated Pension Plans, the Superintendent of Pensions for New Brunswick and the Regie des rentes du Quebec; and
- (l) all relevant Persons having executed, delivered and filed all documents and other instruments and the Applicants having obtained all consents and approvals that, in the opinion of the Applicants, acting reasonably, are necessary to implement the provisions of the Plan.

7.02 Waiver

Any waiver of the conditions in Section **7.01** hereof capable of being waived shall be in writing by the Applicants, the Plan Sponsor or the DIP Lender, as applicable.

7.03 Monitor's Certificate

Upon being advised by the Applicants and the Plan Sponsor that the conditions set out in Section **7.01** hereof have been satisfied or waived, the Monitor shall file with the Court a certificate that states that all conditions precedent set out in Section **7.01** of the Plan have been satisfied or waived.

ARTICLE VIII EFFECT OF PLAN

8.01 Effect of Plan Generally

The Plan (including, without limitation, the releases and injunctions contained in the Plan), upon being sanctioned and approved by the Court pursuant to the Sanction Order and the Sanction Order being recognized by the U.S. Court pursuant to the Sanction Recognition Order, shall be binding as of the Plan Implementation Date on all Persons irrespective of the jurisdiction in which the Persons reside or in which the Claims arose and shall constitute:

- (a) a full, final and absolute settlement of all rights of the holders of all Claims; and
- (b) an absolute release and discharge of all indebtedness, liabilities and obligations of the Applicants of or in respect of the Claims.

8.02 Consents, Waivers and Agreements

On the Plan Implementation Date, each Affected Creditor shall be deemed to have consented and to have agreed to all of the provisions of the Plan in its entirety. In particular, each Affected Creditor shall be deemed:

- (a) to have executed and delivered to the Monitor and the Applicants all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety; and
- (b) to have waived any and all defaults then existing or previously committed by the Applicants in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor and the Applicants and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded.

ARTICLE IX RELEASES AND INJUNCTIONS

9.01 Release and the Released Parties

For good and valuable consideration, including, without limitation, the settlement by the Applicants of the Creditor ~~Trust~~Trusts and the distributions to be made pursuant to the Plan, every Person, (regardless of whether or not such person is a Creditor), and save and except for Unaffected Creditors with respect to their Unaffected Claims (other than as it relates to the Included Property or the Purchased Companies pursuant to the Transaction Agreement), on the Person's own behalf and on behalf of the Person's respective affiliates, present and former officers, directors, employees, associated individuals, auditors, ~~actuaries~~, beneficiaries, financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependents, heirs, representatives and assigns, as applicable, hereby fully, finally, irrevocably and unconditionally releases and forever discharges each of the Applicants, the Directors, the Monitor, the Plan Sponsor, the DIP Lender, Representative Counsel and all current and former members of all pension committees together with each of their and their affiliates' respective current and former legal representatives, directors, officers, predecessors, heirs, spouses, dependants, administrators, executors, subsidiaries, affiliates, related companies, member companies, partners, shareholders, employees, solicitors, attorneys, auditors, contractors, ~~actuaries, third party administrators~~, consultants, financial advisors, servants, agents and assigns (collectively, the "**Released Parties**" and individually, a "**Released Party**")~~, as applicable~~, of and from any and all claims, including, without limitation, all claims in respect of statutory liabilities of Directors and any alleged fiduciary (whether acting as a director, officer, member of pension committee or acting in any other capacity in connection with the administration of the Terminated Pension Plans or any other pension or benefit plans or trusts of any of the Applicants) and any and all past, present and future claims, rights, interests, actions, rights of indemnity, liabilities, demands, duties, injuries, damages, expenses, fees (including solicitors' fees and liens), costs, compensation, or causes of action of whatsoever kind or nature whether foreseen or unforeseen, known or unknown, asserted or unasserted, contingent or actual, liquidated or unliquidated, whether in tort or contract, whether statutory, at common law or in equity, based on, in connection with, arising out of, or in any way related to, in whole or in part, directly or indirectly, any act, inaction or omission existing or taking place on or prior to the Plan

Implementation Date relating to or otherwise in connection with the Applicants including, without limitation, the business and operations of the Applicants, the property of the Applicants, the CCAA Proceedings, the Chapter 15 Proceedings, all pension plans administered by the Applicants, including the Terminated Pension Plans, or in respect of which the Released Parties had any role, whether in their capacity as Directors or in any other capacity, including as or on behalf of the administrators of the Terminated Pension Plans and any other employee benefit or retirement savings plan, including without limitation any post-employment benefits and as trustees of the health and welfare trust, and all agreements with the DIP Lender (collectively, the “**Released Claims**”); and each Person shall not make or continue any claims or proceedings whatsoever based on, in connection with, arising out of, or in any way related to, in whole or in part, directly or indirectly, the substance of the facts giving rise to any matter herein released (including, without limitation, any action, cross-claim, counter-claim, third party action or application) against any Person who claims or might reasonably be expected to claim in any manner or forum against one or more of the Released Parties, including, without limitation, by way of contribution or indemnity, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, and that in the event that any of the Released Parties are added to such claim or proceeding, it will immediately discontinue any such claim or proceeding. Notwithstanding the foregoing, nothing herein shall release or discharge a Released Party from its obligations, if any, under the Plan. This Section **9.01** does not release: (i) any Unaffected Claims ~~or~~; (ii) any claim referred to in Section 5.1(2) of the CCAA or (iii) any claim against any actuarial firm or record keeper/third party administrator affiliated with such actuarial firm, whether such firm operates as a partnership, limited partnership or corporation (which for greater certainty shall not include the Released Parties) of the Terminated Pension Plans (the “**Non-Released Parties**”) solely for the several liability for such Non-Released Party’s contribution to any loss or damages (those matters included in subparagraphs (i), (ii) and (iii) being collectively referred to herein as the “**Non-Released Claims**”). For greater certainty, and notwithstanding anything else contained herein, any Non-Released Claim that may be asserted by any Person against any Non-Released Parties expressly excludes any right of such Non-Released Party to claim over, claim against or otherwise assert or pursue any rights or any claim against any of the Released Parties at any time, all of which are hereby released.

9.02 Injunction

All Persons, along with their respective affiliates, present and former officers, directors, employees, associated individuals, auditors, ~~actuaries,~~ financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependents, heirs, representatives and assigns, as applicable, are permanently and forever barred, estopped, stayed and enjoined, on and after the Plan Implementation Date, with respect to the Released Claims, from:

- (a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties;

- (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property;
- (c) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative, regulatory or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim in any manner or forum, against one or more of the Released Parties;
- (d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind; or
- (e) taking any actions to interfere with the implementation or consummation of the Plan, the Transaction Agreement or rights under the Trusts.

This Section 9.02 does not apply to ~~Unaffected~~any Non-Released Claims, ~~to any claim referred to in Section 5.1(2) of the CCAA~~ or to the enforcement of any obligations under the Plan. For greater certainty, and notwithstanding anything else contained herein, any Non-Released Claim that may be asserted by any Person against any Non-Released Parties expressly excludes any right of such Non-Released Party to claim over, claim against or otherwise assert or pursue any rights or any claim against any of the Released Parties at any time, all of which are hereby enjoined.

9.03 Carve Out to Release and Injunction

~~Notwithstanding Sections 9.01 and 9.02 herein,~~For greater certainty: (i) nothing in the Plan shall release, enjoin or compromise claims against Directors of the Applicants that are described in Section 5.1(2) of the CCAA~~the Non-Released Claims; and (ii) any Non-Released Claim that may be asserted by any Person against any Non-Released Parties expressly excludes any right of such Non-Released Party to claim over, claim against or otherwise assert or pursue any rights or any claim against any of the Released Parties at any time.~~

9.04 Inter-Company Claims

For greater certainty and for good and valuable consideration including, without limitation, the terms of the Plan and the release of all Claims as against the Applicants, each of the Applicants has agreed and shall be deemed to have agreed that, conditional only upon the implementation of the Plan on the Plan Implementation Date:

- (a) it shall not prove, nor vote, nor receive a distribution under the Plan on account of its Inter-Company Claims, if any; and

- (b) its Inter-Company Claims, if any, are hereby fully, finally, irrevocably and unconditionally waived and released and each of the other Applicants stands fully and finally released, remised and forever discharged of any and all liability in connection with such Inter-Company Claims.

ARTICLE X

PLAN AMENDMENTS OR TERMINATION

10.01 Plan Amendment

Prior to and during the Meeting, the Applicants, in consultation with the Monitor, may at any time and from time to time (subject to the approval of the Plan Sponsor) amend, modify and/or supplement the Plan by written instrument, and the Monitor shall post such amendment on the Website. The Applicants will give reasonable written notice to all Affected Creditors present at the Meeting of the details of any such amendment prior to the vote being taken to approve the Plan.

Following the Sanction Order, any amendment, modification or supplement to the Plan may be made by the Applicants by written instrument with the consent of the Monitor and the Plan Sponsor or approved by the Court provided that it concerns a matter which, in the opinion of the Applicants, the Monitor and the Plan Sponsor, each acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and to the Sanction Order and is not adverse or prejudicial to the financial or economic interests of the Affected Creditors. The Monitor shall post such amendment on the Website and the Applicants shall file the amendment to the Plan with the Court, but no additional vote of the Affected Creditors will be necessary in order to give effect to such amendment to the Plan.

Any amended, modified or supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this Section **10.01**, approved by the Court, shall, for all purposes, be and be deemed to be a part of, and be incorporated in the Plan.

10.02 Termination of the Plan

At any time prior to the Plan Implementation Date, the Applicants may, subject to further order of the Court, determine not to proceed with the Plan notwithstanding any prior approvals given at the Meeting or the obtaining of the Sanction Order.

If the conditions precedent to implementation of the Plan are not satisfied or waived, if the Applicants determine not to proceed with the Plan, or if the Sanction Order are not issued by the Court: (a) the Plan shall be null and void in all respects; (b) any document or agreement executed pursuant to the Plan shall be deemed null and void; and (c) nothing contained in the Plan, and no act taken in preparation of the consummation of the Plan, shall constitute or be deemed to constitute a waiver or release of any Claims or any defences thereto by or against any of the Applicants or any other Person.

ARTICLE XI GENERAL PROVISIONS

11.01 Severability of Plan Provisions

If, prior to the Plan Implementation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicants, may: (a) sever such term or provision from the balance of the Plan and provide the Applicants with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date; or (b) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, holding, alteration or interpretation, and provided the Applicants proceed with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, holding, alteration or interpretation. Notwithstanding the foregoing, no such severance, alteration or interpretation shall affect Unaffected Claims and the rights of Creditors with Unaffected Claims.

11.02 Advice and Directions

The Applicants and the Monitor shall each be entitled to apply to the Court from time to time for advice and directions concerning the implementation, operation and administration of the Plan.

11.03 Paramountcy

From and after the Plan Implementation Date, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, credit document, agreement for sale, by-laws of the Applicants, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and the Applicants as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority.

11.04 Responsibilities of the Monitor

The Monitor is acting solely in its capacity as Monitor in the CCAA Proceedings and shall not be responsible or liable for any obligations of the Applicants hereunder. The Monitor shall have those powers and protections granted to it by the Plan, the CCAA and by any Order of the Court in the CCAA Proceedings, including the Initial Order, the Claims Order, the Meeting Order and the Sanction Order.

11.05 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

11.06 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, mail or by facsimile addressed to the respective parties as follows:

(i) if to the Applicants:

Fraser Papers Inc.
Box 762, Suite 200
Brookfield Place, 181 Bay Street
Toronto, ON M5J 2T4

Attention: Glen McMillan, CRO
Facsimile: (416) 359-8606

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, Canadian Pacific Tower,
100 Wellington St. West, P.O. Box 329
Toronto Dominion Centre
Toronto, ON M5K 1K7

Attention: D.J. Miller
Facsimile: 416-304-1313

(ii) if to the Monitor:

PricewaterhouseCoopers Inc.
Royal Trust Tower
20th Floor, 77 King Street West
Toronto, ON M5K 1G8

Attention: John McKenna
Facsimile: (416) 941-8378

with a copy to:

Goodmans LLP
333 Bay Street, Suite 3400
Toronto ON M5H 2S7

Attention: Robert Chadwick
Facsimile: (416) 979-1234

or to such other address as any party may from time to time notify the others in accordance with this Section **11.06**. All such notices and communications that are hand delivered shall be deemed to have been received on the date of delivery, provided same is a Business Day. Any such notices and communications that are faxed shall be deemed to be received on the date faxed if sent before 5:00 p.m. on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such fax was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing if mailed within Canada and on the ninth Business Day after the date of mailing if mailed outside of Canada. The unintentional failure by the Applicants to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to the Plan.

11.07 Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, trustee, administrator, successor or assign of such Person.

11.08 Further Assurances

Notwithstanding that the transactions and events set out in the Plan shall be deemed to occur without any additional act or formality other than as set out herein, each of the Persons affected hereby shall make, do and execute or cause to be made, done or executed all such further acts, deeds, agreements, transfers, assurances, instruments, documents or discharges as may be reasonably required by the Applicants in order to implement and give effect to the Plan.

11.09 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. In the event of any dispute or issue in connection with, or related to, the interpretation, application or effect of the Plan, such dispute or issue shall be subject to the exclusive jurisdiction of the Court.

~~Date~~Dated at **Toronto, Ontario** this ~~29~~27th day of ~~November, 2010~~January, 2011.

Document comparison by Workshare Professional on January 27, 2011 7:39:42 PM

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Description	#541319v6<Client> - Amended Plan of Arrangement [January 27-11]
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